



Management Discussion and Analysis

For the second quarter and the first six-month period ended 30 June 2012

(Audited Financial Statements)

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Thanachart Capital Public Company Limited and its Subsidiaries

Management Discussion and Analysis (Audited Financial Statements)

Economics Outlook and Competition in Banking Industry

Thai economy in 2Q2012 continues to grow from the previous quarter despite a threat from global economic crisis. Unemployment rate is still low. Manufacturing and industrial sectors continues to expand, especially automotive manufacturing. This was due to low production level caused by the natural catastrophe in Japan last year plus a production boost to satisfy a domestic demand which was suppressed by the flood at the end of 2011. Consumer confidence index shows continue improvement from 24.3 in the previous quarter to 26.4¹ in this quarter. This improvement was due to a decreasing global oil price, resulting in an inflation rate slow down, plus government policies and measure to stimulate the economy and aid the people. However, the index is still lower than 50 reflecting skepticism to the political stability, natural disaster and impact of financial crisis in USA and Euro zone.

According to the two most recent Monetary Policy Committee Meetings held on 2 May and 13 June 2012, the Monetary Policy Committee set the policy rate at 3.00 percent per annum to ease economic pressure from global economic slowdown and to stimulate all economic sectors.

Thai economy shows sign of good loan growth accordingly to the economic expansion, however, in the second half of this year, Thailand will continue to face with a challenge of unresolved global economic crisis and volatility of exchange rate. On the upside, the Ministry of Finance has extended the depository guarantee period at the amount of 50 million baht until 2015 which result in a confidence in the depositors to the commercial banks.

¹ Source: the Ministry of Commerce

Major Events

1. The Board of Directors of Thanachart Capital Public Company Limited (TCAP) had a resolution to approve TCAP to repurchase its shares (treasury shares) in amount of less than 10 percent of the total paid up capital, equivalent to 133,315,400 shares, to manage excess liquidity during the period of 15 December 2008 till 14 June 2009. In this connection, TCAP was able to buy back its shares in a total of 55,324,300 shares or 4.15 percent of the total paid up capital. After the specified reselling the repurchased shares, on 15 June 2012, TCAP has decreased its capital by writing off its treasury shares at a par value of 10 baht per share, a total of 553,243,000 baht. As a result, TCAP's paid up capital decreased from 13,331,540,030 baht to 12,778,297,030 baht. Such reduction has no impact to the shareholders' equity and to the BIS ratio of Thanachart Group.
2. Thanachart Bank Public Company Limited ("TBANK") has issued and offered subordinated debentures of value up to 7,500 million baht and green shoes of value up to 3,500 million baht, or a total value up to 11,000 million baht. The offering period is during 16-19 July 2012. Interest rate is fixed at 4.7 percent with redemption in the year 2022. An issuer has an early redemption right. These subordinated debentures were given the rating of A+ by TRIS Rating Company Limited. TBANK will proceed to request an approval from the Bank of Thailand to count such subordinated debentures as Tier 2 capital of TBANK.

Infrastructure Development to Strengthen the Foundation of Thanachart Group

After the successful merger between TBANK and SCIB in 2011, Thanachart Group carries on the mission to becoming a leading commercial bank in Thailand by improving operation system to enhance the capability to compete and offer superior service to the customers more efficiently. The focus is given on the enhancement of various infrastructure systems, such as Processing Support Center (PSC), Business Line Reengineering, Sale and Service System, Automated Scoring and Loan Origination System, Call Center and Internet Banking Optimization System, and Collection Optimization System. These systems will help TBANK to manage data more efficiently, reduce cost and workload on documentation, and manage risk in loan approval process more systematically and effectively. TBANK can monitor the work progress at every stage, stimulate cross-selling in new channels and better control NPLs and provision.

These developments are fully supported by Scotiabank, a strategic partner of Thanachart Group and have been initiated since the beginning of 2012. These systems will experience gradual change and are expected to fully complete in the year 2013.

Financial Highlights

	As at and for the 3 months ended			For the 6 months ended	
Audited	30-Jun-12	31-Mar-12	30-Jun-11	30-Jun-12	30-Jun-11
Operating Performance (Million Baht)					
Interest Income	12,324	11,720	10,748	24,043	20,915
Interest Expenses	6,160	6,113	4,430	12,273	8,322
Net Interest Income	6,164	5,607	6,318	11,770	12,593
Non-interest Income	3,398	3,152	2,717	6,552	5,335
Net Operating Income ⁽¹⁾	9,562	8,759	9,035	18,322	17,928
Other Opreating Expenses	5,539	5,521	5,018	11,060	9,885
Impairment Loss of Loans and Debt Securities	488	415	869	904	1,589
Income Tax	748	712	415	1,460	1,486
Net Profit	2,787	2,111	2,733	4,898	4,968
Net Profit Attributable to the Company	1,709	1,193	1,583	2,903	2,727
Operating Performance Ratios					
Basic Earnings per Share (Baht)	1.34	0.93	1.24	2.27	2.13
ROAA (%)	1.2	0.9	1.3	1.1	1.2
ROAE (%)	17.3	12.4	17.6	14.9	15.2
Interest Spread ⁽²⁾ (%)	2.6	2.4	2.9	2.5	2.9
Credit Cost (%)	0.28	0.24	0.56	0.25	0.50
Non-interest Income Ratio ⁽³⁾ (%)	35.5	36.0	30.1	35.8	29.8
Cost to Income Ratio ⁽⁴⁾ (%)	57.9	63.0	55.5	60.4	55.1
	30-Jun-12	31-Mar-12	31-Dec-11		
Financial Position (Million Baht)					
Loans	673,565	647,661	637,104		
Total Assets	928,942	903,647	895,157		
Deposits and Bills of Exchange	666,423	645,903	653,920		
Total Liabilities	850,092	826,148	819,476		
Equity ⁽⁵⁾	40,427	39,311	38,259		
Finacial Position Quality					
Loans to Deposits and Bills of Exchange (%)	101.1	100.3	97.4		
Non-performing Loans (Million Baht)	35,886	38,540	40,188		
NPL Ratio (%)	5.1	5.7	5.9		
Coverage Ratio (%)	68.6	65.9	68.4		
Reserve to Required Reserve (%)	122.1	117.9	107.0		

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

(2) Interest Spread = Yield - Cost of Fund

Yield = Interest Income / Average Earning Assets

Cost of Fund = Interest Expenses / Average Paying Liabilities

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

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

(5) Excluding Non-controlling Interest

Operating results for the second quarter and the first six-month of 2012

Performance overview of Thanachart Capital Public Company Limited and its subsidiaries

In the 2nd quarter of 2012, Thanachart Capital Public Company Limited (“TCAP”) and its subsidiaries had **net profit of 1,709 million baht**, an increase of 516 million baht or 43.3 percent from the previous quarter. Performance of TCAP and its subsidiaries has improved due to efficient NPL management, resulting in a continuous decrease in NPL ratio. Furthermore, loan portfolio has grown in retail loans, especially hire purchase, and also corporate loans and SME loans. Non interest income experienced a consistent increase while operating expenses and impairment loss of loans were managed and controlled effectively.

