

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the second quarter and the first six-month period ended 30 June 2019  
(Audited Financial Statements)

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## THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### Management's Discussion and Analysis (Audited Financial Statements)

#### Economics Outlook and Competition in Banking Industry

The Thai economy in the second quarter of 2019 grew 2.3 percent, a slower rate compared to the growth of 2.8 percent in the previous quarter. This was mainly due to export sector which was negatively impacted by sluggish global economy and the persisting trade war between the US and China, as well as, the slowdown in tourism sector following the decline of Chinese tourists and a dampened Chinese economy. Private consumption continued to act as the key driver for economic growth but it grew at a slower rate. As well, total investments have been growing at a slower rate. The Office of the National Economic and Social Development Council has estimated the Thai economy growth in 2019 at a range of 2.7 - 3.2 percent. However, the Monetary Policy Committee of the Bank of Thailand issued a resolution to maintain the policy rate at 1.75 percent per annum to stimulate the economy and it was suitable for the target inflation rate.

In the second quarter of 2019, the loan volume of the commercial bank industry grew from the previous quarter with corporate loans driving the growth while retail loans grew at a slower rate especially the housing loans, as a result of the Macroprudential Regulation policy came in full effect since April 2019. Auto loans and personal loans continued growing. Deposit volume also grew following loan growth.

#### Key Events in the Second Quarter of 2019

1. On 24 April 2019, the Annual General Meeting of Shareholders for the year 2019 of Thanachart Capital Public Company Limited ("the Company") had a resolution to pay dividend to shareholders at the rate of 2.60 baht per share, amounting to 2,998 million baht. However, the Company already made interim dividend payment worth 1.00 baht per share or 1,165 million baht on 22 October 2018. As a result, the remaining dividend payment in the amount of 1.60 baht per share or 1,833 million baht was made on 17 May 2019.
2. On 19 June 2019, Thanachart Bank Public Company Limited ("Thanchart Bank") has early redeemed 13,000 million baht of unsecured subordinated instruments issued under Tier II which has a rate of 6.00 percent per annum and scheduled to due in 2024, with the issuer's early redemption right. This was effective since 19 June 2019, such instruments could not be counted as capital as stipulated by the Notification of the Bank of Thailand ("BOT") No. FPG 7/2558 Re: Regulations on Components of Capital for Locally Incorporated Banks.
3. During the period, the Company and its subsidiaries reviewed and changed their accounting policy for recording the value of premises from the cost method to the revaluation method, under which value is the fair value of the assets at the valuation date. Consequently, the revaluation has increased the asset value by 3,541 million baht of which 1,700 million baht was from the land value and 1,841 million baht was from the building value.

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

Audited Financial Statements	For the 3 months ended			For the 6 months ended	
	30-Jun-19	31-Mar-19	30-Jun-18	30-Jun-19	30-Jun-18
<b>Operating Performance (Million Baht)</b>					
Interest Income	12,321	12,064	11,542	24,385	22,872
Interest Expenses	4,249	4,142	3,918	8,391	7,792
Net Interest Income	8,072	7,922	7,624	15,994	15,080
Non-interest Income	3,409	3,228	3,732	6,637	7,235
Net Operating Income <sup>(1)</sup>	11,481	11,150	11,356	22,631	22,315
Other Operating Expenses	5,794	5,052	5,145	10,846	10,573
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>5,687</b>	<b>6,098</b>	<b>6,211</b>	<b>11,785</b>	<b>11,742</b>
Impairment Loss of Loans and Debt Securities	952	991	1,448	1,943	2,879
Profit before Tax	4,735	5,107	4,763	9,842	8,863
Income Tax	929	1,046	621	1,975	808
<b>Profit for the Period</b>	<b>3,806</b>	<b>4,061</b>	<b>4,142</b>	<b>7,867</b>	<b>8,055</b>
<b>Net Profit Attributable to the Company</b>	<b>1,899</b>	<b>2,016</b>	<b>2,051</b>	<b>3,915</b>	<b>3,950</b>
<b>Operating Performance Ratios (Percent)</b>					
ROAA	1.42	1.53	1.63	1.48	1.58
ROAE <sup>(2)</sup>	11.08	12.08	12.92	11.58	12.51
Interest Spread <sup>(3)</sup>	2.95	2.92	2.93	2.94	2.89
Loan Spread <sup>(4)</sup>	3.84	3.83	3.87	3.84	3.86
Credit Cost	0.45	0.46	0.70	0.46	0.69
Non-interest Income Ratio <sup>(5)</sup>	29.69	28.96	32.86	29.33	32.42
Cost to Income Ratio <sup>(6)</sup>	50.47	45.31	45.31	47.93	47.38
	30-Jun-19	31-Mar-19	31-Dec-18		
<b>Financial Position (Million Baht)</b>					
Loans	769,747	763,776	754,613		
Total Assets	1,078,525	1,061,701	1,060,929		
Deposits	724,523	743,559	751,917		
Total Liabilities	933,092	919,445	923,011		
Total Equity	145,433	142,256	137,918		
<b>Financial Position Quality</b>					
Loans to Deposits (%)	106.24	102.72	100.36		
Non-performing Loans (Million Baht)	20,299	19,591	20,172		
NPL Ratio (%)	2.40	2.28	2.40		
Coverage Ratio <sup>(7)</sup> (%)	114.68	120.85	120.49		
Reserve to Required Reserve <sup>(8)</sup> (%)	144.33	151.59	153.56		

