



Management Discussion and Analysis

For the year ended 31 December 2012

(Audited Financial Statements)

Thanachart Capital Public Company Limited

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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

In the 4th quarter, Thai economy continued to grow with domestic consumption and government spending as key drivers. Export showed sign of improvement from the previous quarter. The economic slowdown in Europe and United States—Thailand's main exporting market—continue to persist and will put a pressure on export sector. Effective on 17 October 2012, the Monetary Policy Committee (MPC) decreased the rate by 0.25 percent, making policy rate down to 2.75 percent. More recently on 9 January 2013, MPC issued a resolution to maintain the policy rate in order to stabilize the economy amidst uncertain global economy and to preserve a consistent growth in domestic spending.

It is predicted that commercial banking business in 2013 will keep growing from 2012 in line with the GDP growth which expected to grow at 4.5-5.5¹ percent. Loan growth will be driven by both private and business sectors, in response to domestic demands. Export sector is expected to slow down from baht appreciation impacted by foreign capital inflows. Furthermore, commercial banks have issued a cautious and conservative provision policy in response to an aggressive loan growth in 2012. Economic growth of Thailand is depending on the global economic recovery which is still to be seen; impact from an increase in minimum wage and cost of living on the small and medium size enterprises; and the ability to service debt especially in the personal loans and hire purchase loans. It is expected that, in 2013, the MPC will employ a relax monetary policy that will help lessen the pressure of foreign capital inflows, which are in excess in the global market, and will help stimulate Thai economy. Also, it will help reduce the fluctuation of baht in order to ease the impact on the export. This will be seen in ASEAN countries who rely on export as well.

¹ Announced by the National Economic and Social Development Board (NESDB) on 25 December 2012

Major Events

1. On 19 October 2012, Thanachart Bank Public Company Limited (“TBANK”) has issued and offered subordinated debentures in a total amount of 4,019 million baht at a fixed rate of 4.7 percent per year 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 and approved by the Bank of Thailand to consider them as Tier 2 capital in the amount of 2,276 million baht.
2. On 1 November 2012, Ratchathani Leasing Public Company Limited (“THANI”) has issued and offered unsubordinated debentures with no collateral and no debenture holder representative in a total amount of 3,000 million baht at a fixed rate of 5.0 percent per year with redemption in 2016. Such debentures were offered to general invertors and institutional investors and they were given the rating of BBB+ by TRIS Rating Company Limited.
3. On 21 November 2012, Thanachart Capital Public Company Limited (“the Company”) has issued and offered unsubordinated debentures with no collateral and no debenture holder representative in a total amount of 3,000 million baht at a fixed rate of 4.6 percent per year with redemption in 2022. Such debentures were offered to institutional investors and/or large investors and they were given the rating of A+ by TRIS Rating Company Limited.
4. On 26 November 2012, the Company’s Board of Directors Meeting has approved the Treasury Stock Project for financial management. The total amount would not be more than 3,400 million baht amounting to 127,781,636 shares or 10 percent of total paid-up shares of the Company. The repurchase price would not be higher than 1.1 times book value based on and calculated from the consolidated financial statements of every month. The book values of the Company will be disclosed in C.B. 1.1 form each month.