For the first six-month of 2012, Thanachart Group had **net profit of 2,903 million baht**, an increase of 176 million baht or 6.5 percent from the same period last year. Non-interest income increased by 22.8 percent due to synergy and cross selling. At the same time, impairment loss of loans decreased. However, interest spread declined from 2.9 percent to 2.5 percent, as a result of market rate increase and aggressive competition in deposit products. In addition, operating expenses increased by 11.9 percent, varying with the business volume.

Key summary of operating results were as follows:

- **Non-performing loan management:** NPLs of Thanachart Group as at 30 June 2012 amounted to 35,886 million baht, a decrease from 40,188 at the end of last year or 4,302 million baht. This was mainly due to an efficient NPLs management capability of the asset management companies under Thanachart Group. **NPL ratio decreased** from 5.9 percent at the end of last year to **5.1 percent**.
- **Loan grew by 5.7 percent** from the end of last year. Hire purchase loans grew by 14.6 percent from the end of last year. In the first six-month of this year, Thanachart Group has restructured and settled various accounts. Excluding loans outstanding reduction due to such settlement, loans grew by 6.6 percent. The ratio of retail loans to corporate and SME loans was at 64 to 36.
- **Deposits and Bills of Exchange increased by 1.9 percent** from the end of last year. The ratio of CASA to total deposits and bills of exchange was 32.5 percent while the ratio of bills of exchange to total deposits and bills of exchange accounted for 14.4 percent. TBANK continues to offer deposit products and interest rates that are compatible and coherent with the market environment and competition, as well as, manage the bills of exchange to be in a suitable and optimal level.
- **Interest Spread in the 2nd quarter of 2012** was at 2.6 percent, an increase from 2.4 percent in the previous quarter. This was the result of an increase in yield on earning

assets and a decrease in cost of fund from better deposit structure. In this connection, yield on assets was at 5.8 percent while cost of fund was at 3.2 percent. **For the first six-month of 2012**, interest spread was at 2.5 percent, a decrease from 2.9 percent in the same period last year. This was due to the competition in deposit products. Interest rate in the first six-month of this year was higher when compared to that of the first six-month of previous year, including the impact from expenses which TBANK had to provide for the Financial Institution and Development Fund and the Depository Protection Agency. Yield on Earning Assets was at 5.7 percent while cost of fund was at 3.2 percent.

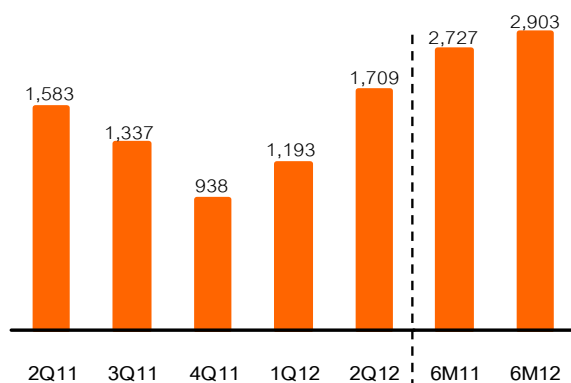
- **Non interest income grew.** There was an increase in non-interest income both in quarterly and half-year comparison. This reflects synergy and cross-selling achievement which shows sign of improvement. Non-interest income to net operating income (Non-interest income ratio) was at 35.5% in the 2nd quarter of 2012 and 35.8% in the first six-month of 2012.
- **Operating expenses in the 2nd quarter of 2012** increased slightly from the previous quarter. For **the first six-month of 2012**, there was an increase of 11.9 percent compared to the same period last year, as a result of an increase in business volume. Operating expenses to net operating income (Cost to income ratio) in the 2nd quarter of 2012 was at 57.9 percent, a decrease from 63.0 percent in the previous quarter. For the first six-month of 2012, the ratio was at 60.4 percent, an increase from 55.1 percent in the same period last year.
- **Impairment loss of loans and debt securities expenses in the 2nd quarter of 2012** increased slightly from the previous quarter as a result of efficient NPL management. For **the first six-month of 2012**, impairment loss of loans and debts securities expenses declined from the same period last year. This was due to an efficient NPL management and implementation of collective approach for the hire purchase portfolio provisioning. Credit cost in the 2nd quarter of 2012 and the first six-month of 2012 were at 0.28 percent and 0.25 percent respectively.

In terms of financial position, the asset size of Thanachart Group continues to grow. At the end of the 2Q12, the Company and its subsidiaries had 673,565 million baht in total loans, an increase of 36,461 million baht or 5.7 percent from the end of 2011. Consequently, at the end of the 2nd quarter of 2012, total assets were 928,942 million baht, an increase of 33,785 million baht or 3.8 percent from the end of last year.

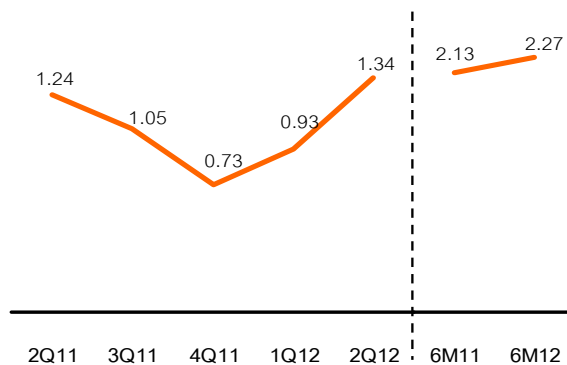
Earning per share (EPS) in the 2nd quarter of 2012 was 1.34 baht per share, an increase from 0.93 baht per share in the previous quarter. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were at 1.2 percent and 17.3 percent respectively.

Earning per share (EPS) in the first six-month of 2012 was 2.27 baht per share, comparing to 2.13 baht per share in same period last year. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were at 1.1 percent and 14.9 percent respectively.

Net Profit (Million Baht)



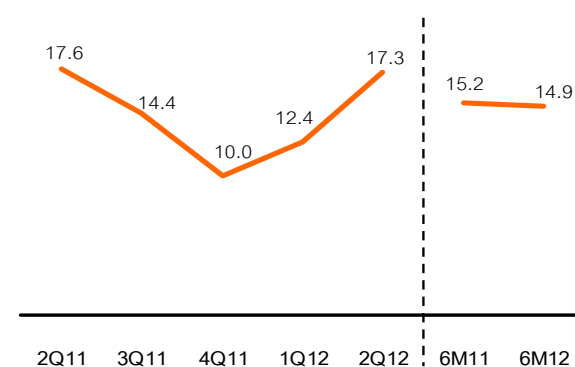
Earning per Share (Baht)



ROAA (%)



ROAE (%)



