

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month period ended 31 March 2020
(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 Competition in Banking Industry

The Thai economy in the first quarter of 2020 is likely to contract, mainly due to the spread of the COVID-19 which has been spreading globally and almost all countries have been implementing COVID-19 epidemic control measures. These measures include reducing various activities that can promote the spread of the disease including the limitation of the movement of population by closing down the countries, cities, etc. These measures have a broader impact on the global economy and the Thai economy has inevitably impacted. All aspect of economic sectors tend to contract, tourism sector is affected by reduction in the number of tourists, export sector is affected by the economic slowdown in the counterparty countries, private consumption is affected by lockdowns of cities and reduction of employment, private investment tends to decline from significant reduction in demand for goods and services in both domestic and international, and government spending is likely to reduce due to the delay of the Budget Act 2020.

The Bank of Thailand and financial institutions jointly issued various measures to mitigate the effects of the COVID-19 to the public and private sectors, such as lowering the installment rates, postponing the payment of principal and interest, supporting for the new loans (Soft Loans), enhancing liquidity in order to stabilize the private sectors' debt securities market, and reducing the rate of contribution for the FIDF. At the same time, the Monetary Policy Committee of the Bank of Thailand issued a resolution to reduce the policy rate two times to 0.75 percent per annum to reduce the impact of the COVID-19 on the overall economy, to reduce the burden of interest on debtors, and to mitigate liquidity problems in the financial market.

Key Events in the First Quarter of 2020

1. On 21 January 2020, the Board of Directors of Thanachart Capital Public Company Limited ("the Company") had a resolution to approve Share Repurchase Project for Financial Management in the amount of not exceeding 6,000 million baht or the total shares to be repurchased of not exceeding 97,045,970 shares. Recently, on 27 April 2020, the Company has announced the end of the Project and repurchased its shares in the total amount of 4,863 million baht, which equals the total repurchased shares of 97,045,970 shares.
2. On 31 January 2020, the Company had entered into a Sale and Purchase Agreement to sell shares of Ajinomoto Co., (Thailand) Limited ("AJT") that the Company held indirectly through Thanachart SPV2 Company Limited, representing 6 percent of AJT's total outstanding shares, to AJINOMOTO Co., INC ("AJICO") in Japan. The total transaction value was approximately 7,167 million baht and the shares have already been transferred in February 2020.
3. On 30 March 2020, the Board of Directors' Meeting of the Company had discussed about the recent outbreak of the coronavirus disease 2019 ("COVID-19"), which the government has implemented various responsive measures and declared a state of emergency by issuing regulations, prohibiting operations and practices to control and prevent the spread of COVID-19. The Board of Directors deemed it appropriate to adopt the following resolutions, carefully taking into consideration the various key issues concerned and bearing the interests of the shareholders:
 1. To postpone the Company's 2020 Annual General Meeting of Shareholders indefinitely by cancelling the original meeting schedule and to cancel the agenda item regarding the consideration of the approval to make

a dividend payment based on the operating performance of 2019. Also, to cancel the original record date for determining the shareholders who are eligible to attend and vote at the meeting.

2. To approve the interim dividend payments based on the Company's net profit for the year ended 31 December 2019 at the rate of 1.80 baht to the Company's shareholders. In this connection, the name of shareholders eligible for the interim dividend payments was set on 14 April 2020 and the interim dividend payments was made on 28 April 2020. Taking into account this round of dividend payments combining with the first half of 2019 interim dividend payments of 1.20 baht which was made on 18 October 2019 and the special interim dividend payments of 4.00 baht which was made on 16 January 2020, the total dividend payments made for the year 2019 equaled 7.00 baht per share or amounted to 7,845 million baht.

