

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the third quarter and the nine-month period ended 30 September 2018
(Reviewed Financial Statements)

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THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Management's Discussion and Analysis (Reviewed Financial Statements)

Economics Outlook and Banking Industry

The Thai economy in the third quarter of 2018 showed a tendency to continue a growing trend from the previous quarter growth of 4.60 percent. Private consumption experienced good growth while private investment and government spending should continue to expand. Furthermore, the export sector is likely to continue its uptrend, following a recovering foreign demand, but at a slower rate. Tourism is also expected to have dampened growth as number of Chinese tourists declined. Although the Thai economy in the third quarter has a good sign of growth, the Monetary Policy Committee issued a resolution to maintain a policy rate at 1.50 percent per annum in order to further stimulate the economic expansion and to help ensure inflation target. However, there might be a policy rate increase in the near future. A trade war between USA and China is a key issue to be monitored closely since it will impact the Thai economy in the near future.

In the third quarter of 2018, the loan volume in the commercial bank industry is forecasted to grow slightly from the previous quarter, following the recovering economy. Deposit volume is expected to maintain with a possible build-up in fixed deposit as the market speculates an interest rate uptrend. As the policy rate of USA increased to 2.00-2.25 percent, the yield curve of Thai bonds also increased which will dictate an investment trend of the Thai commercial banks.

Key Events in the Third Quarter of 2018

1. On 27 August 2018, the Board of Directors of Thanachart Capital Public Company Limited ("the Company") had a resolution to decrease its paid-up shares due to the end of Treasury Stock Project in the amount of 41,350,000 shares, worth 1,400 million baht. The Company registered capital reduction of 413,500,000 baht with the Ministry of Commerce on 31 August 2018 which resulted in a decrease of registered and paid-up capital from 12,064,797,030 baht to 11,651,297,030 baht.
2. On 24 September 2018, the Company's Board of Directors had a resolution to approve the payment of interim dividend for the first six-month of 2018 at a rate of 1.00 baht per share to all shareholders of the Company. The determination of the name of shareholders eligible for interim dividend payment was set on 9 October 2018. The payment is scheduled to be made on 22 October 2018.

For clarification of information disclosure, Thanachart Group has submitted Management's Discussion and Analysis of Thanachart Bank and its subsidiaries separately from this report.

Financial Highlights

Financial Highlights

Reviewed Financial Statements	For the 3 months ended			For the 9 months ended	
	30-Sep-18	30-Jun-18	30-Sep-17	30-Sep-18	30-Sep-17
Operating Performance (Million Baht)					
Interest Income	11,742	11,542	11,485	34,614	33,426
Interest Expenses	3,974	3,918	3,975	11,766	11,595
Net Interest Income	7,768	7,624	7,510	22,848	21,831
Non-interest Income	2,651	3,732	3,403	9,886	9,506
Net Operating Income ⁽¹⁾	10,419	11,356	10,913	32,734	31,337
Other Operating Expenses	4,477	5,145	5,239	15,050	16,198
Pre-Provision Operating Profit (PPOP)	5,942	6,211	5,674	17,684	15,139
Impairment Loss of Loans and Debt Securities	1,233	1,448	1,696	4,112	3,917
Profit before Tax	4,709	4,763	3,978	13,572	11,222
Income Tax	919	621	340	1,727	854
Profit for the Period	3,790	4,142	3,638	11,845	10,368
Net Profit Attributable to the Company	1,870	2,051	1,788	5,820	5,065
Operating Performance Ratios (Percent)					
ROAA	1.48	1.63	1.45	1.55	1.41
ROAE ⁽²⁾	11.61	12.92	11.94	12.20	11.51
Interest Spread ⁽³⁾	2.97	2.93	2.96	2.92	2.92
Loan Spread ⁽⁴⁾	3.89	3.87	3.92	3.86	3.83
Credit Cost	0.62	0.70	0.89	0.69	0.68
Non-interest Income Ratio ⁽⁵⁾	25.45	32.86	31.19	30.20	30.34
Cost to Income Ratio ⁽⁶⁾	42.97	45.31	48.00	45.98	51.69
	30-Sep-18	30-Jun-18	31-Dec-17		
Financial Position (Million Baht)					
Loans	737,109	725,080	712,761		
Total Assets	1,018,329	1,047,562	1,025,525		
Deposits	697,096	733,965	716,091		
Total Liabilities	883,537	913,845	895,455		
Total Equity	134,792	133,717	130,070		
Financial Position Quality					
Loans to Deposits (%)	105.74	98.79	99.53		
Non-performing Loans (Million Baht)	19,967	19,511	18,894		
NPL Ratio (%)	2.52	2.35	2.40		
Coverage Ratio ⁽⁷⁾ (%)	125.04	128.87	131.06		
Reserve to Required Reserve ⁽⁸⁾ (%)	159.08	163.64	170.48		