Net Interest Income

Unit: Million Baht

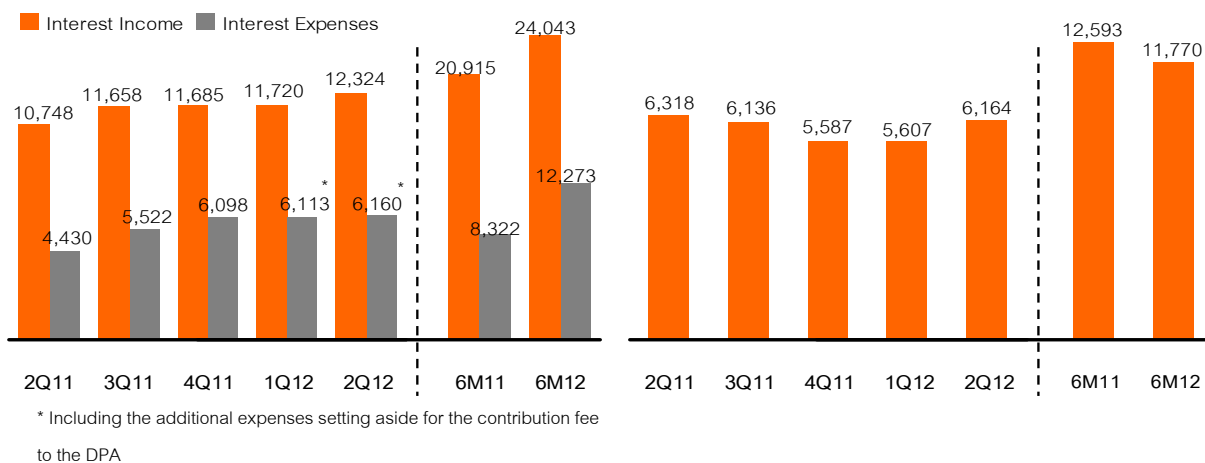
Net Interest Income	2Q12	1Q12	Change %	6M12	6M11	Change %
Interest Income	12,324	11,720	5.2	24,043	20,915	15.0
Interbank and Money Market Items	514	532	(3.4)	1,046	760	37.6
Investments for trading	122	125	(2.4)	247	52	375.0
Investments for debts securities	1,157	1,161	(0.3)	2,318	1,945	19.2
Loans	5,450	5,258	3.7	10,708	9,970	7.4
Hire Purchase and Financial Leases	5,081	4,644	9.4	9,724	8,188	18.8
Interest Expenses	6,160	6,113	0.8	12,273	8,322	47.5
Deposits	3,177	2,646	20.1	5,823	3,831	52.0
Interbank and Money Market Items	430	371	15.9	801	394	103.3
Fund Contributed to the DPA	722	607	18.9	1,329	1,004	32.4
Debts Issued	1,824	2,487	(26.7)	4,311	3,091	39.5
Borrowing Fee	7	2	250.0	9	2	350.0
Net Interest Income	6,164	5,607	9.9	11,770	12,593	(6.5)

In the 2nd quarter of 2012, the Company and its subsidiaries had 6,164 million baht in net interest income, an increase of 557 million baht or 9.9 percent from the previous quarter. Interest spread was at 2.6 percent, an increase from 2.4 percent. Interest income amounted to 12,324 million baht, an increase of 604 million baht or 5.2 percent from the previous quarter. This was mainly due to loan portfolio expansion, hire purchase loan in particular which grew 14.6 percent, and interest received due to debt restructuring. Interest expenses in the 2nd quarter of 2012 amounted to 6,160 million baht, an increase of 47 million baht or 0.8 percent from the previous quarter. This was a result of an increase in deposit and B/E. TBANK continues to offer deposit products and interest rates that are compatible to the market environment. Deposit structure and bills of exchange management are constantly supervised to be suitable and strategically aligned.

In the first six-month of 2012, net interest income of TCAP and its subsidiaries was 11,770 million baht, a decline of 823 million baht or 6.5 percent from the same period last year. Interest income was 24,043 million baht, an increase of 3,128 million baht or 15.0 percent. This was a result of hire purchase loan expansion. Interest expense increased 3,951 million baht or 47.5 percent from the same period last year which was due to deposit rate that is higher than 1H11 and the expense banks must provide to Financial Institution and Development Funds and Depository Protection Agency. Furthermore, there is an expansion in deposit which caused the interest spread to be 2.5 percent, a decrease from 2.9 percent in the same period last year.

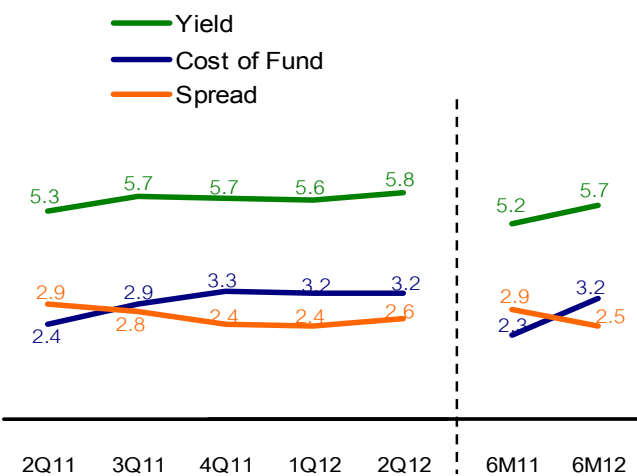
Interest Income and Interest Expenses (Million Baht)

Net Interest Income (Million Baht)



	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Average Policy Interest Rate	2.29	2.78	3.32	3.41	3.07	3.00

Yield, Cost of Fund, and Spread (%)



Non-interest Income

Unit: Million Baht

Non-interest Income	2Q12	1Q12	Change %	6M12	6M11	Change %
Fees and Service Income	1,384	1,339	3.4	2,724	2,574	5.8
Fees and Service Expenses	(362)	(368)	(1.6)	(731)	(656)	11.4
Net Fees and Service Income	1,022	971	5.3	1,993	1,918	3.9
Gains (loss) on Tradings and Foreign Exchange Transactions	368	(90)	508.9	278	450	(38.2)
Gain on Investments	222	228	(2.6)	450	239	88.3
Share of Profit from Investments in Associated Companies						
Accounted for under Equity Method	119	38	213.2	157	155	1.3
Gain on Properties Foreclose and Other Assets	414	179	131.3	593	68	772.1
Insurance Premium/ Life Insurance Premium Income	3,374	3,088	9.3	6,463	6,254	3.3
Insurance/Life Insurance Expenses	(2,574)	(1,792)	43.6	(4,366)	(4,895)	(10.8)
Dividend Income	27	129	(79.1)	156	451	(65.4)
Other Income	426	401	6.2	828	695	19.1
Operating Income	2,376	2,181	8.9	4,559	3,417	33.4
Non-interest Income	3,398	3,152	7.8	6,552	5,335	22.8

■ Net Fees and Service Income

In the 2nd quarter of 2012, TCAP and its subsidiaries had 1,022 million baht in net fees and service income, an increase of 51 million baht or 5.3 percent from the previous quarter. Fee and service income was 1,384 million baht, an increase of 45 million baht or 3.4 percent. This was a result of fund management fee and financial advisory fee. Fees and service expenses were 362 million baht, a decrease of 6 million baht or 1.6 percent.

