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## **Management Discussion and Analysis**

For the third quarter and the nine-month period ended 30 September 2012

(Reviewed Financial Statements)

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## **Thanachart Capital Public Company Limited and its Subsidiaries**

### **Management Discussion and Analysis (Reviewed Financial Statements)**

#### **Economics Outlook and Competition in Banking Industry**

Thai economy in the 3<sup>rd</sup> quarter of 2012 showed sign of slowdown amid the uncertain global and US economies. Furthermore, the economies of the Eurozone countries continued to deteriorate with decline in export and manufacturing for export. Agricultural and industrial products declined as the global demand slumped. In August, export declined by 5.1<sup>1</sup> percent while the manufacturing for export declined by 28.1<sup>2</sup> percent from the same period last year. If the export sector continues to be sluggish, it will affect corporate loan growth which relies on the export sector in the last quarter of 2012.

Some manufacturing industries experienced growth, i.e. automobile which continues to grow due to excess domestic demand carried over from flood damage at the end of 2011. Another factor driving automobile industry is the government first car-owner stimulus policy which enhances the hire purchase loans to expand with the number of car sold.

Furthermore, inflation in the 3<sup>rd</sup> quarter has inclined due to labor cost increase, utility cost increase, excise tax increase for alcohol and cigarettes, and retail fuel price that increases following the crude oil price in the global market. These factors cause the raw material cost to increase. However, inflation is not expected to be the major concern for market pressure in the last quarter of this year since the global economy is still depressed and remains to be the key economic problem. In the most recent Monetary Policy Meeting No.2 (dated 25 July and 5 September 2012), the Monetary Policy Committee had a resolution to maintain the policy rate at 3.00 percent per annum, in order to aid the Thai economic growth. Therefore, on 17 October 2012, the Monetary Policy Committee has had a resolution to reduce the policy rate to 2.75 percent to be in line with the economic situation and overall market demand.

The risk factors in the last quarter of 2012 remain to be the debt crisis in the Eurozone countries, recovery of US economy and investment from China which will play a major role in global economic turnaround.

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<sup>1 2</sup>Source: The Bank of Thailand

## **Major Events**

1. The Board of Directors of Thanachart Capital Public Company Limited had a resolution to pay interim dividend from the first half of the year performance under separate financial statements (during 1 January to 30 June 2012) at a rate of 0.50 baht per share or 639 million baht in total, to all 1,278 million shares. The determination of the name of shareholders eligible for interim dividend payments was set on 8 October 2012 and the registration book was set to be closed for suspension of share transfer on 9 October 2012. The payment is scheduled to be made on 22 October 2012.
2. On July 2012, Thanachart Bank Public Company Limited ("TBANK") has issued and offered subordinated debenture in a total amount of 8,497 million baht at a rate of 4.7 percent with redemption in 2022 where issuers have a right of early redemption. Such subordinated debentures were given the rating of A+ by TRIS Rating Company Limited approved by the Bank of Thailand to consider them as Tier 2 capital.
3. Thanachart Bank Public Company Limited has issued and offered subordinated debentures of value up to 2,500 million baht with green shoes of up to 2,500 million baht, or a total value up to 5,000 million baht. The offering period is during 15-18 October 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.
4. On 5 November 2012, Thanachart Bank signed a Share Purchase Agreement with Prudential Life Insurance (Thailand) Plc. ("the Buyer") to sell the common shares of Thanachart Life Assurance Company Limited ("Thanachart Life Assurance") held by Thanachart Bank, which representing 100 percent of the total issued and paid-up shares. Under this agreement, share payment and transfer will only occur after fulfillment of certain conditions i.e. the buyer has to obtain an approval from the Office of Insurance Commission in accordance with the Life Insurance Act., and the counterparty has to sign the Exclusive Bancassurance Agreement that specifies that Thanachart Bank acting as the distributor of Prudential Life's products and services. The payment of the consideration and the transfer of the shares are expected to occur during the first quarter of 2013. At the date of Thanachart Bank transfers the shares to the buyer, the full amount of 17,500 million baht will be paid by the buyer and also a post-completion adjustment based on agreed terms to reflect the net asset value as at the completion date. Another further payment of 500 million baht will be payable 12 months after the completion date. This sale transaction will be recognized on the date that Thanachart Bank completes the transfer of the shares to the buyer and received the above consideration.

## Financial Highlights

Financial Statements Reviewed	As at and for the 3 months ended			For the 9 months ended	
	30-Sep-12	30-Jun-12	30-Sep-11	30-Sep-12	30-Sep-11
<b>Operating Performance (Million Baht)</b>					
Interest Income	12,726	12,324	11,658	36,769	32,573
Interest Expenses	6,683	6,160	5,522	18,956	13,845
Net Interest Income	6,043	6,164	6,136	17,813	18,728
Non-interest Income	3,494	3,398	2,829	10,045	8,164
Net Operating Income <sup>(1)</sup>	9,537	9,562	8,965	27,858	26,892
Other Operating Expenses	5,523	5,539	5,726	16,583	15,611
Impairment Loss of Loans and Debt Securities	1,100	488	129	2,003	1,718
Profit before Tax	2,914	3,535	3,110	9,272	9,563
Income Tax	580	748	828	2,040	2,313
Net Profit After Tax	2,334	2,787	2,282	7,232	7,250
Net Profit Attributable to the Company	1,241	1,709	1,337	4,144	4,064
<b>Operating Performance Ratios</b>					
Basic Earnings per Share (Baht)	0.97	1.34	1.05	3.24	3.18
ROAA (%)	1.0	1.2	1.0	1.1	1.1
ROAE (%)	12.1	17.3	14.4	13.9	14.9
Interest Spread <sup>(2)</sup> (%)	2.42	2.58	2.75	2.45	2.87
Credit Cost (%)	0.59	0.28	0.07	0.36	0.36
Non-interest Income Ratio <sup>(3)</sup> (%)	36.6	35.5	31.6	36.1	30.4
Cost to Income Ratio <sup>(4)</sup> (%)	57.9	57.9	63.9	59.5	58.1
	30-Sep-12	30-Jun-12	31-Dec-11		
<b>Financial Position (Million Baht)</b>					
Loans	702,887	673,565	637,104		
Total Assets	957,209	928,942	895,157		
Deposits and Bills of Exchange	675,833	666,423	653,920		
Total Liabilities	876,212	850,092	819,476		
Equity <sup>(5)</sup>	41,317	40,427	38,259		
<b>Financial Position Quality</b>					
Loans to Deposits + Bills of Exchange (%)	104.0	101.1	97.4		
Loans to Deposits + Bills of Exchange + Debentures (%)	95.5	93.8	91.4		
Non-performing Loans (Million Baht)	36,244	35,886	40,188		
NPL Ratio (%)	4.9	5.1	5.9		
Coverage Ratio (%)	69.6	68.6	68.4		
Reserve to Required Reserve (%)	122.8	122.1	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 third quarter and the nine-month period of 2012**

### **Performance Overview of Thanachart Capital Public Company Limited and its subsidiaries**

In the 3<sup>rd</sup> quarter of 2012, Thanachart Capital Public Company Limited (“TCAP”) had a **net profit of 1,241 million baht**, decreased by 468 million baht or 27.4 percent from the previous quarter. Net operating income was similar to that of the last quarter. However, the impairment loss of loans and debt securities expenses increased in this quarter, due to postpone of corporate accounts debt restructuring.