(1) Net Operating Income = Net Interest Income + Non-interest Income

(2) ROAE is calculated from equity attributable to the Company's shareholders

(3) Interest Spread = Yield – Cost of Fund

Yield = Interest Income / Average Earning Assets

Cost of Fund = Interest Expenses / Average Paying Liabilities

(4) Loan Spread = Loan Yield – Cost of Fund

(5) Non-interest Income Ratio = Non-interest Income / Net Operating Income

(6) Cost to Income Ratio = Other Operating Expenses / Net Operating Income

(7) Coverage Ratio = Total Allowance / Non-performing Loans

(8) Reserve to Required Reserve = Total Allowance / Reserve Required by the BOT

Operating Results for the Third Quarter and the Nine-month Period of 2018

Performance Overview

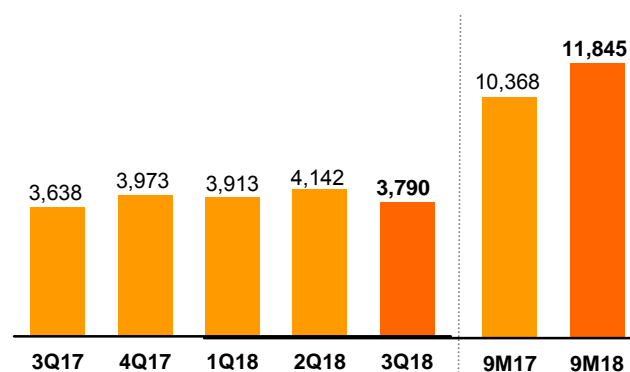
Thanachart Capital Public Company Limited (“the Company”) operates as the holding company and thus is the parent company of Thanachart Financial Business Conglomerate. The Company’s performance is mainly from the performance of Thanachart Bank and its subsidiaries. The Company holds shares in Thanachart Bank 50.96 percent. As a result, profit attributable to the Company is calculated from the proportion shareholding of the Company in each subsidiary company. In order to compare its operating results with other companies’ in the industry, the financial information presented in this report is based on consolidated financial statements.

In the third quarter of 2018, the Company and its subsidiaries’ net profit according to the consolidated financial statements amounted to 3,790 million baht, a decrease of 352 million baht or 8.50 percent from the previous quarter. This was mainly from the decrease of non-interest income as well as the increase in income tax which was due to the fact that Thanachart Bank fully utilized all its tax benefit in May 2018. However, Thanachart Bank and its subsidiaries still continued having growth in their core businesses. As a result, , net profit according to the consolidated financial statements of the Company and its subsidiaries for the nine-month period of 2018 amounted to 11,845 million baht, an increase of 1,477 million baht or 14.25 percent from the same period last year. This was a result of the increase in total income and the effective cost management.

On assets side, Thanachart Group had a loan growth of 3.42 percent from the end of last year. The growth was mainly from retail loans, especially hire purchase loans and SME loans. Deposits decreased from certificate of deposits while savings deposits increased. As a result, CASA ratio accounted for 48.59 percent, an increase from 42.92 at the end of last year.

NPLs of Thanachart Group increased by 5.68 percent from the end of 2017. As a result, **NPL ratio increased to 2.52 percent. Coverage ratio** stayed at **125.04 percent. On capital fund, TBANK had capital adequacy ratio of 19.32 percent.**

Net Profit of Thanachart Group (Million Baht)



In the third quarter of 2018, net profit attributable to the Company was 1,870 million baht, a decrease of 181 million baht or 8.82 percent from the previous quarter. Earning per share (EPS) was 1.60 baht, a decrease from 1.76 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company’s shareholders were at 1.48 percent and 11.61 percent, respectively.

For the nine-month period of 2018, net profit attributable to the Company was 5,820 million baht, an increase of 755 million baht or 14.91 percent from the same period last year. EPS was 4.99 baht, an increase from 4.35 baht. ROAA and ROAE of the Company’s shareholders were at 1.55 percent and 12.20 percent respectively.