In the first six-month of 2012, TCAP and its subsidiaries had 1,993 million baht in net fees and service income, an increase of 75 million baht or 3.9 percent from the same period last year. Fees and service income was 2,724 million baht, an increase of 150 million baht or 5.8 percent, mainly due to fund management fee, financial advisory fee and hire purchase transaction. Fees and service expenses were 731 million baht, an increase of 75 million baht or 11.4 percent, a result of a more diversified product mix.

■ Operating Income

Operating income includes gain on trading and foreign exchange transactions, gain on investments, share of profit from investments in associated companies accounted for under equity method, gains on properties foreclosed and other assets, net insurance/life insurance premium income, dividend income, and other income.

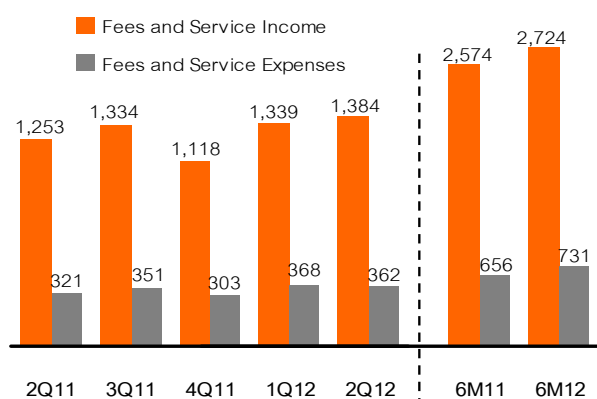
In the 2nd quarter of 2012, TCAP and its subsidiaries had 2,376 million baht in other operating income, an increase of 195 million bat or 8.9 percent from the previous quarter. This was mainly a result of gains on properties foreclosed and other assets which increased by 235 million baht or 131.3 percent due to effective management.

Gains on trading and gains on exchange increased by 458 million baht or 508.9 percent, due to investment revaluation. Net underwriting income from life and non-life insurance decreased by 496 million baht or 38.3 percent. Dividend income decreased by 102 million baht or 79.1 percent.

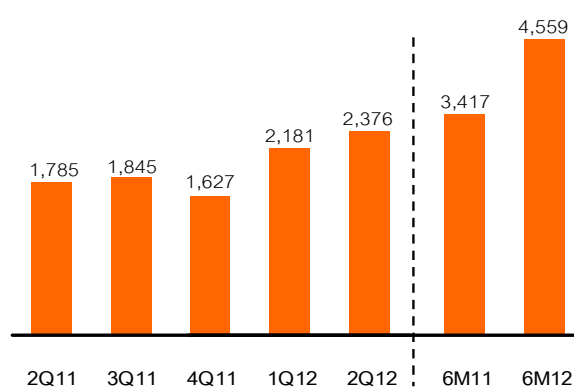
In the first six-month of 2012, TCAP and its subsidiaries had 4,559 million baht in other operating income, an increase of 1,142 million bath or 33.4 percent from the same period last year. This was due to underwriting income from life and non-life insurance which increased by 738 million baht or 54.3 percent, in line with expanding hire purchase loan volume. Gains on properties foreclosed and other assets increased by 525 million baht or 772.1 percent due to effective management. Gains on investment increased by 211 million baht or 88.3 percent. Dividend income decreased by 295 million baht or 65.4 percent mainly a result of smaller dividend from Vayapuk Fund.

Fees and Service Income and Fees and

Service Expenses (Million Baht)



Other Operating Income (Million Baht)



Net interest income to non interest income portions in the 2nd quarter of 2012 and the first six-month of 2012 periods were both 64 to 36.

Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	2Q12	1Q12	Change %	6M12	6M11	Change %
Personnel Expenses	2,714	2,900	(6.4)	5,614	5,395	4.1
Premises and Equipment Expenses	818	773	5.8	1,592	1,755	(9.3)
Taxes and Duties	245	233	5.2	478	415	15.2
Directors' Remuneration	37	7	428.6	44	53	(17.0)
Other Expenses	1,725	1,608	7.3	3,332	2,267	47.0
Total Other Operating Expenses	5,539	5,521	0.3	11,060	9,885	11.9

In the 2nd quarter of 2012, TCAP and its subsidiaries' operating expenses were 5,539 million baht, an increase of 18 million baht or 0.3 percent from the previous quarter. This was a result of other expenses which include sale promotion that varies with business volume, infrastructure development expenses and IT expenses. Personnel expenses decreased by 186 million baht or 6.4 percent. Cost to income ratio was 57.9 percent a decrease from 63.0 percent in the previous quarter.

In the first six-month of 2012, TCAP and its subsidiaries' other operating expenses were 11,060 million baht, an increase of 1,175 million baht or 11.9 percent from the same period last year. This was a result of personnel expenses which increased by 219 million baht or 4.1 percent and other expenses which includes sale promotions, such as hire purchase and credit card, which varies with business volume. Cost to income ratio was 60.4 percent an increase from 55.1 percent in the same period last year.

Impairment Loss of Loans and Debt Securities

Unit: Million Baht

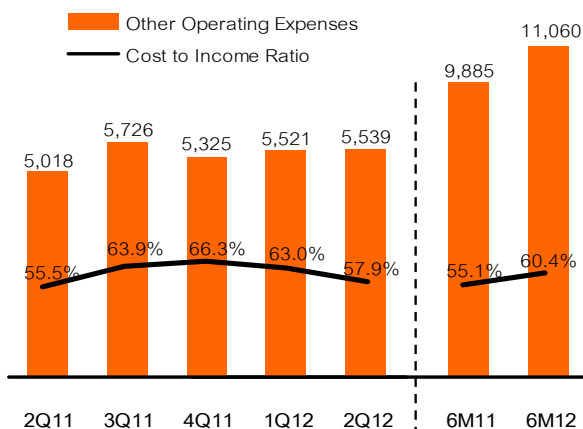
Impairment Loss of Loans and Debt Securities	2Q12	1Q12	Change %	6M12	6M11	Change %
Impairment Loss of Loans	487	413	17.9	900	1,664	(45.9)
Loss from Debt Restructuring (Reversal)	(2)	3	(166.7)	2	(54)	103.7
Loss from impairment of debt securities (Reversal)	3	(1)	400.0	2	(21)	109.5
Impairment Loss of Loans and Debt Securities	488	415	17.6	904	1,589	(43.1)
Credit Cost (%)	0.28	0.24	16.7	0.25	0.50	(50.0)

In the 2nd quarter of 2012, impairment loss of loans and debt securities were 488 million baht, an increase of 73 million baht or 17.6 percent from the previous quarter. This was due to efficient NPL management. Credit cost ratio was at 0.28 percent, slightly increased from that of the previous quarter at 0.24 percent.