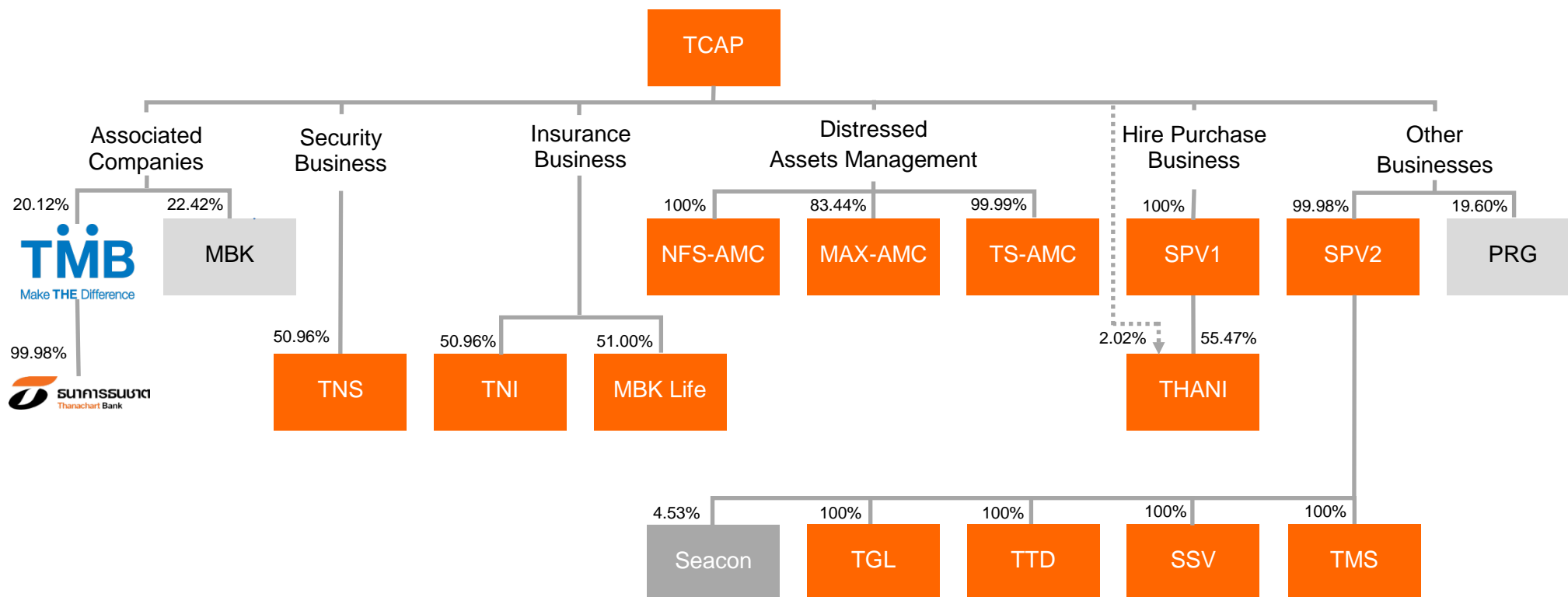
Changes in Financial Reporting Standards that have significant impacts to the Financial Statements

The Financial Statements of the Company and its subsidiaries in the fiscal year 2020 have been prepared by adopting the Thai Financial Reporting Standard No.9 (TFRS 9) which has been effective since 1 January 2020 and the significant changes are as follows:

- Interest income recognition – on an accrual basis using the effective interest rate method throughout the contract period.
- Investment income recognition – the classification of investments will be changed to fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI), and amortized cost.
- Loans classification – loans are classified into 3 stages: stage 1 – performing loans, stage 2 – loans shown a significant increase in credit risks, and stage 3 – loans considered credit-impaired.
- Impairment allowance – the Group uses allowance for expected credit loss (ECL) instead of impairment loss of loans and debt securities.

After the restructuring of Thanachart Group Including the sale of ordinary shares of TBANK to TMB and the subscription of newly issued ordinary shares of TMB, resulting in as of 31 March 2020, the shareholding structure of Thanachart Group has changed, as shown

Thanachart Group's Shareholding Structure after Closing Date (As of 31 March 2020)



Remark : TCAP = Thanachart Capital PCL, NFS-AMC = NFS Asset Management Col. Ltd. MAX-AMC = MAX Asset management Col. Ltd., MBK = MBK PCL, PRG = Patum Rice Mill and Granary PCL, TNS = Thanachart Security PCL, TNI = Thanachart Insurance PCL, TS-AMC = TS Asset management Col. Ltd, SPV 1&2 = Thanachart Special Purpose Vehicle 1 & 2, THANI = Ratchthani Leasing PCL, TGL = Thanachart Group leasing Col. Ltd., TTD = Thanachart Training & Development Company Limited, SSV = Security Scib Services Col. Ltd., TMS = Thanachart Management and Service Col. Ltd.