Summary of Key Operating Results

Summary of key operating results in **the third quarter of 2018 comparing with the second quarter of 2018** is as follows:

- Net profit of Thanachart Group amounted to 3,790 million baht, a decrease of 8.50 percent.
- Net profit of the Company amounted to 1,870 million baht, a decrease of 8.82 percent.
- Net interest income increased by 1.89 percent from loans growth which grew by 1.66 Q-Q and the increase of interest spread which widened to 2.97 percent.
- Non-interest income decreased by 28.97 percent, mainly from a reduction of gains (loss) on investments.
- Operating expenses decreased by 12.98 percent.
- Impairment loss of loans and debt securities decreased by 14.85 percent.
- NPL ratio stayed at 2.52 percent, an increase from 2.40 percent at the end of last year.

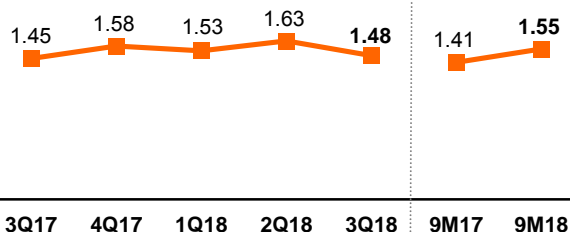
Summary of key operating results in **the nine-month period of 2018 comparing with the same period last year** is as follows:

- Net profit of Thanachart Group amounted to 11,845 million baht, an increase of 14.25 percent.
- Net profit of the Company amounted to 5,820 million baht, an increase of 14.91 percent.
- Net interest income increased by 4.66 percent from the expansion of loans while interest spread was stable at 2.92 percent.
- Non-interest income increased by 4.00 percent, mainly from net fees and service income.
- Operating expenses decreased by 7.09 percent from effective cost management.
- Impairment loss of loans and debt securities increased by 4.98 percent in line with loan growth.
- Profit before tax increased by 20.94 percent from the growth of its core business and the effective cost management.

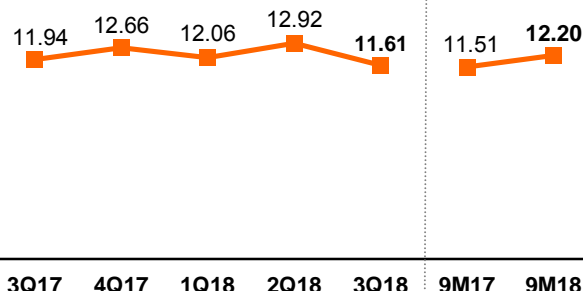
Net Profit (Million Baht)

Reviewed Financial Statements	For the 3 months ended			For the 9 months ended	
	30-Sep-18	30-Jun-18	30-Sep-17	30-Sep-18	30-Sep-17
Net Profit (Million Baht)					
Profit for the Period	3,790	4,142	3,638	11,845	10,368
Net Profit Attributable to the Company	1,870	2,051	1,788	5,820	5,065
Net Profit Attributable to Non-controlling Interest	1,920	2,091	1,850	6,025	5,303
Basic Earning per Share (Baht)	1.60	1.76	1.53	4.99	4.35

ROAA (Percent)



ROAE* (Percent)



*Equity attributable to the Company's shareholders

Net Interest Income

Net Interest Income (Million Baht)

	3Q18	2Q18	Change		9M18	9M17	Change	
			+ / (-)	%			+ / (-)	%
Interest Income	11,742	11,542	200	1.73	34,614	33,426	1,188	3.55
Interbank and Money Market Items	467	448	19	4.24	1,398	957	441	46.08
Investments for Tradings	73	56	17	30.36	192	183	9	4.92
Investments for Debts Securities	652	682	(30)	(4.40)	1,975	2,496	(521)	(20.87)
Loans	4,431	4,404	27	0.61	13,149	13,416	(267)	(1.99)
Hire Purchase and Financial Leases	6,119	5,952	167	2.81	17,900	16,374	1,526	9.32
Interest Expenses	3,974	3,918	56	1.43	11,766	11,595	171	1.47
Deposits	2,257	2,250	7	0.31	6,765	6,419	346	5.39
Interbank and Money Market Items	277	240	37	15.42	717	592	125	21.11
Fund Contributed to FIDF and DPA	869	870	(1)	(0.11)	2,601	2,485	116	4.67
Debts Issued	568	555	13	2.34	1,675	2,093	(418)	(19.97)
Borrowing Fee	3	3	-	-	8	6	2	33.33
Net Interest Income	7,768	7,624	144	1.89	22,848	21,831	1,017	4.66

In the third quarter of 2018, the Company and its subsidiaries had 7,768 million baht in net interest income, an increase of 144 million baht or 1.89 percent from the previous quarter. Interest Spread was at 2.97 percent, an increase from 2.93 percent.