(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 Second Quarter and the First Six-month Period of 2019

### 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 second quarter of 2019, the Company and its subsidiaries’ net profit according to the consolidated financial statements amounted to 3,806 million baht, a decrease of 255 million baht or 6.28 percent from the previous quarter. This was mainly from one-time expenses for retirement pension and severance payment of 755 million baht. **From the success in implementing Customer Centric strategy by focusing on being the Main Bank**, the Company and its subsidiaries’ total income base increased. Net interest income increased from loans expansion and widened spread. Non-interest income increased from net fees and service income, gains on properties foreclose, and dividend income. Impairment loss of loans and debt securities decreased slightly.

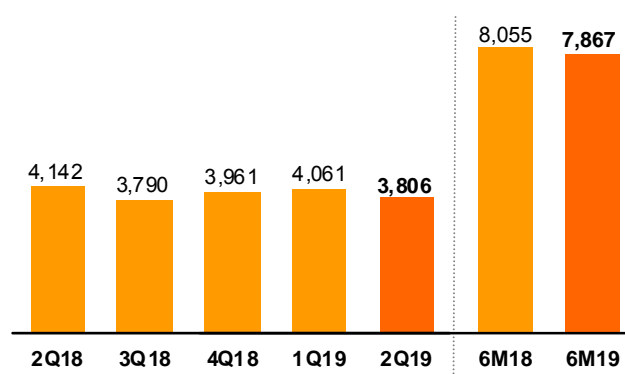
For the first six-month period of 2019, net profit according to the consolidated financial statements of the Company and its subsidiaries amounted to 7,867 million baht, a decrease of 188 million baht or 2.33 percent from the same period last year.

Total assets of Thanachart Group increased from the end of the previous year following the loan growth of 2.01 percent. In this connection, retails, especially hire purchase loans increased. Deposits decreased by 3.64; however, CASA ratio accounted for 49.00 percent, an increase from 48.50 percent at the end of last year.

**NPLs of Thanachart Group increased by 0.63 percent** from the end of 2018. **NPL ratio stayed at 2.40 percent, unchanged from the end of last year. Coverage ratio stayed at 114.68 percent. On capital fund, TBANK had capital adequacy ratio of 18.01 percent, decreased**

from the early redemption of Thanachart Bank’s subordinated instruments issued under Tier II in the amount of 13,000 million baht.

Net Profit of Thanachart Group (Million Baht)



In the second quarter of 2019, net profit attributable to the Company was 1,899 million baht, a decrease of 117 million baht or 5.80 percent from the previous quarter. Earning per share (EPS) was 1.66 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 1.42 percent and 11.08 percent, respectively.

For the first six-month period of 2019, net profit attributable to the Company was 3,915 million baht, a decrease of 35 million baht or 0.89 percent from the same period last year. EPS was 3.42 baht, an increase from 3.39 baht. This was due to the fact that the Company repurchased its shares in the amount of 19.47 million shares. ROAA and ROAE of the Company’s shareholders were at 1.48 percent and 11.58 percent respectively.

## Summary of Key Operating Results

Summary of key operating results in **the second quarter of 2019 comparing with the first quarter of 2019** is as follows:

- Net profit of Thanachart Group amounted to 3,806 million baht, a decrease of 6.28 percent.
- Net profit of the Company amounted to 1,899 million baht, a decrease of 5.80 percent.
- Net interest income increased by 1.89 percent from interest spread which increased to 2.95 percent and the expansion of loans.
- Non-interest income increased by 5.61 percent, mainly from net fees and service income, gains on properties foreclose, and dividend income.
- Operating expenses increased by 14.69 percent from one-time expenses for retirement pension and severance payment of 755 million baht. If such expenses were excluded, operating expenses were close to that of the previous quarter.
- Pre-provision operating profit (PPOP) amounted to 5,687 million baht, a decrease of 6.74 percent. This was from one-time expenses for retirement pension and severance payment. If such expenses were excluded, PPOP increased by 344 million baht or 5.64 percent from the increase in income base.
- Impairment loss of loans and debt securities expenses decreased by 3.94 percent.