For the **nine-month period of 2012**, Thanachart Group had a **net profit of 4,144 million baht**, an increase of 80 million baht or 2.0 percent from the same period last year. Non-interest income increased due to synergy and cross-selling accomplishments. At the same time, the impairment loss of loans and debt securities expenses increased. Interest spread declined to 2.45 percent. Moreover, operating expenses increased following the growing business volume.

Key operating result summary is as follows:

- **Loan growth:** loans grew by **4.4 percent** from the previous quarter, mainly due to hire purchase loans which grew by 9.4 percent. Loans also grew by **10.3 percent** from the end of last year, due to hire purchase loans which increased by 25.4 percent.
- **Deposit and B/E grew by 1.4 percent** from the last quarter and **3.4 percent** from the end of last year. At the end of September 2012, TCAP and its subsidiaries had 36.0 percent of CASA ratio to total deposits and B/E. B/E ratio was at 3.8 percent, declining in line with the policy to improve funding structure.
- **Interest spread in the 3<sup>rd</sup> quarter of 2012** was 2.42 percent, a decrease from 2.58 percent in the previous quarter. This was mainly due to an increase in cost of fund from liquidity management and intensified competition in deposit side to support loan growth, together with the issued subordinated debentures in the amount of 8,497 million baht in July. Such issuance is beneficial in long-term as it would support capital adequacy and strength under Basel III implementation. **For the nine-month period of 2012**, interest spread was at 2.45 percent, a decrease from 2.87 percent, as a result of deposit expansion, subordinated debenture issuance and the market rate in this nine-month period was much higher than that of the last year. Furthermore, there was an additional expense paid to the Financial Institution and Development Fund and the Depository Protection Agency.
- **Non-interest income grew both in the 3<sup>rd</sup> quarter and the nine-month period of 2012.** This demonstrates the accomplishment in synergy and cross-selling efforts and

proves a positive trend for the coming future. Ratio of non-interest income to operating income in the 3<sup>rd</sup> quarter of 2012 was 36.6 percent and 36.1 percent for the nine-month period.

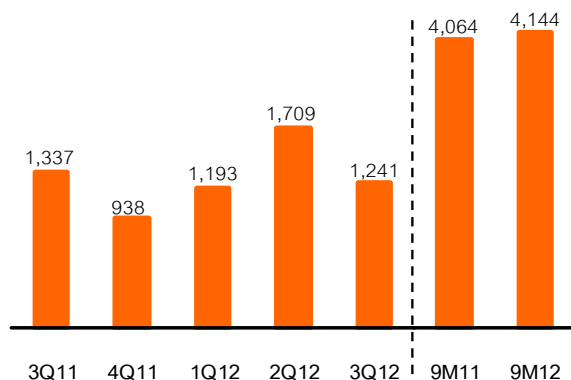
- **Operating expenses in the 3<sup>rd</sup> quarter of 2012** decreased slightly compared to that of the previous quarter. TCAP was able to manage operating expenses effectively considering the increasing expenses varying with growing business volume in this quarter. **For the nine-month period of 2012**, operating expenses increased by 6.2 percent from the same period last year. This was mainly due to variable expenses increasing with business volume and expenses related to infrastructure and IT system development. Cost to income ratio in the 3<sup>rd</sup> quarter of 2012 was 57.9 percent, same as that of the previous quarter and 59.5 percent for the nine-month period, increased from 58.1 percent in the same period last year.
- **NPL management:** NPL of Thanachart Group amounted to 36,244 million baht as of 30 September 2012, an increase of 358 million baht from the previous quarter. This was mainly due to corporate clients whose asset qualities deteriorated to NPL. If compared to the end of 2011 where NPL was 40,188 million baht, NPL has declined by 3,944 million baht as a result of effective NPL management and good performance of Asset Management Companies under Thanachart Group. NPL ratio decreased from 5.9 percent at the end of last year to 4.9 percent.
- **Impairment loss of loans and debt securities expenses:** credit cost in the 3<sup>rd</sup> quarter of 2012 was at 0.59 percent. This was due to postponing debt restructuring of corporate clients while there were some debt restructuring of corporate clients in the previous quarter. **For the nine-month period of 2012**, the credit cost was at 0.36 percent.

In terms of financial position, the asset size of Thanachart Group continues to grow. At the end of the 3<sup>rd</sup> quarter of 2012, the Company and its subsidiaries had 702,887 million baht in total loans, an increase of 65,783 million baht or 10.3 percent from the end of 2011. Consequently, at the end of the 3<sup>rd</sup> quarter of 2012, total assets were 957,209 million baht, an increase of 62,052 million baht or 6.9 percent from the end of last year.

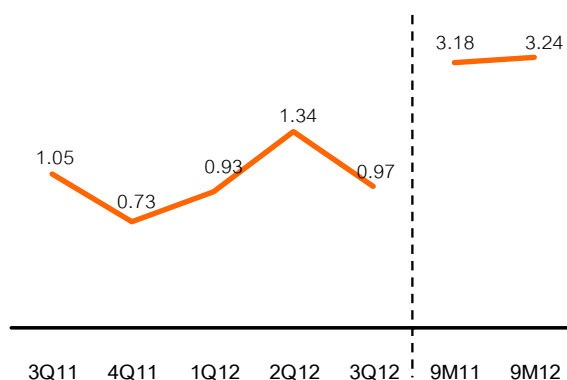
Earning per share (EPS) in the 3<sup>rd</sup> quarter of 2012 was 0.97 baht per share, a decrease from 1.34 baht per share in the previous quarter. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were at 1.0 percent and 12.1 percent respectively.

EPS in the nine-month period of 2012 was 3.24 baht per share, comparing to 3.18 baht per share in same period last year. ROAA and ROAE were at 1.1 percent and 13.9 percent respectively.