- Interest income amounted to 11,742 million baht, an increase of 200 million baht or 1.73 percent from the expansion of loans, especially the hire purchase loans as well as the increase in yield on earning assets.
- Interest expenses amounted to 3,974 million baht, an increase of 56 million baht or 1.43 percent.

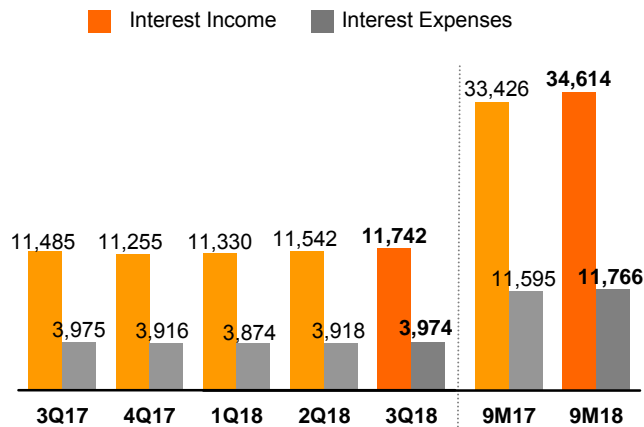
For the nine-month period of 2018, the Company and its subsidiaries had 22,848 million baht in net interest income, an increase of 1,017 million baht or 4.66 percent from the same period last year. Interest Spread was at 2.92 percent, stable from the same period last year.

- Interest income was 34,614 million baht, an increase of 1,188 million baht or 3.55 percent. This was from the expansion of loans, especially the hire purchase loans despite a decrease in yield on earning assets.
- Interest expenses were 11,766 million baht, an increase of 171 million baht or 1.47 percent. This was due to the increase in average balance of deposits.

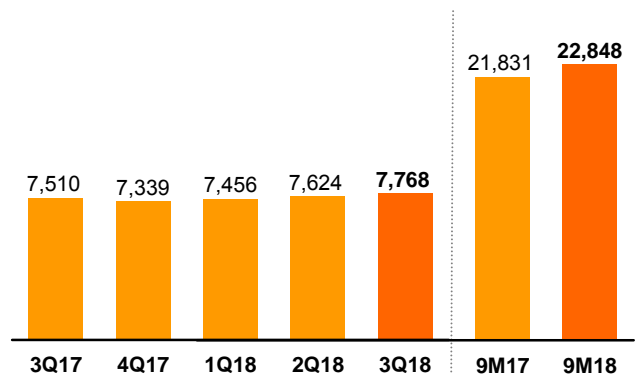
Yield, Cost of Fund, and Interest Spread (Percent)

	3Q18	2Q18	1Q18	4Q17	3Q17	9M18	9M17
Average Policy Interest Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Yield	4.84	4.81	4.74	4.74	4.87	4.81	4.83
Cost of Fund	1.87	1.88	1.89	1.87	1.91	1.89	1.91
Interest Spread	2.97	2.93	2.85	2.87	2.96	2.92	2.92

Interest Income and Interest Expenses (Million Baht)



Net Interest Income (Million Baht)



Non-interest Income

Non-interest Income (Million Baht)								
	3Q18	2Q18	Change		9M18	9M17	Change	
			+ / (-)	%			+ / (-)	%
Net Fees and Service Income	1,643	1,572	71	4.52	4,921	4,223	698	16.53
Gains on Trading and F/X Transactions	31	15	16	106.67	198	491	(293)	(59.67)
Gains (Loss) on Investments	(500)	393	(893)	(227.23)	360	1,127	(767)	(68.06)
Share of Profit from Investments in Associated Companies Accounted for under Equity Method	175	101	74	73.27	354	269	85	31.60
Gains (Loss) on Properties Foreclose and Other Assets	42	288	(246)	(85.42)	313	64	249	389.06
Net Insurance / Life Insurance Income	722	765	(43)	(5.62)	2,155	1,841	314	17.06
Dividend Income	95	250	(155)	(62.00)	439	490	(51)	(10.41)
Other Income	443	348	95	27.30	1,146	1,001	145	14.49
Total Operating Income	1,008	2,160	(1,152)	(53.33)	4,965	5,283	(318)	(6.02)
Total Non-interest Income	2,651	3,732	(1,081)	(28.97)	9,886	9,506	380	4.00

Non-interest income of the Company and its subsidiaries in the third quarter of 2018 amounted to 2,651 million baht, a decrease of 1,081 million baht or 28.97 percent from the previous quarter. This was mainly due to the following.