Operating Results for the First Quarter of 2020

Performance Overview

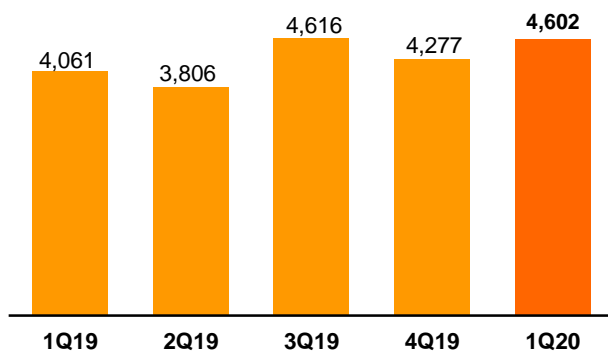
In the first quarter of 2020, **the Company and its subsidiaries' net profit according to the consolidated financial statements amounted to 4,602 million baht**. This was mainly due to the operating results of the important subsidiary and associated companies as follows:

- Thanachart Securities Public Company Limited had a net profit of 112 million baht
- Thanachart Insurance Public Company Limited had a net profit of 114 million baht
- Ratchthani Leasing Public Company Limited had a consolidated net profit of 465 million baht
- Thanachart SPV 2 Company Limited had a net profit of 2,855 million baht
- Asset Management Companies and other subsidiaries had a net profit of 167 million baht
- Share of profit from investments accounted for under equity method was 954 million baht

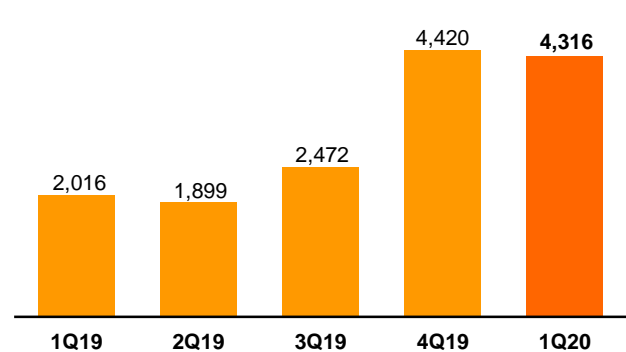
As a result, **net profit attributable to the Company amounted to 4,316 million baht, increased by 2,300 million baht or 114.09 percent** from the same quarter last year. This was mainly due to the recognition of gains on sale of investments in AJT which was the investments in Thanachart SPV 2, resulting in an increase in non-interest income. Meanwhile, net interest income increased from the growth of the outstanding hire purchase loans of Ratchthani Leasing. At the same time, operating expenses decreased while expenses for the expected credit loss increased.

Earnings per share (EPS) of the Company in the first quarter of 2020 were 3.86 baht, an increase from 1.76 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company's shareholders were at 11.62 and 26.30 percent, respectively.

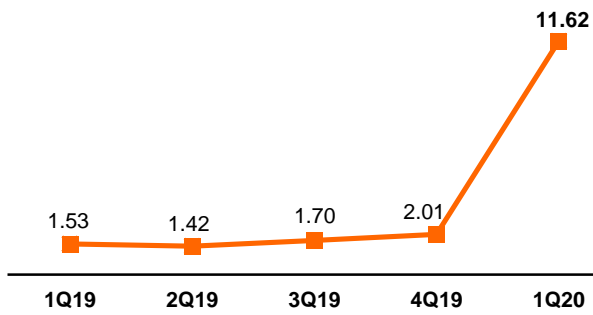
Net Profit of Thanachart Group (Million Baht)



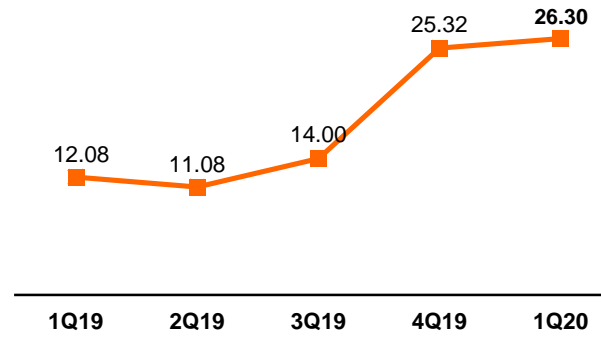
Net Profit Attributable to the Company (Million Baht)



ROAA (Percent)



ROAE* (Percent)