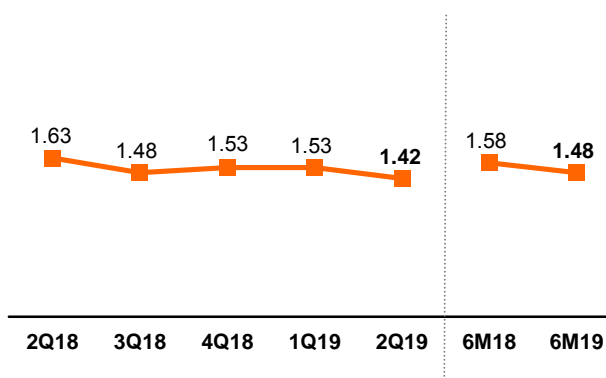
Summary of key operating results in **the first six-month period of 2019 comparing with the same period last year** is as follows:

- Net profit of Thanachart Group amounted to 7,867 million baht, a decrease of 2.33 percent.
- Net profit of the Company amounted to 3,915 million baht, a decrease of 0.89 percent.
- Net interest income increased by 6.06 percent from interest spread which increased to 2.94 percent and the expansion of loans.
- Non-interest income decreased by 8.27 percent, mainly from the decreases in gains on investments and net fees and service income.
- Operating expenses increased by 2.58 percent from one-time expenses for retirement pension and severance payment of 755 million baht. If such expenses were excluded, operating expenses decreased by 4.56 percent.
- Impairment loss of loans expenses decreased by 32.51 percent.
- Profit before tax amounted to 9,842 million baht, an increase of 11.05 percent.

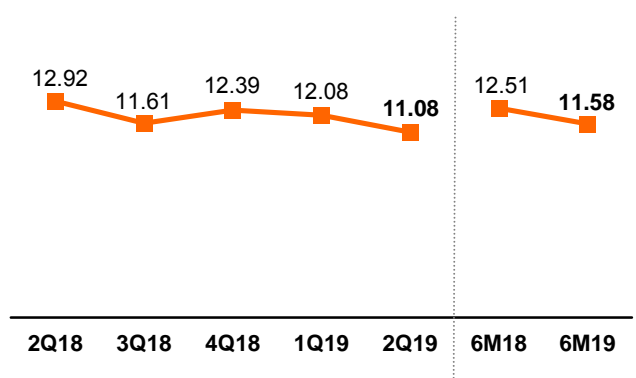
## Net Profit (Million Baht)

Audited Financial Statements	For the 3 months ended			For the 6 months ended	
	30-Jun-19	31-Mar-19	30-Jun-18	30-Jun-19	30-Jun-18
<b>Net Profit (Million Baht)</b>					
Profit for the Period	3,806	4,061	4,142	7,867	8,055
Net Profit Attributable to the Company	1,899	2,016	2,051	3,915	3,950
Net Profit Attributable to Non-controlling Interest	1,907	2,045	2,091	3,952	4,105
Basic Earning per Share (Baht)	1.66	1.76	1.76	3.42	3.39

## ROAA (Percent)



## ROAE\* (Percent)



\*Equity attributable to the Company's shareholders

## Net Interest Income

## Net Interest Income (Million Baht)

	2Q19	1Q19	Change		6M19	6M18	Change	
			+ / (-)	%			+ / (-)	%
<b>Interest Income</b>	<b>12,321</b>	<b>12,064</b>	<b>257</b>	<b>2.13</b>	<b>24,385</b>	<b>22,872</b>	<b>1,513</b>	<b>6.62</b>
Interbank and Money Market Items	473	476	(3)	(0.63)	949	931	18	1.93
Investments for Tradings	87	72	15	20.83	159	119	40	33.61
Investments for Debts Securities	667	668	(1)	(0.15)	1,335	1,323	12	0.91
Loans	4,298	4,229	69	1.63	8,527	8,718	(191)	(2.19)
Hire Purchase and Financial Leases	6,796	6,619	177	2.67	13,415	11,781	1,634	13.87
<b>Interest Expenses</b>	<b>4,249</b>	<b>4,142</b>	<b>107</b>	<b>2.58</b>	<b>8,391</b>	<b>7,792</b>	<b>599</b>	<b>7.69</b>
Deposits	2,458	2,402	56	2.33	4,860	4,508	352	7.81
Interbank and Money Market Items	296	283	13	4.59	579	440	139	31.59
Fund Contributed to FIDF and DPA	913	904	9	1.00	1,817	1,732	85	4.91
Debts Issued	578	549	29	5.28	1,127	1,107	20	1.81
Borrowing Fee	4	4	-	-	8	5	3	60.00
<b>Net Interest Income</b>	<b>8,072</b>	<b>7,922</b>	<b>150</b>	<b>1.89</b>	<b>15,994</b>	<b>15,080</b>	<b>914</b>	<b>6.06</b>