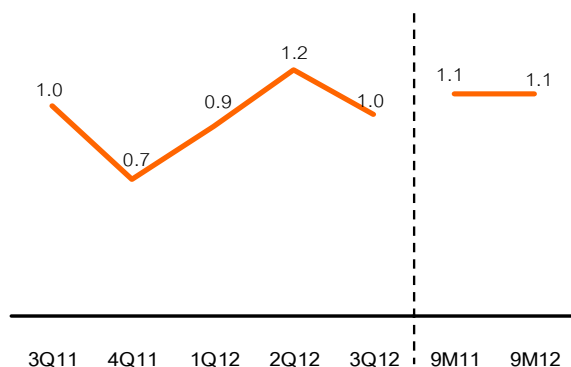
Net Profit (Million Baht)



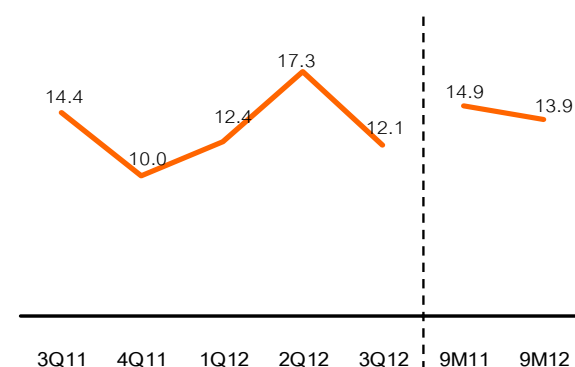
Earning per Share (Baht)



ROAA (%)



ROAE (%)



## Net Interest Income

Unit: Million Baht

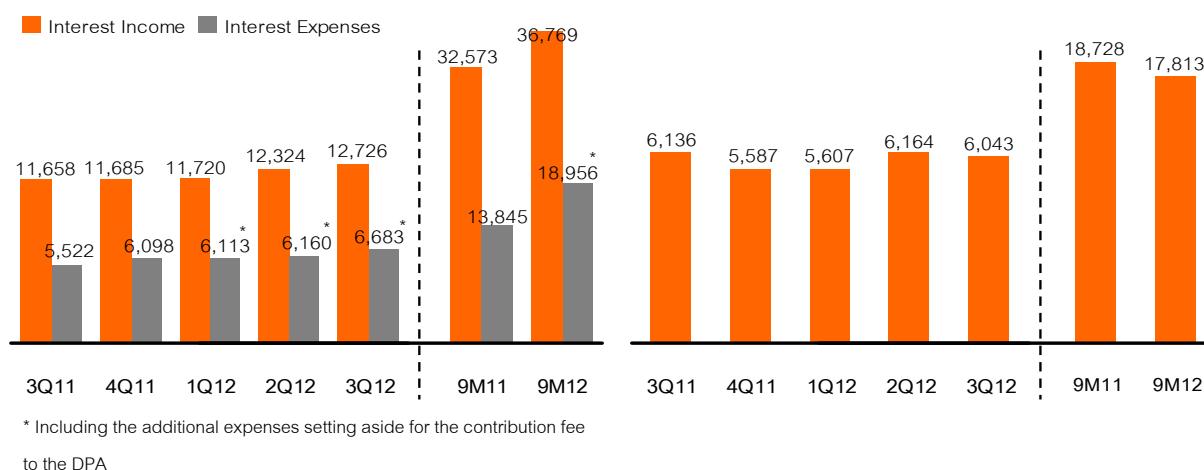
Net Interest Income	3Q12	2Q12	Change %	9M12	9M11	Change %
Interest Income	12,726	12,324	3.3	36,769	32,573	12.9
Interbank and Money Market Items	679	514	32.1	1,725	1,317	31.0
Investments for trading	127	122	4.1	374	72	419.4
Investments for debts securities	1,129	1,157	(2.4)	3,447	3,072	12.2
Loans	5,292	5,450	(2.9)	16,000	15,525	3.1
Hire Purchase and Financial Leases	5,499	5,081	8.2	15,223	12,587	20.9
Interest Expenses	6,683	6,160	8.5	18,956	13,845	36.9
Deposits	4,184	3,177	31.7	10,007	6,316	58.4
Interbank and Money Market Items	369	430	(14.2)	1,170	748	56.4
Fund Contributed to the DPA	825	722	14.3	2,154	1,483	45.2
Debts Issued	1,303	1,824	(28.6)	5,614	5,296	6.0
Borrowing Fee	2	7	(71.4)	11	2	450.0
Net Interest Income	6,043	6,164	(2.0)	17,813	18,728	(4.9)

In the 3<sup>rd</sup> quarter of 2012, TCAP and its subsidiaries had 6,043 million baht of net interest income, a decrease of 121 million baht or 2.0 percent compared to the previous quarter. Interest spread was at 2.42 percent, a decrease from 2.58 percent in the previous quarter. Interest income was 12,726 million baht, an increase of 402 million baht or 3.3 percent. This was mainly due to loans growth, hire purchase loans in particular which grew by 9.4 percent from the previous quarter. Interest expenses in the 3<sup>rd</sup> quarter of 2012 were 6,683 million baht, an increase of 523 million baht or 8.5 percent from the previous quarter. This was mainly due to an increase in deposit base and liquidity management to support loan expansion, together with issuance of subordinated debentures in the amount of 8,497 million baht in July.

For the nine-month period of 2012, TCAP and its subsidiaries had 17,813 million baht of net interest income, a decrease of 915 million baht or 4.9 percent compared to the same period last year. Interest income was 36,769 million baht, an increase of 4,196 million baht or 12.9 percent. This was mainly due to loans growth, particularly hire purchase loans. Interest expenses increased by 5,111 million baht or 36.9 percent from the same period last year. This was mainly due to an increase in deposit base, issuance of subordinated debentures, market rate in the nine-month period of this year was higher than that of last year, and additional cost paid to the Financial Institution Development Fund and the Depository Protection Agency. Interest spread was at 2.45 percent, a decrease from 2.87 percent in the same period last year.

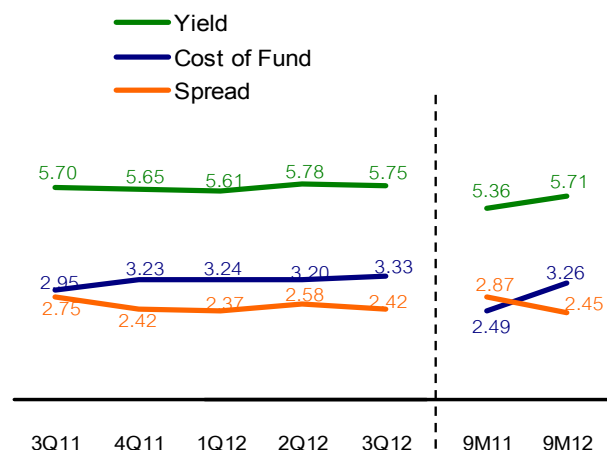
Interest Income and Interest Expenses (Million Baht)

Net Interest Income (Million Baht)



	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	9M11	9M12
Average Policy Interest Rate	2.78	3.32	3.41	3.07	3.00	3.00	2.80	3.02