In the first six-month of 2012, TCAP and its subsidiaries had 904 million baht in impairment loss of loans and debt securities, a decrease of 685 million baht or 43.1 percent from the same period last year. This was mainly due to change in provision calculation for hire purchase loans by incorporating historical loss and economic uncertainty factors since the first quarter 2012. Credit cost ratio was at 0.25 percent, a decrease from 0.50 percent in the same period last year.

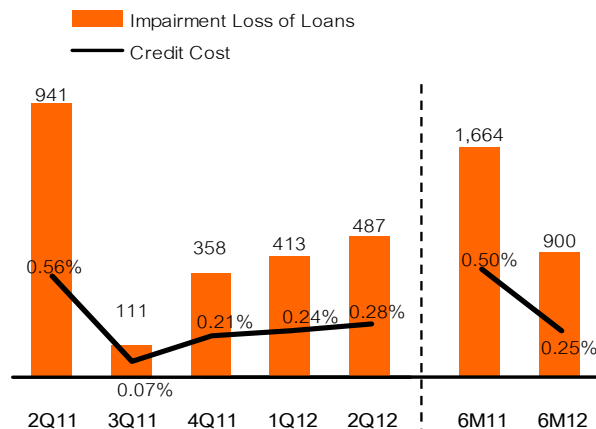
Other Operating Expenses (Million Baht) and

Cost to Income Ratio (%)



Impairment Loss of Loans (Million Baht)

and Credit Cost (%)



Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	30 June 2012		31 December 2011		Change
	Amount	%	Amount	%	%
Interbank and Money Market Items-net	64,804	7.0	63,232	7.1	2.5
Investment-net	148,795	16.0	152,511	17.0	(2.4)
Investment in Associated Company-net	1,742	0.2	1,673	0.2	4.1
Loans to Customers and Accrued Interest Receivables	674,559	72.6	638,084	71.3	5.7
Allowance for Doubtful Accounts and					
Revaluation allowance for Debt Restructuring	(24,419)	(2.6)	(27,286)	(3.1)	(10.5)
Intangible assets acquired in a business combination-net	3,229	0.3	3,498	0.4	(7.7)
Goodwill	14,120	1.5	13,981	1.6	1.0
Other Assets	46,112	5.0	49,464	5.5	(6.8)
Total Assets	928,942	100.0	895,157	100.0	3.8
Deposits	570,287	61.4	435,865	48.7	30.8
Interbank and Money Market Items	68,200	7.3	60,151	6.7	13.4
Debt Issued and Borrowings	149,353	16.1	262,653	29.3	(43.1)
Other Liabilities	62,252	6.7	60,807	6.8	2.4
Total Liabilities	850,092	91.5	819,476	91.5	3.7
Company's Shareholders' Equity	40,427	4.4	38,259	4.3	5.7
Non-controlling Interests	38,423	4.1	37,422	4.2	2.7
Total Shareholders' Equity	78,850	8.5	75,681	8.5	4.2
Total Liabilities and Shareholders' Equity	928,942	100.0	895,157	100.0	3.8
Book Value per Share (Baht)	31.64		29.94		5.7

Total Assets

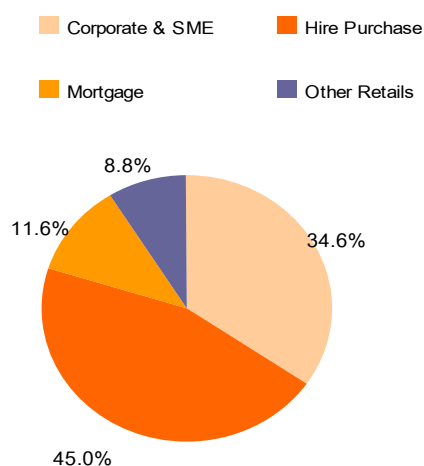
As of 30 June 2012, total assets of Thanachart Group were 928,942 million baht, an increase of 33,785 million baht or 3.8 percent from the end of 2011. This was due to loans and interest receivables which increased by 5.7 percent and still show sign of continuous increase. The key changes in asset side were as follows:

- Interbank and money market items-net were 64,804 million baht, an increase of 1,572 million baht or 2.5 percent from the end of previous year. This was due to the excess liquidity management.
- Investment-net was 148,795 million baht, a decrease of 3,716 million baht or 2.4 percent from the end of previous year, mainly due to maturity of foreign debt securities.
- Loans and accrued interest receivables were 674,559 million baht, an increase of 36,475 million baht or 5.7 percent from the end of last year. This was mainly due to a 14.6 percent growth in hire purchase loans. During the first six-month of 2012, Thanachart Group has restructured and settled various corporate clients. Excluding loan reduction due to debt settlement, loans grew by 6.6 percent. Portion of retail loans to corporate and SME loans was 64 percent to 36 percent.

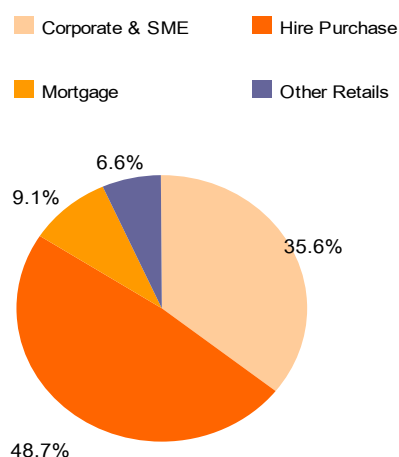
Details of the loan breakdown were as follows:

Loan Breakdown (Percent)

31 December 2011



30 June 2012



Liabilities

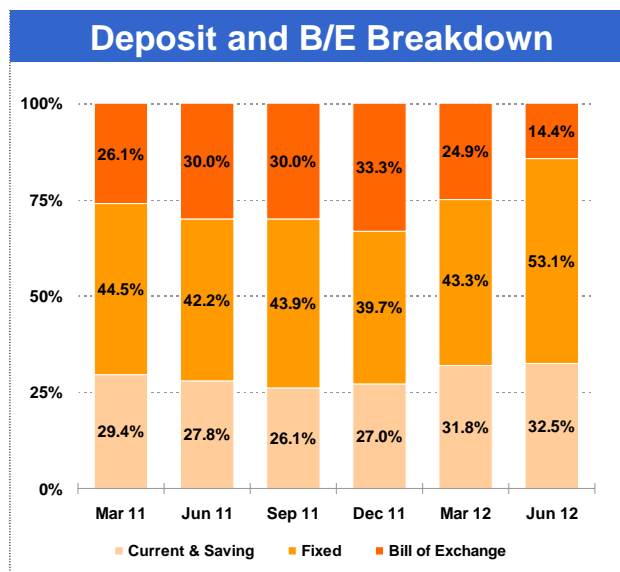
Total liabilities of Thanachart Group as of 30 June 2012 were 850,092 million baht, an increase of 30,616 million baht or 3.7 percent from the end of 2011. The key items were as follows:

Deposits and Bills of Exchange	30 June 2012		31 December 2011		Change
	Amount	%	Amount	%	%
Current	7,939	1.2	7,117	1.1	11.5
Savings	208,335	31.3	169,051	25.9	23.2
Fixed Deposits					
Less than 6 Months	167,940	25.2	52,172	8.0	221.9
6 Months and up to 1 Year	110,374	16.6	133,546	20.4	(17.4)
Over 1 Year	75,697	11.3	73,916	11.3	2.4
Bills of Exchange	96,136	14.4	218,055	33.3	(55.9)
Others	2	0.0	63	0.0	(96.8)
Total Deposits and Bills of Exchange	666,423	100.0	653,920	100.0	1.9

- Deposits and bills of exchange were 666,423 million baht, an increase of 12,503 million baht or 1.9 percent from the end of last year. The key reasons were as follows:

1. Less than 6-month fixed deposits were 167,940 million baht, an increase of 115,768 million baht or 221.9 percent. This was partly due to bills of exchange customers who switched to fixed deposits.
2. Saving deposits were 208,335 million baht, an increase of 39,284 million baht or 23.2 percent. This was a result of deposit products and interest rates that were compatible to market environment and to be in accordance with the policy to increase saving portion to reduce cost of fund pressure and obligation.
3. Bills of exchange were 96,136 million baht, a decrease of 121,919 million baht or 55.9 percent. This was a result of bills of exchange management to be in a suitable level. Effective from the beginning of 2012, bills of exchange incurred cost which TBANK had to pay to the Financial Institution and Development Funds at a rate of 0.46 percent.

CASA to deposits and bills of exchange ratio was 32.5 percent. Bills of exchange to deposits and bills of exchange ratio were 14.4 percent, a decrease from 33.3 percent in the end of 2011.



- Debt issued and borrowings, excluding bills of exchange, were 53,217 million baht, an increase of 8,619 million baht or 19.3 percent. In 2012, TBANK (a subsidiary company) has issued 2,072 million baht of unsubordinated debentures and Ratchthani Leasing (a subsidiary company) has issued 6,000 million baht of unsubordinated debentures.
- Interbank and money market were 68,200 million baht, an increase of 8,049 million baht or 13.4 percent from the end of last year, mainly due to excess liquidity management of TBANK.

Shareholders' Equity

Shareholders' equity was 78,850 million baht, an increase of 3,169 million baht or 4.2 percent from the end of 2011 which can be broken down as follows:

- Equity attributable to the owners of the Company was 40,427 million baht, an increase of 2,168 million baht or 5.7 percent. This was mainly due to an increase in operating profit of TCAP and its subsidiaries, which in the first six-month of 2012 period was 2,903 million baht, and dividend payment of 894 million baht, which was paid from the second half performance of 2011.
- Non-controlling interests were 38,423 million baht, an increase of 1,001 million baht or 2.7 percent, mainly due to the performance result of TBANK and its subsidiaries.

Non-performing Loans: NPLs

	TBANK		TCAP (Consol.)	
	30-Jun-12	31-Dec-11	30-Jun-12	31-Dec-11
NPL-gross (Million Baht)	20,078	17,989	35,886	40,188
Total Allowance* (Million Baht)	14,719	13,062	24,634	27,479
NPL-gross to Total Loans (%)	2.9	2.7	5.1	5.9
NPL-net to Total Loans (%)	1.6	1.5	2.6	2.8
Reserve to Required Reserve (%)	134.7	115.5	122.1	107.0
Coverage Ratio (%)	73.3	72.6	68.6	68.4

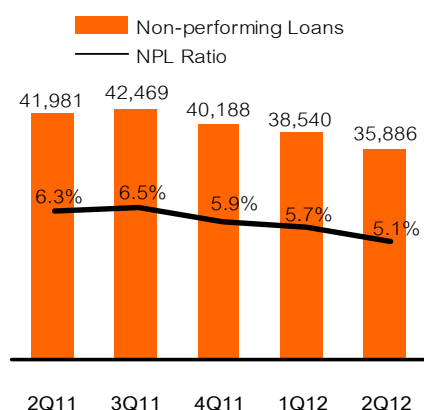
* Including revaluation allowance for debt restructuring

As of 30 June 2012, NPLs amounted to 35,886 million baht, a decrease of 4,302 million baht or 10.7 percent from the end of last year. This was due to a consistent achievement and efficient management in NPLs by TS Asset Management Company Limited.

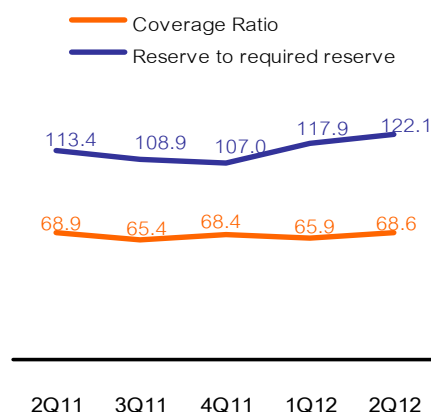
NPL ratio was 5.1 percent, a decrease from 5.9 percent at the end of 2011. NPL-net was 18,290 million baht and NPL-net ratio was 2.6 percent.

Coverage ratio at the end of June 2012 was at 68.6 percent, an increase from 68.4 percent at the end of December 2011. Reserve to required reserve ratio was at 122.1 percent at the end of June 2012, an increase from 107.0 percent at the end of December 2011.

Non-performing Loans (Million Baht) and
NPL Ratio (%)



Coverage Ratio (%) and Reserve to Required
Reserve (%)



Operating results of the subsidiaries

Unit: Million Baht

Subsidiaries	% holding Direct/Indirect	Net Profit (Loss)			
		2Q12	1Q12	6M12	6M11
Thanachart Bank Public Company Limited					
Consolidated Financial Statements		2,083	1,772	3,856	4,536
Thanachart Securities Public Company Limited	50.96%	118	90	209	143
Thanachart Fund Management Company Limited	38.22%	40	25	65	63
Thanachart Insurance Company Limited	50.96%	133	139	273	230
Thanachart Life Assurance Company Limited	50.96%	439	362	801	344
TS AMC Company Limited	50.96%	429	850	1,279	22
Ratchthani Leasing Public Company Limited*	33.22%	90	87	177	-
NFS AMC Company Limited	100.00%	235	164	399	51
MAX AMC Company Limited	83.44%	194	30	225	63

*TBANK has been holding 65.18% in Ratchthani Leasing since November 2011

Thanachart Bank and Its Subsidiaries

TBANK and its subsidiaries' **total assets** as of 30 June 2012 were 919,137 million baht, an increase of 33,078 million baht or 3.7 percent from the end of last year. This was mainly due to loan growth of 5.8 percent or 36,998 million baht, despite debt settlement during the period. Without the debt settlement, loan growth would be 6.9 percent. Total deposits and bills of exchange increased by 3.2 percent or 21,270 million baht, mainly due to new deposit products, such as Ultra Saving, short term fixed deposits, 5-month and 11-month special rates fixed deposits. TBANK and its subsidiaries had subordinated debentures and hybrid Tier 1 as of 30 June 2012 in the amount of 35,130 million baht. Excess liquidity management was done through interbank and money market items making such items increased by 8,049 million baht or 13.4 percent.