In the second quarter of 2019, the Company and its subsidiaries had 8,072 million baht in net interest income, an increase of 150 million baht or 1.89 percent from the previous quarter. Interest Spread was at 2.95 percent, an increase from 2.92 percent.

- Interest income amounted to 12,321 million baht, an increase of 257 million baht or 2.13 percent from the expansion of loans as well as the increase in yield on earning assets.
- Interest expenses amounted to 4,249 million baht, an increase of 107 million baht or 2.58 percent. This was due to the increase in cost of fund which was in line with the market interest rate.

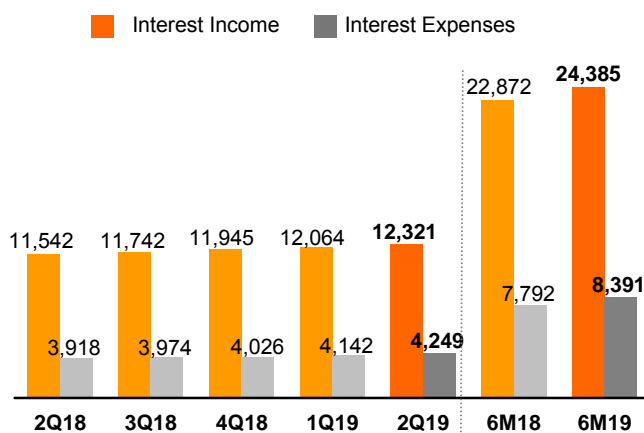
For the first six-month period of 2019, the Company and its subsidiaries had 15,994 million baht in net interest income, an increase of 914 million baht or 6.06 percent from the same period last year. Interest Spread was at 2.94 percent, increase from 2.89 percent.

- Interest income was 24,385 million baht, an increase of 1,513 million baht or 6.62 percent. This was from the expansion of loans as well as the increase in yield on earning assets.
- Interest expenses were 8,391 million baht, an increase of 599 million baht or 7.69 percent. This was due to the increase in cost of fund which was in line with the market interest rate.

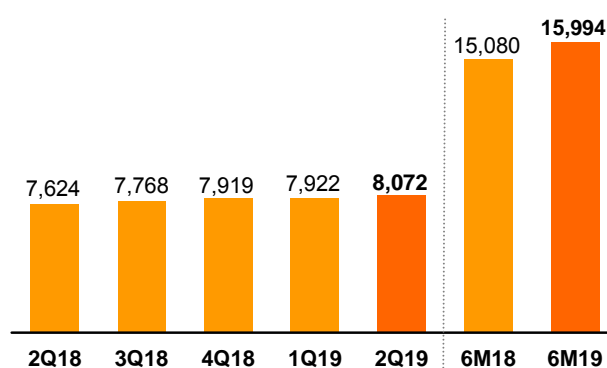
#### Yield, Cost of Fund, and Interest Spread (Percent)

	2Q19	1Q19	4Q18	3Q18	2Q18	6M19	6M18
Average Policy Interest Rate	1.75	1.75	1.54	1.50	1.50	1.75	1.50
Yield	4.90	4.84	4.86	4.84	4.81	4.87	4.78
Cost of Fund	1.95	1.92	1.88	1.87	1.88	1.93	1.89
Interest Spread	2.95	2.92	2.98	2.97	2.93	2.94	2.89