### Non-interest Income

Unit: Million Baht

Non-interest Income	3Q12	2Q12	Change %	9M12	9M11	Change %
Fees and Service Income	1,453	1,384	5.0	4,177	3,908	6.9
Fees and Service Expenses	(376)	(362)	3.9	(1,107)	(1,007)	9.9
Net Fees and Service Income	1,077	1,022	5.4	3,070	2,901	5.8
Gains (loss) on Tradings and Foreign Exchange Transactions	179	368	(51.4)	457	717	(36.3)
Gain on Investments	256	222	15.3	706	523	35.0
Share of Profit from Investments in Associated Companies						
Accounted for under Equity Method	74	119	(37.8)	231	232	(0.4)
Gain on Properties Foreclose and Other Assets	315	414	(23.9)	908	(4)	(22,800.0)
Insurance Premium/ Life Insurance Premium Income	3,554	3,374	5.3	10,017	9,669	3.6
Insurance/Life Insurance Expenses	(2,751)	(2,574)	6.9	(7,117)	(7,773)	(8.4)
Dividend Income	301	27	1,014.8	457	747	(38.8)
Other Income	489	426	14.8	1,316	1,152	14.2
Operating Income	2,417	2,376	1.7	6,975	5,263	32.5
Non-interest Income	3,494	3,398	2.8	10,045	8,164	23.0

#### ■ Net Fees and Service Income

In the 3<sup>rd</sup> quarter of 2012, TCAP and its subsidiaries had 1,077 million baht in net fee and service income, an increase of 55 million baht or 5.4 percent from the previous quarter. This was mainly due to an increase in brokerage fee.

For the nine-month period of 2012, TCAP and its subsidiaries had 3,070 million baht in net fee and service income, an increase of 169 million baht or 5.8 percent. This was mainly due to credit card and ATM card fee income which increased from the customer base expansion.

## ■ 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.

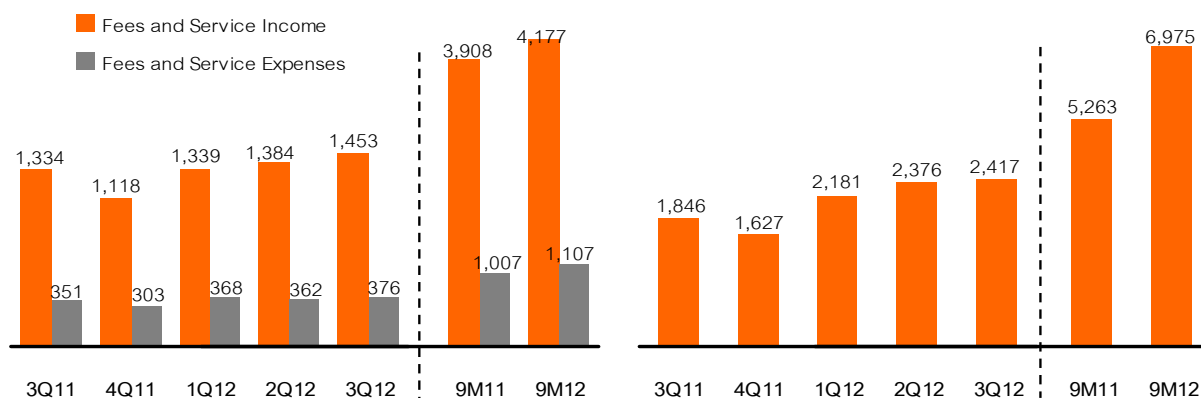
In the 3<sup>rd</sup> quarter of 2012, TCAP and its subsidiaries had 2,417 million baht in operating income, an increase of 41 million baht or 1.7 percent from the previous quarter. This was mainly due to dividend income in the amount of 301 million baht, increased by 274 million baht or 1,014.8 percent, mainly from Vayupak Fund. Gain on investments was 256 million baht, an increase of 34 million baht or 15.3 percent, due to disposal of investments in equity.

For the nine-month period of 2012, TCAP and its subsidiaries had 6,975 million baht in operating income, increased by 1,712 million baht or 32.5 percent from the same period last year. This was mainly due to net insurance/life insurance premium income that increased by 1,004 million baht or 53.0 percent. Insurance/life insurance premium income increased following hire purchase loans growth. Gains on properties foreclosed and other assets were 908 million baht, an increase of 912 million baht, due to effective distressed asset management of the group in this year. Gain on investments was 706 million baht, an increase of 183 million baht or 35.0 percent.

Fees and Service Income and Fees and

Other Operating Income (Million Baht)

Service Expenses (Million Baht)



Net interest income to non-interest income ratio in the 3<sup>rd</sup> quarter of 2012 was 63 to 37 and 64 to 36 in the nine-month period of 2012.

## Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	3Q12	2Q12	Change %	9M12	9M11	Change %
Personnel Expenses	2,609	2,714	(3.9)	8,223	8,260	(0.4)
Premises and Equipment Expenses	799	818	(2.3)	2,391	2,701	(11.5)
Taxes and Duties	228	245	(6.9)	706	652	8.3
Directors' Remuneration	7	37	(81.1)	51	61	(16.4)
Other Expenses	1,880	1,725	9.0	5,212	3,937	32.4
<b>Total Other Operating Expenses</b>	<b>5,523</b>	<b>5,539</b>	<b>(0.3)</b>	<b>16,583</b>	<b>15,611</b>	<b>6.2</b>

In the 3<sup>rd</sup> quarter of 2012, TCAP and its subsidiaries managed expenses effectively, in line with the zero growth operating expense policy. Operating expenses were 5,523 million baht, a decrease of 16 million baht or 0.3 percent from the previous quarter. This was mainly due to a decrease in personnel expenses and premise and equipment expenses. Other expenses, including sale promotion, increased following business volume. Cost to income ratio was at 57.9 percent, same as that of the previous quarter.

For the nine-month period of 2012, TCAP and its subsidiaries had 16,583 million baht in operating expenses, an increase of 972 million baht or 6.2 percent from the same period last year. This was mainly due to an increase in other expenses which include sale promotion which varies with business volume and IT development and maintenance expenses. At the same time, personnel expenses and premise and equipment expenses declined. Cost to income ratio was 59.5 percent, an increase from 58.1 percent in the same period last year.