Operating Results in 2Q12 Compared to Previous Quarter

In the 2nd quarter of 2012, **TBANK and its subsidiaries** have effectively managed NPLs while achieved growth in both retails, corporate and SME loans. Despite the constant pressure of competition in deposit products, TBANK and its subsidiaries had **net profit** of 2,083 million baht, an increase of 311 million baht or 17.6 percent from the previous quarter. This was due to interest spread that improved from 2.5 percent in the previous quarter to 2.6 percent (change due to adjustment in performing assets to match with interest income). Non-interest income was similar to the previous quarter. TBANK and its subsidiaries were able to control operating expenses and impairment loss of loans effectively. Also with consistent efficient NPL management, NPLs of TBANK and its subsidiaries as of 30 June 2012 were 34,551 million baht, a decrease of 38,311 million baht from the end of previous year. This was also due to debt settlement of various

corporate accounts by TS AMC, a subsidiary company of TBANK. NPL ratio decreased from 5.68 percent in the end of last year to 4.89 percent.

In the first six-month of 2012, TBANK and its subsidiaries had net profit of 3,856 million baht, a decrease of 680 million baht or 15.0 percent from the same period last year. Interest spread declined from 3.2 percent in same period last year to 2.6 percent. Cost of fund was at 3.3 percent, proven to have a declining trend since the end of the 1st quarter of 2012. Although cost of fund increased as there was a financial cost burden for the Depository Protection Agency in an additional amount of 0.07 percent of total deposits and 0.46 percents of bills of exchange issued since 27 January 2012. Operating expenses increased by 11.2 percent, in line with growing business volume. Non-interest income increased by 13.5 percent due to synergy and cross-selling, together with a significant decrease in impairment loss of loans.

As for **capital adequacy**, TBANK had 88,396 million baht in total capital, of which 60,134 million baht was Tier 1 and 28,262 million baht was Tier 2. BIS ratio was at 13.32 percent, a decrease from 13.72 percent at the end of previous year. This was mainly due to an increase in risk weighted assets, which were in line with the loan growth. Another part was due to a decrease in Tier 1, as a result of dividend payment for the 2011 operating results, at 0.35 baht per share or a total of 1,930 million baht in April 2012.

Thanachart Securities Public Company Limited

Average daily trading volume of TNS in the 2nd quarter of 2012 was 2,467 million baht, a decrease of 2,877 million baht from the previous quarter, with a market share of 4.9 percent. Trading volume was composed of 63 percent retail clients, 33 percent institutional clients, and 4 percent foreign clients.

TNS's net profit in the 2nd quarter of 2012 was 118 million baht, an increase of 28 million baht or 31.3 percent from the previous quarter. Total income was 418 million baht, an increase of 10.1 percent. Of which, fees and service income was 92 million baht, an increase of 85 million baht, brokerage fees were 270 million baht, interest income on margin loans was 32 million baht. Interest expenses and operating expenses were 264 million baht.

In the first six-month of 2012, TNS's average daily trading volume was 2,679 million baht, an increase of 2,210 million baht from the same period last year. Market share was at 5.2 and ranked 7th of the industry. Trading volume was composed of 62 percent retail clients, 36 percent institutional clients, and 2 percent foreign clients.

Net profit in the first six-month of 2012 was 209 million baht, an increase of 65 million baht or 45.5 percent from the same period last year. Total income was 798 million baht, an increase of 13.4 percent. Of which, 565 million baht was brokerage fees; 98 million baht was from fees and service income and; 69 million baht from interest income on margin loans. Interest expenses and operating

expenses were 529 million baht, an increase from the same period last year, in line with growing business volume and increase in income.

As of 30 June 2012, TNS's net liquid capital ratio was at 81.6 percent, higher than the regulated minimum of 7.0 percent set by Securities and Exchange Commissions (SEC).

Thanachart Fund Management Company Limited

As at the end of the 2nd quarter of 2012, TFUND had 110,393 million baht of asset under management, an increase of 15,700 million baht or 16.6 percent from the end of 2011, and an increase of 18,846 million baht or 17.1 percent from the end of June 2011. Composition of asset under management was 83.4 percent mutual fund, 8.3 percent provident fund and 8.3 percent private fund.

Operating results in the 2nd quarter of 2012, TFUND had net profit of 40 million baht, an increase of 15 million baht or 60.0 percent from the previous quarter.

As for the first six-month of 2012, TFUND had net profit of 65 million baht, an increase of 2 million baht or 3.4 percent from the same period last year.

Thanachart Insurance Company Limited

Thanachart Insurance Company Limited had net profit of 133 million baht in the 2nd quarter of 2012, as compared to 139 million baht in the 1st quarter of 2012. As a result, net profit in the first six-month of 2012 was 273 million baht, an increase of 43 million baht or 18.5 percent from the same period last year. The key contributing factors were the growth in premium income in all channels, while loss incurred and operating expenses were managed efficiently.

Thanachart Life Assurance Company Limited

Thanachart Life Assurance Company Limited had net profit of 439 million baht in the 2nd quarter of 2012, an increase of 77 million baht or 21.3 percent from the previous quarter. Underwriting income grew from hire purchase customer base, more specifically 134 million baht or 24.2 percent. Underwriting expenses increased by 97 million baht or 6.6 percent. Net underwriting income in this quarter increased from the previous quarter by 23.0 percent. Gains on investment increased by 34 million baht or 11.6 percent.

In the first six-month of 2012, net profit was 801 million baht, an increase of 457 million baht or 132.6 percent from the same period last year. Underwriting income grew from hire purchase customer base, 357 million baht or 40.2 percent specifically, and ordinary insurance of 176 million baht or 9.2 percent. Underwriting expenses decreased by 25 million baht or 0.8 percent from the same period last year, due to decreases in loss incurred and benefits outgo. Net underwriting

income increased by 120.9 percent from the same period last year. Gains on investment increased by 228 million baht or 57.6 percent.

TS Asset Management Company Limited

In the first six-month of 2012, TS Asset Management Company Limited ("TS AMC") focused on debt restructuring, in alignment with the policy and business plan of Thanachart Group. As of 30 June 2012, TS AMC's total assets were 11,081 million baht. Net profit and profit before income tax in the 2nd quarter of 2012 were 429 million baht and 581 million baht respectively. Income from debt restructuring was 726 million baht. Operating expenses were 60 million baht. In the 2nd quarter of 2012, TS AMC has restructured 73 accounts, equivalent to 464 million baht, 48 accounts of debt settlement, equivalent to 49 million baht (of which 16 million baht was from 5 accounts of debt restructuring that have already settled).

In the first six-month of 2012, TS AMC had 1,279 million baht in net profit, an increase of 1,257 million baht from the same period last year. This was due to focus given on debt restructuring since establishment on 3 March 2012. Income from debt restructuring was 2,021 million baht while operating expenses were 106 million baht. In the first six-month of 2012, TS AMC has restructured 120 accounts, equivalent to 1,191 million baht, 92 accounts of debt settlements, equivalent to 544 million baht (of which 440 million baht was due to 15 accounts of debt restructuring that have already settled).