- Net fees and service income amounted to 1,643 million baht, an increase of 71 million baht or 4.52 percent. This was mainly due to the increases in commission received from selling life insurance and other fees.
- Other operating income amounted to 1,008 million baht, a decrease of 1,152 million baht or 53.33 percent. This was mainly due to the decrease of 893 million baht in gains (loss) on investments from portfolio adjustment to be appropriate with the market condition; the decrease of 246 million baht in gains on properties foreclose; the decrease of 155 million baht in dividend income which was from seasonality.

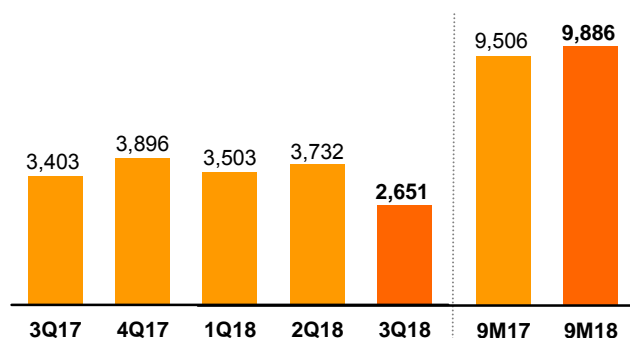
As a result, non-interest income ratio in the third quarter of 2018 was at 25.45 percent, a decrease from that in the previous quarter of 32.86 percent.

Non-interest income of the Company and its subsidiaries in the nine-month period of 2018 was 9,886 million baht, an increase of 380 million baht or 4.00 percent from the same period last year. This was mainly due to the following.

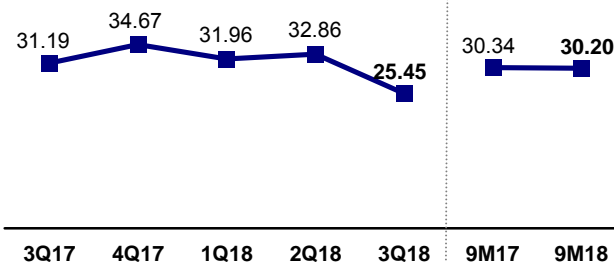
- Net fees and service income amounted to 4,921 million baht, an increase of 698 million baht or 16.53 percent. This was due mainly to the increases in fund management fees and commission received from selling insurance / life insurance.
- Other operating income amounted to 4,965 million baht, a decrease of 318 million baht or 6.02 percent. This was mainly due to the decrease of 767 million baht in gains (loss) on investments from portfolio adjustment to be appropriate with the market condition.

As a result, non-interest income ratio in the nine-month period of 2018 was at 30.20 percent, a slight decrease from 30.34 percent of the same period last year.

Non-interest Income (Million Baht)



Non-interest Income Ratio (Percent)



Other Operating Expenses

Other Operating Expenses (Million Baht)

	3Q18	2Q18	Change		9M18	9M17	Change	
			+ / (-)	%			+ / (-)	%
Employee's Expenses	2,716	2,856	(140)	(4.90)	8,516	9,330	(814)	(8.72)
Premises and Equipment Expenses	657	653	4	0.61	1,959	2,131	(172)	(8.07)
Taxes and Duties	183	187	(4)	(2.14)	550	564	(14)	(2.48)
Directors' Remuneration	12	65	(53)	(81.54)	89	80	9	11.25
Other Expenses	909	1,384	(475)	(34.32)	3,936	4,093	(157)	(3.84)
Total Other Operating Expenses	4,477	5,145	(668)	(12.98)	15,050	16,198	(1,148)	(7.09)

In the third quarter of 2018, other operating expenses of the Company and its subsidiaries amounted to 4,477 million baht, a decrease of 668 million baht or 12.98 percent from the previous quarter. As a result, cost to income ratio in this quarter was 42.97 percent, a decrease from 45.31 percent in the previous quarter.

For the nine-month period of 2018, other operating expenses of the Company and its subsidiaries amounted to 15,050 million baht, a decrease of 1,148 million baht or 7.09 percent from the same period last year, due to the effective cost management. As a result, cost to income ratio in the nine-month period of 2018 was 45.98 percent, a decrease from the same period last year of 51.69 percent.