* Shareholders' equity of the company

Financial Highlights

Financial Highlights

Reviewed Financial Statements	For the 3 months ended	
	31-Mar-20	31-Mar-19
Operating Performance (Million Baht)	(Restated)	
Interest Income	1,135	1,062
Interest Expenses	404	372
Net Interest Income	731	690
Non-interest Income	5,645	1,321
Net Operating Income ⁽¹⁾	6,376	2,011
Other Operating Expenses	734	770
Expected Credit Loss	157	-
Impairment Loss of Loans and Debt Securities (Reversal)	-	(455)
Profit before Tax	5,485	1,696
Income Tax	883	371
Profit for the Period from Continuing Operations	4,602	1,325
Profit for the Period from Discontinued Operations	-	2,736
Profit for the Period	4,602	4,061
Net Profit Attributable to the Company	4,316	2,016
Basic Earnings per Share (Baht)	3.86	1.76
Financial Position (Million Baht)	31-Mar-20	31-Dec-19
Net Loans to Customers and Accrued Interest Receivables	52,416	53,159
Investment in Associated Company-net	47,316	45,421
Total Assets	148,619	160,927
Debts Issued and Borrowings	42,626	44,780
Total Liabilities	78,326	86,868
Company's Shareholders' Equity	62,566	65,833
Non-controlling Interests	7,727	8,226
Total Shareholders' Equity	70,293	74,059
Operating Performance Ratios (Percent)	31-Mar-20	31-Mar-19
ROAA	11.62	1.53
ROAE ⁽²⁾	26.30	12.08
D/E Ratio (times)	31-Mar-20	31-Dec-19
D/E Ratio (times)	1.11	1.17

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

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

Net Interest Income

Net Interest Income (Million Baht)

	1Q20	1Q19 (Restated)	Change +/(−)	%
Interest Income	1,135	1,062	73	6.87
Interbank and Money Market Items	30	34	(4)	(11.76)
Investments for trading	26	29	(3)	(10.34)
Investments for debts securities	95	60	35	58.33
Loans	62	76	(14)	(18.42)
Hire Purchase and Financial Leases	922	863	59	6.84
Interest Expenses	404	372	32	8.60
Interbank and Money Market Items	63	85	(22)	(25.88)
Debts Issued and Borrowings	337	283	54	19.08
Borrowing Fee	4	4	-	-
Net Interest Income	731	690	41	5.94

In the first quarter of 2020, the Company and its subsidiaries had 731 million baht in net interest income, an increase of 41 million baht or 5.94 percent from the same quarter last year.

- Interest income was 1,135 million baht, an increase of 73 million baht or 6.87 percent. This was mainly due to the growth of hire purchase loans outstanding of THANI especially in the truck segment.
- Interest expenses were 404 million baht, an increase of 32 million baht or 8.60 percent. This was mainly due to an increase in interest expenses for debt securities of the Company.

Non-interest Income

Non-interest Income (Million Baht)

	1Q20	1Q19 (Restated)	Change	
			+/(-)	%
Net Fees and Service Income	352	270	82	30.37
Loss on Financial Instruments Measured at Fair Value through Profit or Loss	(167)	-	(167)	(100.00)
Gains on Trading and Foreign Exchange Transactions	-	10	(10)	(100.00)
Gains on Investments	3,744	217	3,527	1,625.35
Share of Profit from Investments Accounted for under Equity Method	954	59	895	1,516.95
Gains (Losses) on Properties Foreclose and Other Assets	129	(30)	159	530.00
Net Insurance Premium/ Life Insurance Premium Income	420	391	29	7.42
Dividend Income	32	78	(46)	(58.97)
Other Income	181	326	(145)	(44.48)
Operating Income	5,293	1,051	4,242	403.62
Non-interest Income	5,645	1,321	4,324	327.33

Non-interest income of the Company and its subsidiaries in the first quarter of 2020 amounted to 5,645 million baht, an increase of 4,324 million baht or 327.33 percent from the same quarter last year. This was mainly due to the following.

- Net fees and service income amounted to 352 million baht, an increase of 82 million baht or 30.37 percent. This was mainly due to the increase in brokerage fees from securities businesses. The increase was in line with the SET's trading volume.
- Other operating income amounted to 5,293 million baht, an increase of 4,242 million baht or 403.62 percent. This was mainly due to gains on investments which amounted to 3,744 million baht from gains on selling of AJT's shares and share of profit from investments accounted for under equity method which amounted to 954 million baht, an increase of 895 million baht from recognition of TMB's net profit according to the Company's proportion of shareholding which in this quarter, TMB's net profit was 4,163 million baht.