Financial Highlights

Financial Statements Audited	As at and for the 3 months ended			For the year ended	
	31-Dec-12	30-Sep-12	31-Dec-11	31-Dec-12	31-Dec-11
Operating Performance (Million Baht)					
Interest Income	13,230	12,726	11,685	49,999	44,258
Interest Expenses	6,809	6,683	6,098	25,765	19,943
Net Interest Income	6,421	6,043	5,587	24,234	24,315
Non-interest Income	3,412	3,494	2,445	13,458	10,610
Net Operating Income ⁽¹⁾	9,833	9,537	8,032	37,692	34,925
Other Operating Expenses	5,995	5,523	5,328	22,578	20,940
Impairment Loss of Loans and Debt Securities	897	1,100	359	2,900	2,077
Profit before Tax	2,941	2,914	2,345	12,214	11,908
Income Tax	422	580	823	2,463	3,136
Net Profit After Tax	2,519	2,334	1,522	9,751	8,772
Net Profit Attributable to the Company	1,338	1,241	938	5,482	5,002
Operating Performance Ratios					
Basic Earnings per Share (Baht)	1.05	0.97	0.73	4.29	3.91
ROAA (%)	1.03	0.99	0.68	1.04	1.00
ROAE (%)	12.73	12.08	9.99	13.60	13.66
Interest Spread ⁽²⁾ (%)	2.49	2.42	2.42	2.46	2.76
Credit Cost (%)	0.45	0.59	0.21	0.36	0.31
Non-interest Income Ratio ⁽³⁾ (%)	34.70	36.64	30.45	35.70	30.38
Cost to Income Ratio ⁽⁴⁾ (%)	60.97	57.91	66.34	59.90	59.96
Financial Position (Million Baht)					
Loans	755,330	702,887	637,104		
Total Assets	1,023,912	957,209	895,157		
Deposits and Bills of Exchange	698,351	675,833	653,920		
Total Liabilities	940,122	876,212	819,476		
Equity ⁽⁵⁾	42,772	41,317	38,259		
Financial Position Quality					
Loans to Deposits + Bills of Exchange (%)	108.16	104.00	97.43		
Loans to Deposits + Bills of Exchange + Debentures (%)	96.63	95.51	91.35		
Non-performing Loans (Million Baht)	34,307	36,244	40,188		
NPL Ratio (%)	4.32	4.88	5.94		
Coverage Ratio (%)	73.19	69.56	68.38		
Reserve to Required Reserve (%)	124.12	122.77	107.01		

(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 year 2012

Performance Overview of Thanachart Capital Public Company Limited and its subsidiaries

In 2012, Thanachart Group has experienced yet another year of strong performance. Total assets grew significantly, mainly by loan growth. At the end of 2012, **total assets** were **1,023,912 million baht** with **18.56 percent loan growth** as compared to the previous year. Operating results in 2012 have faced an adverse impact from narrowing interest spread but was partly compensated by strong loan growth which benefited from the government policy on excise tax rebate for first car buyers. As a result, net interest income was similar to that of the previous year. Non-interest income has increased due to successful efforts in synergy and cross-selling among Thanachart Group. Operating expenses rose following growing business volume. Net operating income growth rate surpassed that of operating expenses, showing an ability to control cost effectively amidst business expansion. Credit cost inclined slightly. Consequently, Thanachart Group had a consolidated net profit of 9,751 million baht of which 5,482 million baht was a net profit attributable to the Company, which representing an increase of 480 million baht or 9.60 percent from the previous year.

Key operating result summary is as follows:

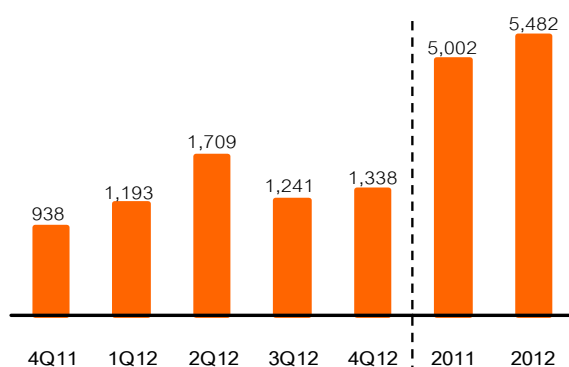
- **Loans grew by 18.56 percent** from the end of previous year. The main reason was from hire purchase loans which grew by 38.57 percent, benefiting from the government excise tax rebate policy. Furthermore, used car and Cash Your Car loans also experienced high growth.
- **Deposits and B/E grew by 6.79 percent** from the previous year. At the end of December 2012, the Company and its subsidiaries' current and savings accounts to total deposits and B/E (CASA) was at 35.46 percent, an increase from 26.94 percent in 2011. Thanachart Bank has offered various saving products that suit market needs during the year. B/E amounted to only 4,930 million baht, a significantly decrease from 218,055 million baht in the previous year. B/E is still declining, following the deposit structure policy of Thanachart Group to be in line with the competitive condition in the banking business.
- **Interest spread in 2012** is at 2.46 percent, a decline from 2.76 percent in the previous year. This was mainly due to competition in deposit products to support loan growth resulting in increasing cost of fund. Thanachart Group has issued 26,588 million baht of debentures during 2012 to support future business growth and to maintain capital level under Basel III regulation. Furthermore, there was an impact from additional expenses paid to Financial Institutions Development Fund and Deposit Protection Agency.