Impairment Loss of Loans and Debt Securities

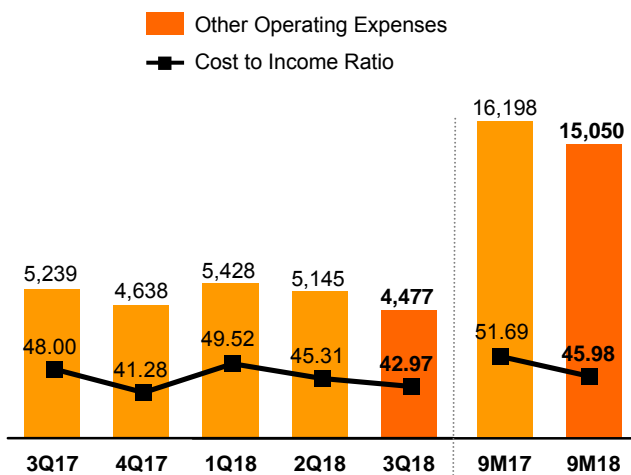
Impairment Loss of Loans and Debt Securities (Million Baht)

	3Q18	2Q18	Change		9M18	9M17	Change	
			+ / (-)	%			+ / (-)	%
Impairment Loss of Loans and Debt Securities	1,233	1,448	(215)	(14.85)	4,112	3,917	195	4.98
Credit Cost (%)	0.62	0.70	(0.08)	(11.43)	0.69	0.68	0.01	1.47

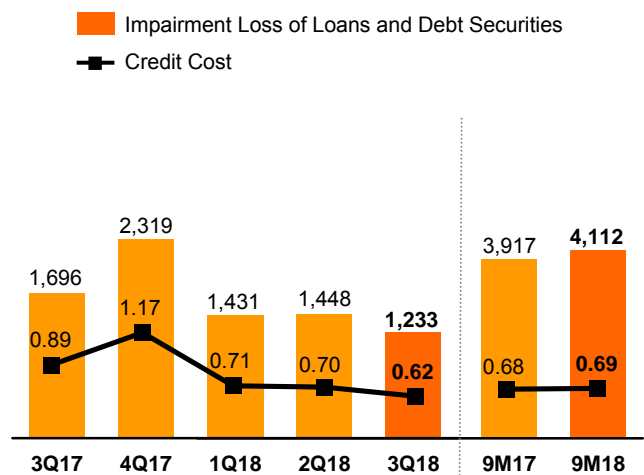
In the third quarter of 2018, the Company and its subsidiaries had impairment loss of loans and debt securities in the amount of 1,233 million baht, a decrease of 215 million baht or 14.85 percent from the previous quarter. As a result, credit cost was at 0.62 percent, a decrease from 0.70 percent.

For the nine-month period of 2018, the Company and its subsidiaries had impairment loss of loans and debt securities amounting to 4,112 million baht, an increase of 195 million baht or 4.98 percent from the same period last year which was in line with the loans growth. Credit cost was at 0.69 percent, a slight increase from 0.68 percent.

Other Operating Expenses (Million Baht) and Cost to Income Ratio (Percent)



Impairment Loss of Loans and Debt Securities (Million Baht) and Credit Cost (Percent)



Financial Position

Consolidated Statements of Financial Position (Million Baht)

	30 September 2018		31 December 2017		Change	
	Amount	%	Amount	%	+/(−)	%
Cash	8,951	0.88	11,453	1.12	(2,502)	(21.85)
Interbank and Money Market Items-net	71,916	7.06	95,918	9.35	(24,002)	(25.02)
Investment-net	172,539	16.94	178,703	17.42	(6,164)	(3.45)
Investment in Associated Company-net	2,801	0.28	2,827	0.28	(26)	(0.92)
Loans	737,109	72.39	712,761	69.50	24,348	3.42
Accrued Interest Receivables	599	0.06	601	0.06	(2)	(0.33)
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(24,756)	(2.43)	(24,518)	(2.39)	(238)	0.97
Property Foreclosed-net	4,806	0.47	4,747	0.46	59	1.24
Intangible Assets Acquired in a Business Combination-net	440	0.04	677	0.07	(237)	(35.01)
Goodwill	17,759	1.74	17,637	1.72	122	0.69
Other Assets	26,165	2.57	24,719	2.41	1,446	5.85
Total Assets	1,018,329	100.00	1,025,525	100.00	(7,196)	(0.70)
Deposits	697,096	68.45	716,091	69.83	(18,995)	(2.65)
Interbank and Money Market Items	82,259	8.08	82,343	8.03	(84)	(0.10)
Debt Issued and Borrowings	58,236	5.72	51,596	5.03	6,640	12.87
Other Liabilities	45,946	4.51	45,425	4.43	521	1.15
Total Liabilities	883,537	86.76	895,455	87.32	(11,918)	(1.33)
Company's Shareholders' Equity	64,523	6.34	62,020	6.05	2,503	4.04
Non-controlling Interests	70,269	6.90	68,050	6.63	2,219	3.26
Total Shareholders' Equity	134,792	13.24	130,070	12.68	4,722	3.63
Total Liabilities and Shareholders' Equity	1,018,329	100.00	1,025,525	100.00	(7,196)	(0.70)
Book Value per Share (Baht)	55.38		53.23			