Ratchthani Leasing Public Company Limited

As of the end of the 2nd quarter of 2012, Ratchthani Leasing's total assets were 15,159 million baht, an increase of 2,805 million baht or 22.7 percent from the end of 2011. This was due to growth in hire purchase customers. Hire purchase loans were 14,723 million baht, an increase of 2,671 million baht or 22.2 percent. This accounted for 97.1 percent of total assets. Total liabilities and shareholders' equity were 12,967 million baht and 2,192 million baht respectively.

Net profit in the 2nd quarter of 2012 was 90 million baht, an increase of 3 million baht or 3.5 percent from the previous quarter. Total income was 368 million baht, an increase of 40 million baht or 12.2 percent, due to continuous growth of hire purchase loans. Interest expenses were 167 million baht, an increase of 17 million baht or 11.3 percent, mainly due to increase in additional borrowings to support business growth. Impairment loss of loans was 41 million baht, an increase of 26 million baht or 166.8 percent, due to risk management policy to protect against 2011 flood impact.

In the first six-month of 2012, net profit was 177 million baht, an increase of 52 million baht or 42.2 percent from the same period last year. Total income for the six-month period of 2012 was 696 million baht, an increase of 171 million baht or 32.7 percent, mainly due to continuous hire purchase loan growth. Interest expenses were 317 million baht, an increase of 70 million baht or 28.4 percent, as a result of increase in additional borrowings to support business growth. Impairment loss of loans was 56 million baht, an increase of 21 million baht or 59.3 percent.

NFS Asset Management Company Limited

In the 2nd quarter of 2012, NFS AMC had 235 million baht in net profit, an increase of 71 million baht or 43.2 percent from the 1st quarter of 2012. Income from debt restructuring was 270 million baht, an increase of 245 million baht from the previous quarter. Reversal of impairment loss of loans was 14 million baht. Gains on disposal of properties foreclosed were 25 million baht, while operating expenses were 38 million baht. Reversal of impairment loss of properties foreclosed was 4 million baht, while interest expense was 6 million baht.

In the first six-month of 2012, NFS AMC had a net profit of 399 million baht, an increase of 348 million baht or 677.9 percent from the same period last year. Income from debt restructuring was 294 million baht, an increase of 251 million baht from the same period last year. Reversal of impairment loss of loans was 50 million baht. Gains on disposal of properties foreclosed were 136 million baht, while operating expenses were 71 million baht. Reversal of impairment loss of properties foreclosed was 40 million baht.

MAX Asset Management Company Limited

In 2nd quarter of 2012, MAX AMC had net profit of 194 million baht, an increase of 164 million baht or 537.6 percent from the previous quarter. Income from total loans was 4 million baht. Gains on disposal of properties foreclosed were 216 million baht. Operating expenses were 5 million baht.

MAX AMC had 225 million baht of net profit in the first six-month of 2012, an increase of 162 million baht or 256.3 percent from the same period last year. Income from total loans was 10 million baht. Gains on disposal of properties foreclosed were 257 million baht. Operating expenses were 13 million baht.

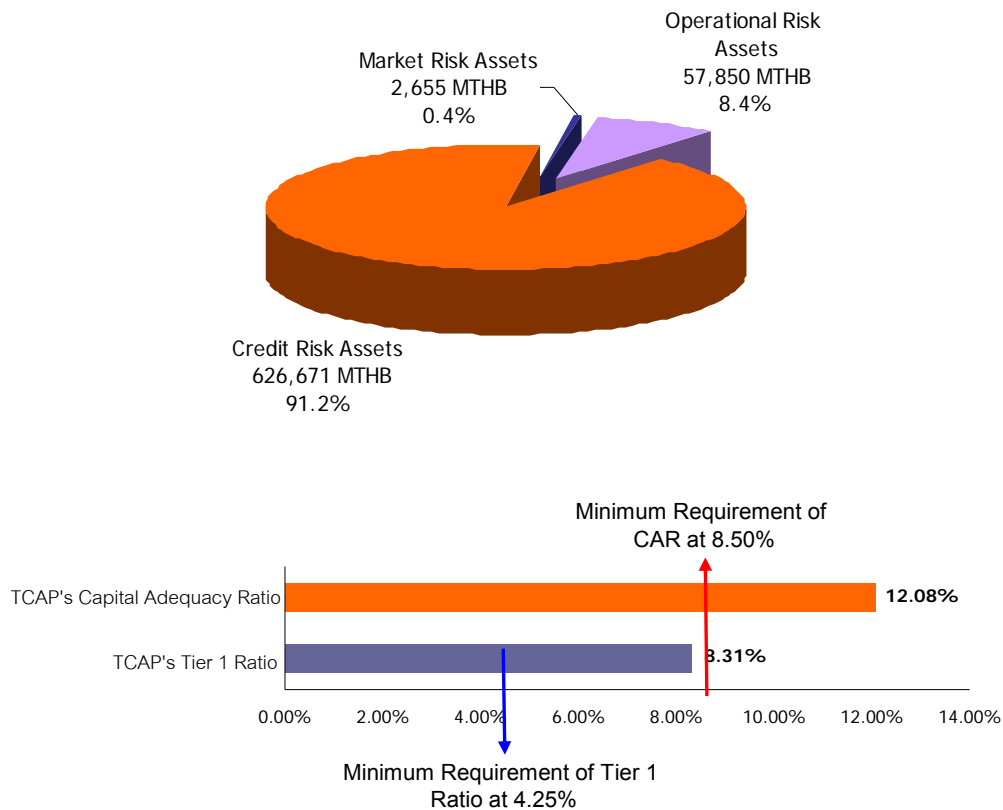
Risk Management and Risk Factors

Overall risk management of the Company and its subsidiaries

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, 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.

Capital adequacy for supporting risks

At the end of the 2nd quarter of 2012, the Company and its subsidiaries' total capital registered at 83,010 million baht of which 57,117 million baht was Tier 1 capital and 25,893 million baht was Tier 2. Total risk weighted assets of the Company and its subsidiaries amounted to 687,176 million baht. As a result, the ratio of capital to risk weighted assets (Capital Adequacy Ratio: CAR) was at 12.08 percent which was higher than the minimum of 8.50 percent required by the BOT.



However, the Company and its subsidiaries had to provide capital for supporting potential risks in accordance with the minimum requirement of the BOT in the amount of 58,410 million baht. As a result, the Company and its subsidiaries had excess capital of 24,600 million baht for supporting business growth as planned.

For a significant change in risk status, the Company and its subsidiaries continued to grow loans portfolio, especially the hire purchase, which resulted in an increase in credit risk from the previous quarter. However, the credit risk was still within the specified limit. Non-performing loans of the Company and its subsidiaries were also closely monitored and effectively managed, resulting in a decrease in the Group's NPL Ratio from 5.9 percent at the end of last year to 5.1 percent at the end of the 2nd quarter.