#### Interest Income and Interest Expenses (Million Baht)



#### Net Interest Income (Million Baht)



## Non-interest Income

Non-interest Income (Million Baht)								
	2Q19	1Q19	Change		6M19	6M18	Change	
			+ / (-)	%			+ / (-)	%
<b>Net Fees and Service Income</b>	<b>1,580</b>	<b>1,387</b>	<b>193</b>	<b>13.91</b>	<b>2,967</b>	<b>3,278</b>	<b>(311)</b>	<b>(9.49)</b>
Gains on Trading and F/X Transactions	208	162	46	28.40	370	167	203	121.56
Gains on Investments	112	325	(213)	(65.54)	437	860	(423)	(49.19)
Share of Profit from Investments in Associated Companies Accounted for under Equity Method	81	59	22	37.29	140	179	(39)	(21.79)
Gains (Losses) on Properties Foreclose and Other Assets	206	(5)	211	4,220.00	201	271	(70)	(25.83)
Net Insurance / Life Insurance Income	596	633	(37)	(5.85)	1,229	1,433	(204)	(14.24)
Dividend Income	237	119	118	99.16	356	344	12	3.49
Other Income	389	548	(159)	(29.01)	937	703	234	33.29
<b>Total Operating Income</b>	<b>1,829</b>	<b>1,841</b>	<b>(12)</b>	<b>(0.65)</b>	<b>3,670</b>	<b>3,957</b>	<b>(287)</b>	<b>(7.25)</b>
<b>Total Non-interest Income</b>	<b>3,409</b>	<b>3,228</b>	<b>181</b>	<b>5.61</b>	<b>6,637</b>	<b>7,235</b>	<b>(598)</b>	<b>(8.27)</b>

**Non-interest income of the Company and its subsidiaries in the second quarter of 2019 amounted to 3,409 million baht, an increase of 181 million baht or 5.61 percent** from the previous quarter. This was mainly due to the following.

- Net fees and service income amounted to 1,580 million baht, an increase of 193 million baht or 13.91 percent. This was due mainly to the increases in commission received from selling insurance / life insurance and fund management fees.
- Other operating income amounted to 1,829 million baht, a decrease of 12 million baht or 0.65 percent. This was mainly due to the decrease of 213 million baht in gains on investments while gains on properties foreclosed increased by 211 million baht.

As a result, non-interest income ratio in the second quarter of 2019 was at 29.69 percent, an increase from that in the previous quarter of 28.96 percent.

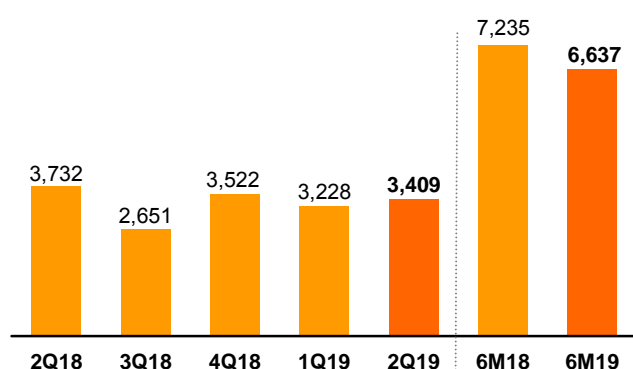
**Non-interest income of the Company and its subsidiaries in the first six-month period of 2019 was 6,637 million baht, a decrease of 598 million baht or 8.27 percent** from the same period last year. This was mainly due to the following.

- Net fees and service income amounted to 2,967 million baht, a decrease of 311 million baht or 9.49 percent. This was due mainly to the decrease in brokerage fees.
- Other operating income amounted to 3,670 million baht, a decrease of 287 million baht or 7.25 percent. This was mainly due to the decrease in gains on investments of 423 million baht.

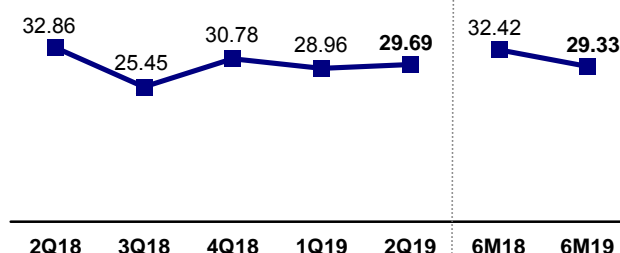
As a result, non-interest income ratio in the first six-month period of 2019 was at 29.33 percent, a decrease from 32.42 percent of the same period last year.



## Non-interest Income (Million Baht)



## Non-interest Income Ratio (Percent)



## Other Operating Expenses

## Other Operating Expenses (Million Baht)

	2Q19	1Q19	Change		6M19	6M18	Change	
			+ / (-)	%			+ / (-)	%
Employee's Expenses	3,519	2,997	522	17.42	6,516	5,800	716	12.34
Premises and Equipment Expenses	663	626	37	5.91	1,289	1,302	(13)	(1.00)
Taxes and Duties	177	182	(5)	(2.75)	359	367	(8)	(2.18)
Directors' Remuneration	68	16	52	325.00	84	77	7	9.09
Other Expenses	1,367	1,231	136	11.05	2,598	3,027	(429)	(14.17)
<b>Total Other Operating Expenses</b>	<b>5,794</b>	<b>5,052</b>	<b>742</b>	<b>14.69</b>	<b>10,846</b>	<b>10,573</b>	<b>273</b>	<b>2.58</b>

In the second quarter of 2019, other operating expenses of the Company and its subsidiaries amounted to 5,794 million baht, an increase of 742 million baht or 14.69 percent from the previous quarter. This was from one-time expenses for retirement pension and severance payment of 755 million baht. As a result, cost to income ratio in the second quarter of 2019 was 50.47 percent. **If such expenses were excluded, operating expenses were close to that of previous quarter and cost to income ratio was 43.90 percent**, a decrease from 45.31 percent in the previous quarter.