Assets

As of 30 September 2018, Thanachart Group's total assets amounted to 1,018,329 million baht, a decrease of 7,196 million baht or 0.70 percent from the end of 2017. Key factors are as follows:

- Net interbank and money market amounted to 71,916 million baht, a decrease of 24,002 million baht or 25.02 percent from the end of last year due to liquidity management.
- Net investment amounted to 172,539 million baht, a decrease of 6,164 million baht or 3.45 percent from the end of last year. This was mainly due to an appropriate management of investment yield.

- Loans amounted to 737,109 million baht, an increase of 24,348 million baht or 3.42 percent from the end of last year. The growth was from retail and SME loans especially hire purchase loans which continued increasing. Portion of retail loans to corporate and SME loans was 73 percent to 27 percent.

Liabilities

Total liabilities of Thanachart Group as of 30 September 2018 **were 883,537 million baht, a decrease of 11,918 million baht or 1.33 percent** from the end of 2017. The key items were as follows:

Deposits (Million Baht)

	30 September 2018		31 December 2017		Change	
	Amount	%	Amount	%	+/(−)	%
Current	11,631	1.67	11,953	1.67	(322)	(2.69)
Savings	327,091	46.92	295,390	41.25	31,701	10.73
Fixed Deposits						
Less than 6 Months	43,368	6.22	36,529	5.10	6,839	18.72
6 Months and up to 1 Year	41,266	5.92	63,772	8.91	(22,506)	(35.29)
Over 1 Year	187,453	26.89	165,942	23.17	21,511	12.96
Certificate of Deposits	86,287	12.38	142,505	19.90	(56,218)	(39.45)
Total Deposits	697,096	100.00	716,091	100.00	(18,995)	(2.65)

- Deposits were 697,096 million baht, a decrease of 18,995 million baht or 2.65 percent from the end of last year. This was mainly from the decrease in certificate of deposits while savings deposits increased. As a result, the ratio of current and savings accounts to total deposits (CASA) was 48.59 percent, an increase from 42.92 percent at the end of last year.
- Interbank and money market items were 82,259 million baht, a decrease of 84 million baht or 0.10 percent from the end of last year. This was due to liquidity management.
- Debt issued and borrowings amounted to 58,236 million baht, an increase of 6,640 million baht or 12.87 percent from the end of last year. This was mainly from the issuance of debt securities of the Company and a subsidiary of Thanachart Bank.

Shareholders' Equity

Total shareholders' equity as of 30 September 2018 **was 134,792 million baht, an increase of 4,722 million baht or 3.63 percent** from the end of 2017. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 64,523 million baht, an increase of 2,503 million baht or 4.04 percent. This was mainly from the increase in operating profit attributable to the Company in the nine-month period of 2018 which amounted to 5,820 million baht. At the same time, there were dividend payments paid for the performance in the second half of 2017 in the amount of 1,515 million baht and

interim dividend payments paid for the performance in the first six-month period of 2018 in the amount of 1,165 million baht.

- Equity attributable to non-controlling interest amounted to 70,269 million baht, an increase of 2,219 million baht or 3.26 percent. This was mainly from the operating results of subsidiary companies.