- **Non-interest income growth:** Non-interest income in 2012 increased from the previous year as a result of successful efforts in synergy and cross-selling. Non-interest income ratio was at 35.70 percent in 2012, an increase from 30.38 percent in 2011.
- **Operating expenses in 2012** increased from last year, mainly a result of variable cost. The Company and its subsidiaries have effectively controlled fixed cost. Despite various projects in developing information and technology systems, the cost to income ratio in 2012 was at 59.90 percent, a decrease from the previous year of 59.96 percent.
- **NPL management:** Non-performing loans of Thanachart Group as at 31 December 2012 amounted to 34,307 million baht, a decrease of 5,881 million baht from the previous year. This was a result of efficient NPL management of distressed asset management companies under the Group. NPL ratio decreased from 5.94 percent at the end of last year to 4.32 percent.
- **Impairment loss of loans and debts securities** in 2012 was 2,900 million baht, an increase of 823 million baht or 39.62 percent from last year. Credit cost in 2012 was at 0.36 percent.

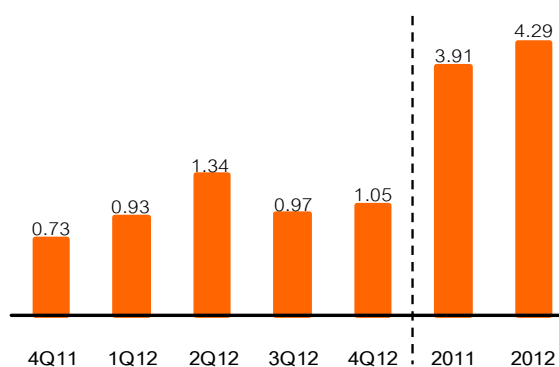
In terms of financial position, the asset size of Thanachart Group continues to grow. At the end of 2012, the Company and its subsidiaries had 755,330 million baht in total loans, an increase of 118,226 million baht or 18.56 percent from the end of 2011. Consequently, at the end of 2012, total assets were 1,023,912 million baht, an increase of 128,755 million baht or 14.38 percent from the end of previous year.

Earning per share (EPS) in 2012 was 4.29 baht per share, an increase from 3.91 baht per share in the previous year. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were at 1.04 percent and 13.60 percent respectively.

Net Profit (Million Baht)

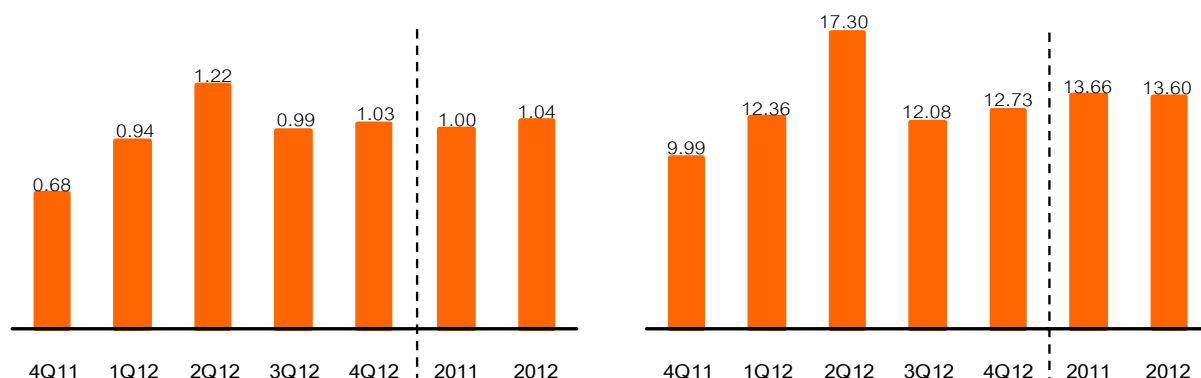


Earning per Share (Baht)



ROAA (%)