## Impairment Loss of Loans and Debt Securities

Unit: Million Baht

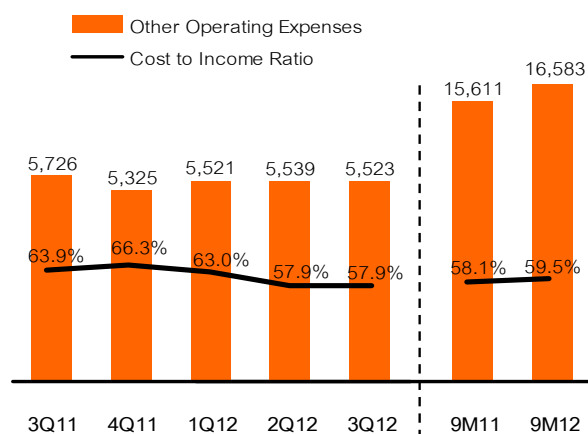
Impairment Loss of Loans and Debt Securities	3Q12	2Q12	Change %	9M12	9M11	Change %
Impairment Loss of Loans	1,098	487	125.5	1,997	1,775	12.5
Loss from Debt Restructuring (Reversal)	1	(2)	150.0	3	(33)	109.1
Loss from impairment of debt securities (Reversal)	1	3	(66.7)	3	(24)	112.5
<b>Impairment Loss of Loans and Debt Securities</b>	<b>1,100</b>	<b>488</b>	<b>125.4</b>	<b>2,003</b>	<b>1,718</b>	<b>16.6</b>
Credit Cost (%)	0.59	0.28	110.7	0.36	0.36	-

In the 3<sup>rd</sup> quarter 2012, impairment loss of loans and debt securities expenses were 1,100 million baht, an increase of 612 million baht or 125.4 percent from the previous quarter. This was due to a postponed debt restructuring of corporate client while there were debt restructuring of corporate clients in the previous quarter. Credit cost was at 0.59 percent, an increase from 0.28 percent in the previous quarter.

For the nine-month period of 2012, TCAP and its subsidiaries' impairment loss of loans and debt securities expenses were 2,003 million baht, an increase of 285 million baht or 16.6 percent from the same period last year. Credit cost was at 0.36 percent, similar to the same period last year.

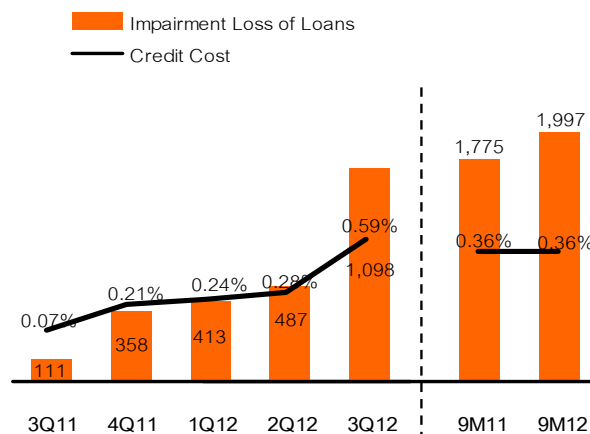
Other Operating Expenses (Million Baht) and

Cost to Income Ratio (%)



Impairment Loss of Loans (Million Baht)

and Credit Cost (%)



## Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	30 September 2012		31 December 2011		Change
	Amount	%	Amount	%	%
Interbank and Money Market Items-net	73,910	7.7	63,232	7.1	16.9
Investment-net	138,890	14.5	152,511	17.0	(8.9)
Investment in Associated Company-net	1,811	0.2	1,673	0.2	8.2
Loans to Customers and Accrued Interest Receivables	703,974	73.5	638,084	71.3	10.3
Allowance for Doubtful Accounts and Revaluation allowance for Debt Restructuring	(25,010)	(2.6)	(27,286)	(3.1)	(8.3)
Intangible assets acquired in a business combination-net	3,094	0.3	3,498	0.4	(11.5)
Goodwill	14,190	1.5	13,981	1.6	1.5
Other Assets	46,350	4.9	49,464	5.5	(6.3)
<b>Total Assets</b>	<b>957,209</b>	<b>100.0</b>	<b>895,157</b>	<b>100.0</b>	<b>6.9</b>
Deposits	650,268	67.9	435,865	48.7	49.2
Interbank and Money Market Items	73,400	7.7	60,151	6.7	22.0
Debt Issued and Borrowings	87,435	9.1	262,653	29.3	(66.7)
Other Liabilities	65,109	6.8	60,807	6.8	7.1
<b>Total Liabilities</b>	<b>876,212</b>	<b>91.5</b>	<b>819,476</b>	<b>91.5</b>	<b>6.9</b>
Company's Shareholders' Equity	41,317	4.3	38,259	4.3	8.0
Non-controlling Interests	39,680	4.2	37,422	4.2	6.0
<b>Total Shareholders' Equity</b>	<b>80,997</b>	<b>8.5</b>	<b>75,681</b>	<b>8.5</b>	<b>7.0</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>957,209</b>	<b>100.0</b>	<b>895,157</b>	<b>100.0</b>	<b>6.9</b>
Book Value per Share (Baht)	32.33		29.94		8.0

### Total Assets

As of 30 September 2012, total assets of Thanachart Group were 957,209 million baht, an increase of 62,052 million baht or 6.9 percent from the end of 2011. This was due to loans and accrued interest receivables which increased by 10.3 percent and still show sign of continuous increase. The key changes in assets side were as follows:

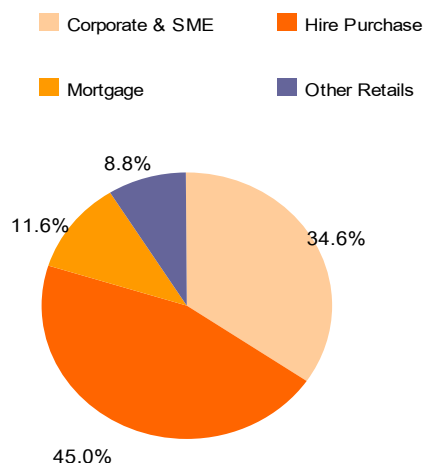
- Interbank and money market items-net were 73,910 million baht, an increase of 10,678 million baht or 16.9 percent from the end of previous year. This was due to the excess liquidity management.
- Investment-net was 138,890 million baht, a decrease of 13,621 million baht or 8.9 percent from the end of previous year, mainly due to maturity of foreign debt securities.
- Loans and accrued interest receivables were 703,974 million baht, an increase of 65,890 million baht or 10.3 percent from the end of last year. This was mainly due to a

25.4 percent growth in hire purchase loans. During the nine-month period of 2012, Thanachart Group has restructured and settled various corporate clients. Excluding loan reduction due to debt settlement, loans grew by 11.4 percent. Portion of retail loans to corporate and SME loans was 67 percent to 33 percent.