For the first six-month period of 2019, other operating expenses of the Company and its subsidiaries amounted to 10,846 million baht, an increase of 273 million baht or 2.58 percent from the same period last year. This was from one-time expenses for retirement pension and severance payment. As a result, cost to income ratio in the first six-month period of 2019 was 47.93 percent. **If such expenses were excluded, operating expenses decreased by 4.56 percent and cost to income ratio was 44.59 percent**, a decrease from the same period last year of 47.38 percent.

## Impairment Loss of Loans and Debt Securities

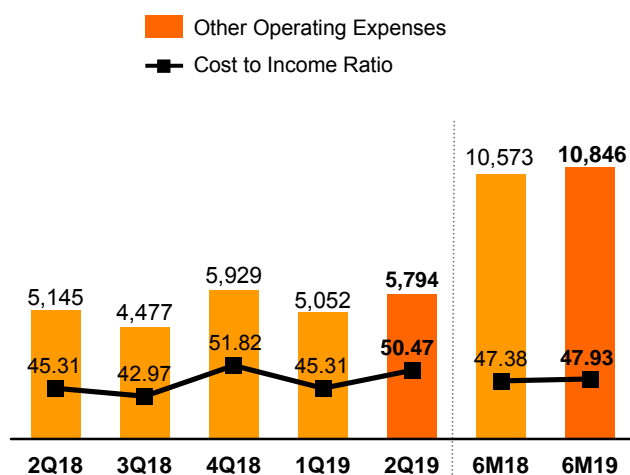
### Impairment Loss of Loans and Debt Securities (Million Baht)

	2Q19	1Q19	Change		6M19	6M18	Change	
			+ / (-)	%			+ / (-)	%
Impairment Loss of Loans and Debt Securities	952	991	(39)	(3.94)	1,943	2,879	(936)	(32.51)
Credit Cost (%)	0.45	0.46	(0.01)	(2.17)	0.46	0.69	(0.23)	(33.33)

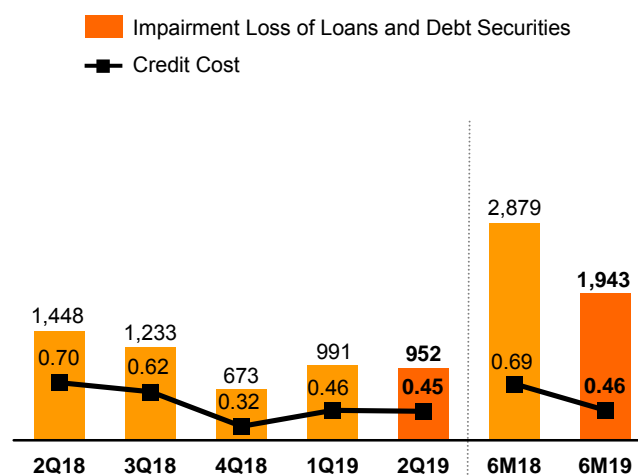
In the second quarter of 2019, the Company and its subsidiaries had impairment loss of loans and debt securities in the amount of 952 million baht, a decrease of 39 million baht or 3.94 percent from the previous quarter. Credit cost was at 0.45 percent, a slight decrease from 0.46 percent.