Other Operating Expenses

Other Operating Expenses (Million Baht)

	1Q20	1Q19 (Restated)	Change	
			+/(-)	%
Personnel Expenses	445	467	(22)	(4.71)
Premises and Equipment Expenses	60	64	(4)	(6.25)
Taxes and Duties	6	16	(10)	(62.50)
Directors' Remuneration	11	10	1	10.00
Other Expenses	212	213	(1)	(0.47)
Total Other Operating Expenses	734	770	(36)	(4.68)

In the first quarter of 2020, **other operating expenses of the Company and its subsidiaries amounted to 734 million baht, a decrease of 36 million baht or 4.68 percent** from the same quarter last year.

Expected Credit Loss

Expected Credit Loss (Million Baht)

	1Q20	1Q19 (Restated)	Change	
			+/(-)	%
Expected Credit Loss	157	-	157	100.00
Impairment Loss of Loans and Debt Securities (Reversal)	-	(455)	(455)	(100.00)

In the first quarter of 2020, **the Company and its subsidiaries had expected credit loss in the amount of 157 million baht.**

Financial Position

Consolidated Statements of Financial Position (Million Baht)

	31 March 2020		31 December 2019		Change	
	Amount	%	Amount	%	+/(-)	%
Cash	2	0.00	3	0.00	(1)	(33.33)
Interbank and Money Market Items-net	8,644	5.82	7,404	4.60	1,240	16.75
Financial Assets Measured at Fair Value through Profit or Loss	6,265	4.22	-	-	6,265	100.00
Investment-net	24,841	16.71	41,551	25.82	(16,710)	(40.22)
Investment in Associated Companies-net	47,316	31.84	45,421	28.22	1,895	4.17
Net Loans to Customers and Accrued Interest Receivables	52,416	35.26	53,159	33.03	(743)	(1.40)
Property foreclosed-net	3,036	2.04	3,128	1.94	(92)	(2.94)
Land, premises and equipment - net	293	0.20	301	0.19	(8)	(2.66)
Assets Classified as Held for Sale	-	-	3,423	2.13	(3,423)	(100.00)
Other Assets	5,806	3.91	6,537	4.07	(731)	(11.18)
Total Assets	148,619	100.00	160,927	100.00	(12,308)	(7.65)
Interbank and Money Market Items	11,183	7.52	15,660	9.73	(4,477)	(28.59)
Debt Issued and Borrowings	42,626	28.68	44,780	27.83	(2,154)	(4.81)
Insurance contracts liabilities	12,734	8.57	13,096	8.14	(362)	(2.76)
Other Liabilities	11,783	7.93	13,332	8.28	(1,549)	(11.62)
Total Liabilities	78,326	52.70	86,868	53.98	(8,542)	(9.83)
Company's Shareholders' Equity	62,566	42.10	65,833	40.91	(3,267)	(4.96)
Non-controlling Interests	7,727	5.20	8,226	5.11	(499)	(6.07)
Total Shareholders' Equity	70,293	47.30	74,059	46.02	(3,766)	(5.09)
Total Liabilities and Shareholders' Equity	148,619	100.00	160,927	100.00	(12,308)	(7.65)
Book Value per Share (Baht)	59.67		57.46			

Assets

As of 31 March 2020, Thanachart Group's total assets amounted to 148,619 million baht, a decrease of 12,308 million baht or 7.65 percent from the end of 2019. Key factors are as follows:

- Financial assets measured at fair value through profit or loss amounted to 6,265 million baht.
- Net investment amounted to 24,841 million baht, a decrease of 16,710 million baht or 40.22 percent from the end of last year. This was mainly due to the sale and maturity of government bonds and reclassification of net investment to financial assets measured at fair value through profit or loss in accordance with the TFRS 9.

- Net investment in associated companies amounted to 47,316 million baht, an increase of 1,895 million baht or 4.17 percent from the end of last year. This was mainly due to the increase in investment in MBK.
- Net loans to customers and accrued interest receivables amounted to 52,416 million baht, a decrease of 743 million baht or 1.40 percent from the end of last year.