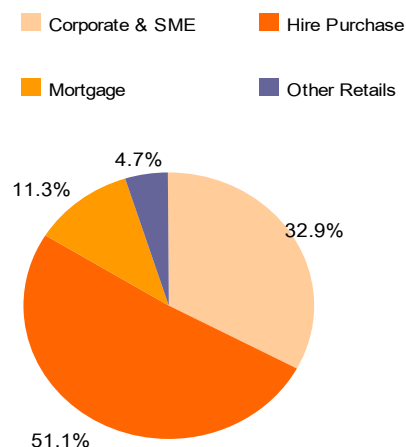
Details of the loan breakdown were as follows:

#### Loan Breakdown (Percent)

31 December 2011



30 September 2012



### Liabilities

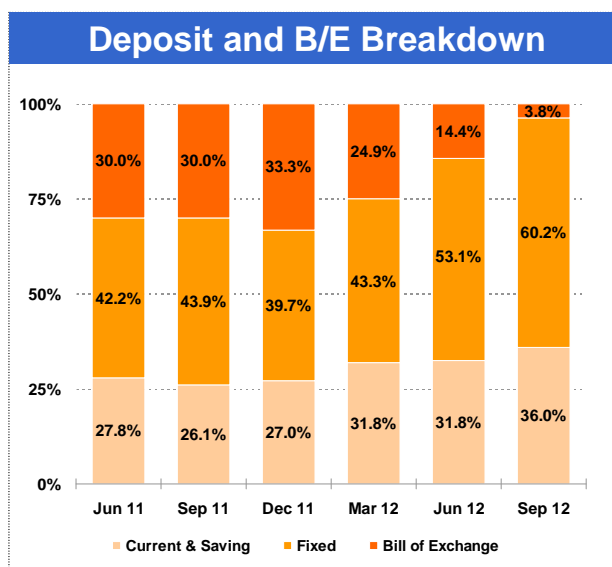
Total liabilities of Thanachart Group as of 30 September 2012 were 876,212 million baht, an increase of 56,736 million baht or 6.9 percent from the end of 2011. The key items were as follows:

Unit: Million Baht

Deposits and Bills of Exchange	30 September 2012		31 December 2011		Change
	Amount	%	Amount	%	%
Current	8,082	1.2	7,117	1.1	13.6
Savings	235,073	34.8	169,051	25.9	39.1
Fixed Deposits					
Less than 6 Months	120,025	17.8	52,172	8.0	130.1
6 Months and up to 1 Year	171,908	25.4	133,546	20.4	28.7
Over 1 Year	115,178	17.0	73,916	11.3	55.8
Bills of Exchange	25,565	3.8	218,055	33.3	(88.3)
Others	2	0.0	63	0.0	(96.8)
<b>Total Deposits and Bills of Exchange</b>	<b>675,833</b>	<b>100.0</b>	<b>653,920</b>	<b>100.0</b>	<b>3.4</b>

- Deposits and bills of exchange were 675,833 million baht, an increase of 21,913 million baht or 3.4 percent from the end of last year. This was due to deposits products offered to serve customers' demand and bills of exchange customers switched to fixed deposits.

CASA to deposits and bills of exchange ratio was 36.0 percent. Bills of exchange to deposits and bills of exchange ratio were 3.8 percent, a decrease from 33.3 percent at the end of 2011 from the management of bills of exchange to be in a suitable level.



- Debt issued and borrowings, excluding bills of exchange, were 61,870 million baht, an increase of 17,272 million baht or 38.7 percent. During the nine-month period of 2012, TBANK issued 2,072 million baht of unsubordinated debentures in March and 8,497 million baht of subordinated debentures in July. Also, Ratchthani Leasing (a subsidiary company) issued 6,000 million baht of unsubordinated debentures.
- Interbank and money market were 73,400 million baht, an increase of 13,249 million baht or 22.0 percent from the end of last year, mainly due to excess liquidity management of TBANK.

### Shareholders' Equity

Shareholders' equity was 80,997 million baht, an increase of 5,316 million baht or 7.0 percent from the end of 2011 which can be broken down as follows:

- Equity attributable to the owners of the Company was 41,317 million baht, an increase of 3,058 million baht or 8.0 percent. This was mainly due to an increase in operating profit of TCAP and its subsidiaries, which in the nine-month period of 2012 amounted to 4,144 million baht, dividend payment of 894 million baht paid from the second half

performance of 2011, and dividend payment of 639 million baht paid for the first six-month performance of 2012.

- Non-controlling interests were 39,680 million baht, an increase of 2,258 million baht or 6.0 percent, mainly due to the performance result of TBANK and its subsidiaries.

### Non-performing Loans: NPLs

	TBANK		TCAP (Consol.)	
	30-Sep-12	31-Dec-11	30-Sep-12	31-Dec-11
NPL-gross (Million Baht)	21,188	17,989	36,244	40,188
Total Allowance* (Million Baht)	15,346	13,062	25,210	27,479
NPL-gross to Total Loans (%)	3.0	2.7	4.9	5.9
NPL-net to Total Loans (%)	1.6	1.5	2.5	2.8
Reserve to Required Reserve (%)	130.8	115.5	122.8	107.0
Coverage Ratio (%)	72.4	72.6	69.6	68.4

\* Including revaluation allowance for debt restructuring

As of 30 September 2012, NPLs amounted to 36,244 million baht, a decrease of 3,944 million baht or 9.8 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. However, NPL increased by 358 million baht comparing to the previous quarter, due mostly to asset qualities of corporate clients have been deteriorated.

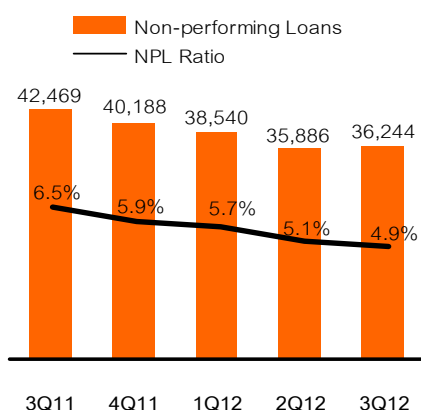
NPL ratio was 4.9 percent, a decrease from 5.9 percent at the end of 2011. NPL-net amounted to 18,217 million baht and NPL-net ratio was 2.5 percent.

Coverage ratio at the end of September 2012 was at 69.6 percent, an increase from 68.4 percent at the end of December 2011. The ratio of reserve to required reserve under the BOT's regulation was at 122.8 percent at the end of September 2012. Excess reserve was 4,676 million baht, an increase of 107.0 percent from the end of December 2011.