For the first six-month period of 2019, the Company and its subsidiaries had impairment loss of loans and debt securities amounting to 1,943 million baht, a decrease of 936 million baht or 32.51 percent from the same period last year. Credit cost was at 0.46 percent, a decrease from 0.69 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 June 2019		31 December 2018		Change	
	Amount	%	Amount	%	+/(-) %	%
Cash	8,760	0.81	11,022	1.04	(2,262)	(20.52)
Interbank and Money Market Items-net	89,535	8.30	99,117	9.34	(9,582)	(9.67)
Investment-net	175,886	16.31	170,437	16.07	5,449	3.20
Investment in Associated Company-net	3,256	0.30	3,027	0.29	229	7.57
Loans	769,747	71.37	754,613	71.13	15,134	2.01
Accrued Interest Receivables	636	0.06	657	0.06	(21)	(3.20)
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(23,121)	(2.14)	(24,145)	(2.28)	1,024	(4.24)
Property Foreclosed-net	5,756	0.53	4,822	0.45	934	19.37
Intangible Assets Acquired in a Business Combination-net	230	0.02	361	0.03	(131)	(36.29)
Goodwill	17,867	1.66	17,799	1.68	68	0.38
Other Assets	29,973	2.78	23,219	2.19	6,754	29.09
<b>Total Assets</b>	<b>1,078,525</b>	<b>100.00</b>	<b>1,060,929</b>	<b>100.00</b>	<b>17,596</b>	<b>1.66</b>
Deposits	724,523	67.18	751,917	70.87	(27,394)	(3.64)
Interbank and Money Market Items	80,597	7.47	71,923	6.78	8,674	12.06
Debt Issued and Borrowings	79,128	7.34	55,013	5.19	24,115	43.84
Other Liabilities	48,844	4.53	44,158	4.16	4,686	10.61
<b>Total Liabilities</b>	<b>933,092</b>	<b>86.52</b>	<b>923,011</b>	<b>87.00</b>	<b>10,081</b>	<b>1.09</b>
Company's Shareholders' Equity	69,592	6.45	65,735	6.20	3,857	5.87
Non-controlling Interests	75,841	7.03	72,183	6.80	3,658	5.07
<b>Total Shareholders' Equity</b>	<b>145,433</b>	<b>13.48</b>	<b>137,918</b>	<b>13.00</b>	<b>7,515</b>	<b>5.45</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,078,525</b>	<b>100.00</b>	<b>1,060,929</b>	<b>100.00</b>	<b>17,596</b>	<b>1.66</b>
Book Value per Share (Baht)	60.74		57.15			

### Assets

As of 30 June 2019, Thanachart Group's total assets amounted to 1,078,525 million baht, an increase of 17,596 million baht or 1.66 percent from the end of 2018. Key factors are as follows:

- Net interbank and money market amounted to 89,535 million baht, a decrease of 9,582 million baht or 9.67 percent from the end of last year due to liquidity management.
- Net investment amounted to 175,886 million baht, an increase of 5,449 million baht or 3.20 percent from the end of last year. This was mainly due to an appropriate management of investment yield.

- Loans amounted to 769,747 million baht, an increase of 15,134 million baht or 2.01 percent from the end of last year. The growth was from retail loans especially hire purchase loans which continued increasing. Portion of retail loans to corporate and SME loans was 75 percent to 25 percent.

## Liabilities

**Total liabilities of Thanachart Group** as of 30 June 2019 **were 933,092 million baht, an increase of 10,081 million baht or 1.09 percent** from the end of 2018. The key items were as follows:

### **Deposits (Million Baht)**

	30 June 2019		31 December 2018		Change	
	Amount	%	Amount	%	+/(−)	%
Current	12,235	1.69	12,759	1.70	(524)	(4.11)
Savings	342,786	47.31	351,939	46.80	(9,153)	(2.60)
Fixed Deposits						
Less than 6 Months	34,331	4.74	44,025	5.86	(9,694)	(22.02)
6 Months and up to 1 Year	36,600	5.05	41,832	5.56	(5,232)	(12.51)
Over 1 Year	226,645	31.28	215,902	28.71	10,743	4.98
Certificate of Deposits	71,926	9.93	85,460	11.37	(13,534)	(15.84)
<b>Total Deposits</b>	<b>724,523</b>	<b>100.00</b>	<b>751,917</b>	<b>100.00</b>	<b>(27,394)</b>	<b>(3.64)</b>

- Deposits were 724,523 million baht, a decrease of 27,394 million baht or 3.64 percent from the end of last year. This was mainly from the decrease in certificate of deposits. As a result, the ratio of current and savings accounts to total deposits (CASA) was 49.00 percent, an increase from 48.50 percent at the end of last year.
- Interbank and money market items were 80,597 million baht, an increase of 8,674 million baht or 12.06 percent from the end of last year. This was due to liquidity management.
- Debt issued and borrowings amounted to 79,128 million baht, an increase of 24,115 million baht or 43.84 percent from the end of last year. This was from the issuance of private placement debentures in the amount of 33,000 million baht and the early redemption of Thanachart Bank's subordinated instruments issued under Tier II in the amount of 13,000 million baht.