Liabilities

Total liabilities of Thanachart Group as of 31 March 2020 **were 78,326 million baht, a decrease of 8,542 million baht or 9.83 percent** from the end of 2019. The key items were as follows:

- Interbank and money market items amounted to 11,183 million baht, a decrease of 4,477 million baht or 28.59 percent from the end of last year. This was mainly from liquidity management.
- Debt issued and borrowings amounted to 42,626 million baht, a decrease of 2,154 million baht or 4.81 percent from the end of last year. This was mainly from the redemption of short-term bills of exchange of the Company in the amount of 4,000 million baht.

Shareholders' Equity

Total shareholders' equity as of 31 March 2020 **was 70,293 million baht, a decrease of 3,766 million baht or 5.09 percent** from the end of 2019. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 62,566 million baht, a decrease of 3,267 million baht or 4.96 percent. This was mainly due to the share repurchased of 4,863 million baht, the interim dividend payment paid for the performance in the second half of 2019 of 1,888 million baht, and the operating net profit of the Company in the first quarter of 2020 in the amount of 4,316 million baht.
- Equity attributable to non-controlling interest amounted to 7,727 million baht, a decrease of 499 million baht or 6.07 percent.

Operating Results of Subsidiaries

Operating Results of Subsidiaries (Million Baht)

Subsidiaries	% Shareholding	Net Profit (Loss)	
		1Q20	1Q19
Thanachart Securities Public Company Limited	50.96%	112	99
Thanachart Insurance Public Company Limited	50.96%	114	278
TS AMC Company Limited	99.99%	3	251
Ratchthani Leasing Public Company Limited (Consol.)	57.49%	465	496
NFS AMC Company Limited	100.00%	(6)	111
MAX AMC Company Limited	83.44%	16	139
MBK Life Insurance Public Company Limited	51.00%	(187)	(30)

Thanachart Securities Public Company Limited

Average daily trading volume of Thanachart Securities Public Company Limited in the first quarter of 2020 was 3,240 million baht, an increase from the same quarter last year of 2,352 million baht. The trading volume of this quarter could be divided into 57.48 percent of retails, 40.52 percent of institutions, and 2.00 percent of foreign investors.

Net profit for the first quarter of 2020 amounted to 112 million baht, an increase of 13 million baht or 13.13 percent from the same quarter last year. Total income decreased by 5.03 percent, due to lower gains and returns from financial instruments. At the same time, brokerage fees income increased in line with the increase in trading volume of the company. Total expenses declined by 15.18 percent from lower income and cost control policy.

As of 31 March 2020, the company maintained its liquidity ratio (Net Liquid Capital Rules: NCR) at 120.62 percent, higher than the minimum requirement by the Securities and Exchange Commissions (SEC) of 7.00 percent of general indebtedness and securities pledged.

Thanachart Insurance Public Company Limited

In the first quarter of 2020, Thanachart Insurance Public Company Limited had **total insurance premium of 2,236 million baht, an increase of 197 million baht or 9.66 percent** from the same quarter last year. The increase was mainly due to the increase in auto insurance premium through the external partners when compared to the same quarter last year. Auto insurance premium amounted to 1,898 million baht, an increase of 188 million baht or 10.99 percent from the same quarter last year.

For operating results, **the net profit of the company in the first quarter of 2020 was 114 million baht, a decrease of 164 million baht or 58.99 percent** from the same quarter last year. This was due to lower gains on investments and higher remuneration expenses.

Ratchthani Leasing Public Company Limited

At the end of the first quarter of 2020, Ratchthani Leasing Public Company Limited had total assets of 50,284 million baht, a decrease of 420 million baht or 0.83 percent from the end of the previous year. This was mainly from a decrease in its hire purchase loans of 365 million baht or 0.73 percent which was affected from the spread of COVID-19 virus, resulting in an economic slowdown from the disruption of manufacturing sector and the lower income of business operators. The hire purchase portfolio was affected as a consequence. Total liabilities amounted to 42,895 million baht, a decrease of 251 million baht or 0.58 percent while shareholders' equity was 7,390 million baht, a decrease of 167 million baht or 2.21 percent from the interim dividend payment paid for the performance in the second half of 2019.

Net profit according to its separate financial statements **for the first quarter of 2020 amounted to 436 million baht, a decrease of 41 million baht or 8.60 percent** from the same quarter last year. Total income increased by 67 million baht or 6.67 percent while interest expenses increased by 13 million baht or 5.49 percent. Provision expenses were in the amount of 140 million baht which increased by 110 million baht or 366.67 percent from the same quarter last year. This was due to the provision provided for expected credit loss (ECL) in accordance with TFRS9 accounting standards.

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.