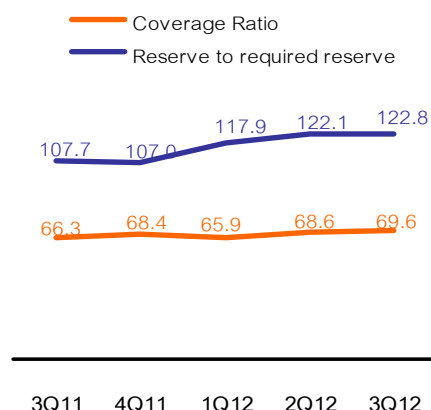
Non-performing Loans (Million Baht) and

NPL Ratio (%)



Coverage Ratio (%) and Reserve to Required

Reserve (%)



## Operating results of the subsidiaries

Unit: Million Baht

Subsidiaries	% holding	Net Profit (Loss)			
	Direct/Indirect	3Q12	2Q12	9M12	9M11
Thanachart Bank Public Company Limited					
Consolidated Financial Statements		2,091	2,083	5,946	6,444
Thanachart Securities Public Company Limited	50.96%	97	118	306	262
Thanachart Fund Management Company Limited	38.22%	44	40	109	85
Thanachart Insurance Company Limited	50.96%	164	133	436	376
Thanachart Life Assurance Company Limited	50.96%	621	439	1,422	620
TS AMC Company Limited	50.96%	196	429	1,475	(42)
Ratchthani Leasing Public Company Limited*	33.22%	154	90	331	-
NFS AMC Company Limited	100.00%	9	235	408	290
MAX AMC Company Limited	83.44%	26	194	251	78

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

## Thanachart Bank Public Company Limited and Its Subsidiaries

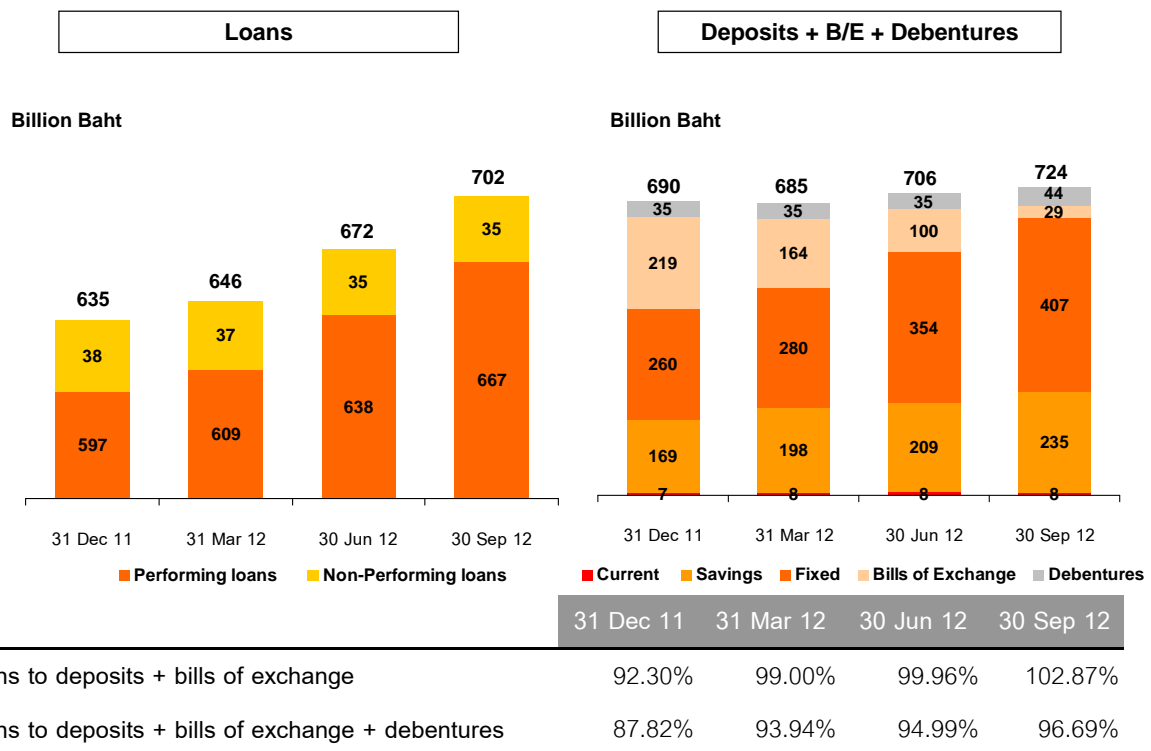
TBANK and its subsidiaries' **total assets** as of 30 September 2012 were 947,089 million baht, an increase of 61,029 million baht or 6.9 percent from the end of last year. This was mainly due to loan growth of 10.4 percent or 66,321 million baht. Without the debt settlement during the first six-month of this year, loan growth would be 11.5 percent.

**Total liabilities** were 866,870 million baht, an increase of 56,344 million baht or 7.0 percent from the end of last year. Total deposits and B/E increased by 3.8 percent or 24,712 million baht, as a result of various products issuance, i.e. ultra saving product, short-term fixed deposit products, fixed deposits with special rate 5-month, 6-month and 11-month. Furthermore, there was a subordinated debenture issuance during July 2012 in the amount of 8,497 million baht with 10-year tenor 4.70

percent per annum. Interbank and money market items increased by 13,249 million baht or 22.0 percent.

### Table of Loan Breakdown

Loans	Dec-11	Mar-12	Jun-12	Sep-12	Change from Jun-12		Change from Dec-11	
(Unit: Million Baht)					Amount	%	Amount	%
<b>Corporate</b>	152,998	154,259	154,671	151,052	(3,619)	-2.3%	(1,946)	-1.3%
<b>SME</b>	72,436	69,008	70,840	72,362	1,523	2.1%	(73)	-0.1%
<b>Retail</b>								
- Hire Purchase	285,494	302,818	327,641	358,581	30,940	9.4%	73,087	25.6%
- Other Retail	98,924	98,157	98,815	99,456	642	0.6%	533	0.5%
<b>Others</b>	25,368	21,541	20,251	20,088	(163)	-0.8%	(5,280)	-20.8%
<b>Total Loans</b>	<b>635,220</b>	<b>645,784</b>	<b>672,218</b>	<b>701,541</b>	<b>29,323</b>	<b>4.4%</b>	<b>66,321</b>	<b>10.4%</b>



### Operating Results in 3Q12 Compared to Previous Quarter

In the 3<sup>rd</sup> quarter of 2012, **TBANK and its subsidiaries** experienced consistent growth in all retail loans, corporate loans and SME loans. NPLs were managed effectively in order to improve good asset quality portion. Although there has been persistent intensified competition for deposits in the market, TBANK and its subsidiaries had **net profit** of 2,091 million baht, excluding non-controlling interest, in this quarter as compared to 2,083 million baht in the previous quarter. Interest spread was at 2.50 percent. Non-interest income increased due to dividend income and gains on properties foreclosed. However, TBANK and its subsidiaries were able to manage and control operating expenses and impairment loss of loans and debt securities expenses effectively. With

consistent NPL management, TBANK and its subsidiaries had 34,904 million baht of NPLs as of 30 September 2012, a decrease from 38,311 million baht from the end of last year. This was mainly due to debt settlement done by TS AMC, TBANK's subsidiary, resulting in a decrease in NPL ratio from 5.68 percent at the end of last year to 4.71 percent.