Non-performing Loans: NPLs

NPLs

	TCAP (Consol.)				
	30-Sep-18	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17
NPL-gross (Million Baht)	19,967	19,511	19,959	18,894	16,798
Total Allowance* (Million Baht)	24,967	25,144	25,443	24,762	24,037
NPL-gross to Total Loans (%)	2.52	2.35	2.48	2.40	2.21
NPL-net to Total Loans (%)	1.36	1.23	1.23	1.23	1.06
Reserve to Required Reserve (%)	159.08	163.64	167.15	170.48	171.97
Coverage Ratio (%)	125.04	128.87	127.47	131.06	143.09

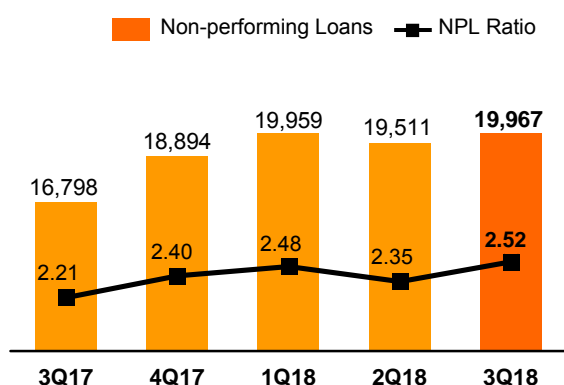
* Including allowance for interbank and money market items and revaluation allowance for debt restructuring.

Under the market and economic conditions that continued to gradually recover, the Company and its subsidiaries still placed strong emphasis on managing NPLs through systematic and effective control. **NPLs** as of 30 September 2018 **amounted to 19,967 million baht, an increase of 1,073 million baht or 5.68 percent** from the end of the previous year. **Non-performing loans to total loans (NPL Ratio) was at 2.52 percent**, an increase from 2.40 percent at the end of last year. Non-performing loans after deducting reserve (NPL-net) amounted to 10,600 million baht while the ratio of NPL-net to total loans was at 1.36 percent.

At the end of September 2018, coverage ratio was at 125.04 percent while the ratio of reserve to required reserve under the BOT's regulation was at 159.08 percent. Excess reserve was 9,272 million baht.

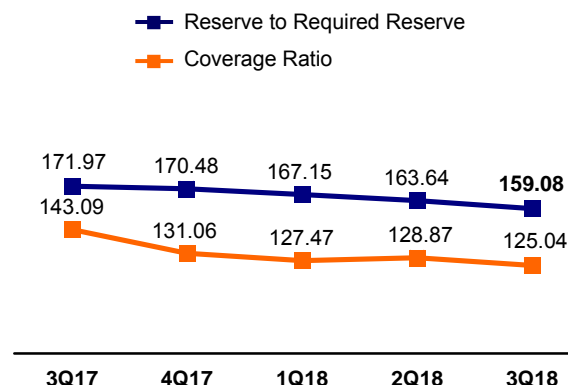
Non-performing Loans (Million Baht) and

NPL Ratio (Percent)



Coverage Ratio (Percent) and

Reserve to Required Reserve (Percent)



Operating Results of Subsidiaries

Operating Results of Subsidiaries (Million Baht)

Subsidiaries	% holding Direct/Indirect	Net Profit (Loss)				
		3Q18	2Q18	3Q17	9M18	9M17
Thanachart Bank Public Company Limited Consolidated Financial Statements*		3,540	3,821	3,533	11,140	10,136
Thanachart Securities Public Company Limited	50.96%	133	116	134	498	394
Thanachart Fund Management Company Limited	38.22%	166	170	107	507	314
Thanachart Insurance Public Company Limited	50.96%	257	276	333	807	788
TS AMC Company Limited	50.96%	49	121	53	166	180
Ratchthani Leasing Public Company Limited	33.22%	431	391	302	1,186	806
NFS AMC Company Limited	100.00%	(5)	30	-	19	43
MAX AMC Company Limited	83.44%	(2)	125	5	169	55
MBK Life Assurance Public Company Limited	51.00%	(12)	40	(24)	4	(74)

* Only the profit attributable to the owners of Thanachart Bank.

Risk Management and Risk Factors

For risk management, the Company and its subsidiaries have put in place the process to manage risk systematically by having the Company's Board of Directors specify risk management policies of Thanachart Group to ensure complete policy alignment throughout the entire organization. There is a business unit that is dedicatedly responsible for risk management and consistently monitors and controls risks to be in accordance with the specified policies of the Company. The measurement and analysis of various risks are done by using an appropriate tools and methodology. Such various risks include strategic risk, credit risk, market risk, interest rate risk, liquidity risk, and operational risk. For risk measurement and monitoring discipline, the risk limit and warning signal are set to ensure that business operation would always be within such acceptable risk limit. Moreover, the Executive Committee and the Board of Directors of the Company closely govern and monitor risk status and the efficiency of risk management system on a monthly basis.

In overall view, the risks of the Company and subsidiaries are within the risk limit and have enough capital after risk allocation to support the business expansion in sustainable and secure manner.

Disclaimer

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