## Shareholders' Equity

**Total shareholders' equity** as of 30 June 2019 **was 145,433 million baht, an increase of 7,515 million baht or 5.45 percent** from the end of 2018. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 69,592 million baht, an increase of 3,857 million baht or 5.87 percent. This was mainly due to operating profit attributable to the Company in the first six-month period of 2019 which amounted to 3,915 million baht, surplus from fixed asset revaluation of 1,535 million

baht, mark to market on investments which increased by 522 million baht, and dividend payments paid for the performance in the second half of 2018 in the amount of 1,833 million baht.

- Equity attributable to non-controlling interest amounted to 75,841 million baht, an increase of 3,658 million baht or 5.07 percent. This was mainly from the operating results of subsidiary companies.

### Non-performing Loans: NPLs

#### NPLs

	TCAP (Consol.)				
	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18
NPL-gross (Million Baht)	20,299	19,591	20,172	19,967	19,511
Total Allowance* (Million Baht)	23,279	23,676	24,306	24,967	25,144
NPL-gross to Total Loans (%)	2.40	2.28	2.40	2.52	2.35
NPL-net to Total Loans –net (%)	1.27	1.21	1.26	1.36	1.23
Reserve to Required Reserve (%)	144.33	151.59	153.56	159.08	163.64
Coverage Ratio (%)	114.68	120.85	120.49	125.04	128.87

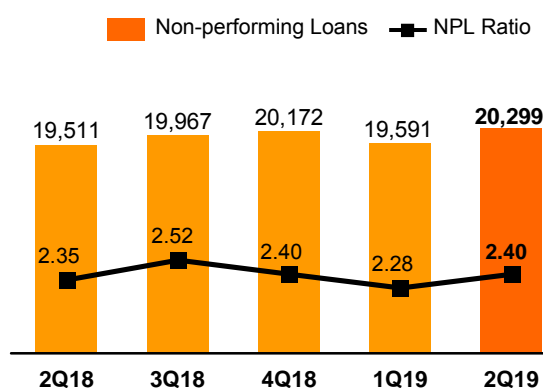
\* Including allowance for interbank and money market items and revaluation allowance for debt restructuring.

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 June 2019 amounted to **20,299 million baht, an increase of 127 million baht or 0.63 percent** from the end of the previous year. **Non-performing loans to total loans (NPL Ratio)** was at **2.40 percent**, unchanged from the end of last year. Non-performing loans after deducting reserve (NPL-net) amounted to 10,674 million baht while the ratio of NPL-net to total loans – net was at 1.27 percent.

**Coverage ratio at the end of June 2019 was at 114.68 percent** while the ratio of reserve to required reserve under the BOT's regulation was at 144.33 percent. Excess reserve was 7,150 million baht.

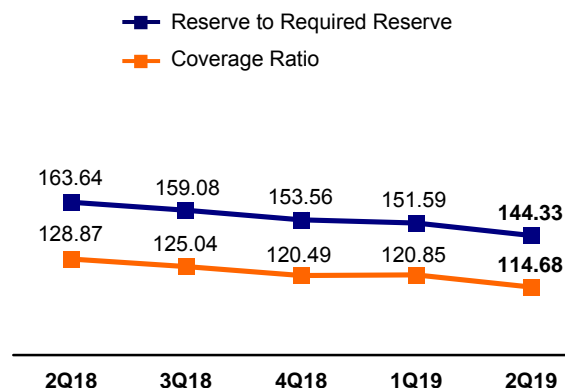
#### Non-performing Loans (Million Baht) and

#### 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)				
		2Q19	1Q19	2Q18	6M19	6M18
Thanachart Bank Public Company Limited Consolidated Financial Statements*		3,592	3,650	3,821	7,242	7,600
Thanachart Securities Public Company Limited	50.96%	1,437	99	116	1,536	365
Thanachart Fund Management Company Limited	38.22%	138	147	170	285	341
Thanachart Insurance Public Company Limited	50.96%	805	278	276	1,083	550
TS AMC Company Limited	50.96%	1	251	121	252	117
Ratchthani Leasing Public Company Limited	33.22%	480	477	391	957	755
NFS AMC Company Limited	100.00%	19	111	30	130	24
MAX AMC Company Limited	83.44%	(4)	139	125	135	171
MBK Life Assurance Public Company Limited	51.00%	(52)	(30)	40	(82)	16

\* 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

Thanachart Capital Public Company Limited ('the Company') had provided this report to publish the Company's performance. Information contained in this report is the Company's past performance. Some information may be based on financial information and any information from the other sources as of the date of this report, which are subject to be changed according to economies and politics both inside and outside country. The readers or recipients should consider the information carefully and please use your discretion before making a decision in any transaction. However, the Company reserves the right with its own discretion to amend or modify the information contained in this report without any prior notice. The Company shall have no responsibility for any inaccuracy, inappropriate or incomplete of any information contained in this report.