For the nine-month period of 2012, TBANK and its subsidiaries had 5,946 million in net profit, excluding non-controlling interest, a decrease of 497 million baht or 7.7 percent from the same period last year. Interest spread decreased from 3.09 percent in the same period last year to 2.50 percent. This was mainly due to cost of fund that increased from 2.42 percent to 3.30 percent, as a result of deposit restructuring, new products, subordinated debenture issuance, and an additional cost paid to the Deposit Protection Agency that TBANK has prepared to pay 0.07 percent of total deposit and 0.46 percent of B/E issued since 27 January 2012. Operating expenses increased by 102 million baht or 0.6 percent, due to items varied with business volume. Premise and equipment expenses decreased due to asset management post integration. Non-interest income increased by 493 million baht or 6.0 percent as a result of synergy and cross-selling achievement, especially in life and non-life insurance businesses. Impairment loss of loans and debt securities expenses decreased slightly from the same period last year.

As for **capital adequacy**, TBANK had 99,000 million baht in total capital, of which 61,546 million baht was Tier 1 and 37,454 million baht was Tier 2. BIS ratio was at 14.65 percent, an increase from 13.72 percent at the end of previous year. This was due to the issuance of subordinated debentures in the amount of 8,497 million baht which were prepared to support capital adequacy under Basel III regulation and the operating results in the first six-month of 2012.

#### **Thanachart Securities Public Company Limited**

Average daily trading volume of TNS in the 3<sup>rd</sup> quarter of 2012 was 2,687 million baht, an increase from 2,467 million baht from the previous quarter, with a market share of 4.9 percent. Trading volume was composed of 64 percent retail clients, 14 percent institutional clients, and 22 percent foreign clients.

TNS's net profit in the 3<sup>rd</sup> quarter of 2012 was 97 million baht, a decrease of 21 million baht or 17.8 percent from the previous quarter. Total income was 401 million baht, a decrease of 4.3 percent. Brokerage fees amounted to 325 million baht, an increase of 20.4 percent while fees and service income was 20 million baht, a decrease of 77.7 percent. Interest income on margin loans was 34 million baht and interest expenses and operating expenses were 272 million baht.

Net profit for the nine-month period ended 30 September 2012 was 306 million baht, an increase of 44 million baht or 16.6 percent from the same period last year. Total income was 1,199 million baht, an increase of 3.3 percent. Of which, 891 million baht was brokerage fees; 118 million baht was from fees and service income and; 103 million baht from interest income on margin loans. Interest

expenses and operating expenses were 801 million baht, an increase from the same period last year, in line with growing business volume and increase in income.

As of 30 September 2012, TNS's net liquid capital ratio was at 52.2 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 3<sup>rd</sup> quarter of 2012, TFUND had 109,904 million baht of asset under management, an increase of 15,211 million baht or 16.1 percent from the end of 2011, and an increase of 16,202 million baht or 17.3 percent from the end of September 2011. Composition of asset under management was 82.8 percent mutual fund, 8.7 percent provident fund and 8.5 percent private fund.

Operating results in the 3<sup>rd</sup> quarter of 2012, TFUND had net profit of 44 million baht, an increase of 4 million baht or 9.2 percent from the previous quarter.

As for the nine-month period of 2012, TFUND had net profit of 109 million baht, an increase of 24 million baht or 27.9 percent from the same period last year.

#### **Thanachart Insurance Company Limited**

Thanachart Insurance Company Limited had net profit of 164 million baht in the 3<sup>rd</sup> quarter of 2012, an increase of 31 million baht or 23.3 percent from the previous quarter. This was from an increase in insurance premium income which increased by 127 million baht. At the same time, insurance expenses increased only 56 million baht.

For the nine-month period of 2012 was 436 million baht, an increase of 60 million baht or 16.0 percent from the same period last year. The key contributing factors were the growth in insurance premium income in all channels and the focus on profitable products while loss incurred and operating expenses were managed efficiently.

#### **Thanachart Life Assurance Company Limited**

Thanachart Life Assurance Company Limited had net profit of 621 million baht in the 3<sup>rd</sup> quarter of 2012, an increase of 182 million baht or 41.5 percent from the previous quarter. This was due to an extra gain from disposal of investments in this quarter, which amounted to 461 million baht. Such extra gain could not realize in the consolidated financial statements according to the accounting standard. At the same time, insurance expenses increased by 354 million baht or 22.7 percent.

In the nine-month period of 2012, net profit was 1,422 million baht, an increase of 802 million baht or 129.4 percent from the same period last year. Underwriting income grew from hire purchase customer base, 602 million baht or 43.6 percent specifically, and ordinary insurance of 114 million baht or 3.7 percent. Underwriting expenses increased by 119 million baht or 2.5 percent from the

same period last year, due to increases in loss incurred and benefits outgo. As a result, net underwriting income increased by 22.2 percent from the same period last year. Gains on investment increased by 846 million baht or 130.8 percent, due to the profit from disposal of the company's investment.

#### **TS Asset Management Company Limited**

In the nine-month period 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 September 2012, TS AMC's total assets were 10,538 million baht. Net profit and profit before income tax in the 3<sup>rd</sup> quarter of 2012 were 194 million baht and 249 million baht respectively. Income from debt restructuring was 102 million baht. Operating expenses were 36 million baht.

In the nine-month period of 2012, TS AMC had 1,475 million baht in net profit, an increase of 1,517 million baht from the same period last year. This was due to focus given on debt restructuring. Income from debt restructuring was 2,123 million baht while operating expenses were 142 million baht.

#### **Ratchthani Leasing Public Company Limited**

As of the end of the 3<sup>rd</sup> quarter of 2012, Ratchthani Leasing's total assets were 17,186 million baht, an increase of 4,832 million baht or 39.1 percent from the end of 2011. This was due to continuous growth in hire purchase customers. Hire purchase loans were 16,810 million baht, an increase of 4,758 million baht or 39.5 percent. This accounted for 97.8 percent of total assets. Total liabilities and shareholders' equity were 14,840 million baht and 2,346 million baht respectively.

Net profit in the 3<sup>rd</sup> quarter of 2012 was 154 million baht, an increase of 64 million baht or 71.0 percent from the 2<sup>nd</sup> quarter of 2012. Total income was 421 million baht, an increase of 53 million baht or 14.4 percent, due to continuous growth of hire purchase loans. Interest expenses were 170 million baht, an increase of 3 million baht or 1.8 percent, mainly due to increase in additional borrowings to support business growth which resulted in a decrease in interest expenses. Impairment loss of loans was 5 million baht, a decrease of 36 million baht or 86.8 percent, due to the policy to closely monitor debtors which resulted in a better asset quality.

In the nine-month period of 2012, net profit was 331 million baht, an increase of 140 million baht or 73.3 percent from the same period last year. Total income was 1,116 million baht, an increase of 300 million baht or 36.8 percent, mainly due to continuous hire purchase loan growth. Interest expenses were 487 million baht, an increase of 99 million baht or 25.6 percent, as a result of an increase in additional borrowings to support business growth which resulted in a decrease in interest expenses. Impairment loss of loans was 62 million baht, a slightly increase of 3 million baht or 5.4 percent compared to the same period last year.

## **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, 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 manners.