ROAE (%)



Net Interest Income

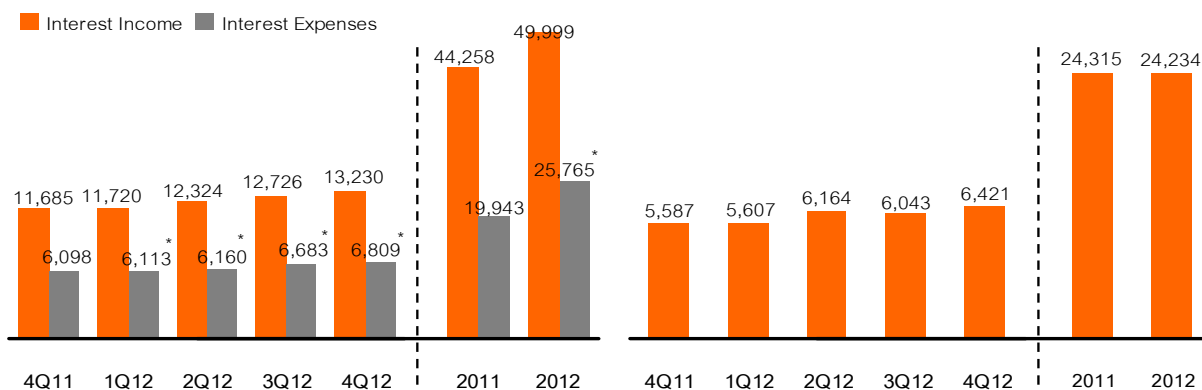
Unit: Million Baht

Net Interest Income	4Q12	3Q12	Change %	2012	2011	Change %
Interest Income	13,230	12,726	3.96	49,999	44,258	12.97
Interbank and Money Market Items	623	679	(8.25)	2,348	1,899	23.64
Investments for trading	117	127	(7.87)	491	86	470.93
Investments for debts securities	1,056	1,129	(6.47)	4,503	4,319	4.26
Loans	5,502	5,292	3.97	21,502	20,942	2.67
Hire Purchase and Financial Leases	5,932	5,499	7.87	21,155	17,012	24.35
Interest Expenses	6,809	6,683	1.89	25,765	19,943	29.19
Deposits	4,524	4,184	8.13	14,531	8,969	62.01
Interbank and Money Market Items	391	369	5.96	1,561	1,127	38.51
Fund Contributed to FIDF and DPA	840	825	1.82	2,995	1,955	53.20
Debts Issued	1,051	1,303	(19.34)	6,664	7,888	(15.52)
Borrowings	-	-	-	-	1	(100.00)
Borrowing Fee	3	2	50.00	14	3	366.67
Net Interest Income	6,421	6,043	6.26	24,234	24,315	(0.33)

For the year 2012, TCAP and its subsidiaries had 24,234 million baht of net interest income, a decrease of 81 million baht or 0.33 percent comparing to the previous year. Interest spread was at 2.46 percent, a decrease from 2.76 percent in the previous year. Interest income was 49,999 million baht, an increase of 5,741 million baht or 12.97 percent from the previous year. This was mainly due to loans growth, particularly hire purchase loans which increased by 38.57 percent. In 2012, interest expenses amounted to 25,765 million baht, an increase of 5,822 million baht or 29.19 percent from the previous year. This was mainly due to an increase in deposit base, issuance of debentures from the companies under the Group, and additional cost paid to the Financial Institution Development Fund and the Depository Protection Agency.

Interest Income and Interest Expenses (Million Baht)

Net Interest Income (Million Baht)



* Including the additional expenses setting aside for the contribution fee to the DPA

Unit: Percent

	4Q11	1Q12	2Q12	3Q12	4Q12	2011	2012
Average Policy Interest Rate	3.41	3.07	3.00	3.00	2.79	2.95	2.96
Yield	5.65	5.61	5.78	5.75	5.77	5.44	5.72
Cost of Fund	3.23	3.24	3.20	3.33	3.28	2.68	3.26
Interest Spread	2.42	2.37	2.58	2.42	2.49	2.76	2.46

Non-interest Income

Unit: Million Baht

Non-interest Income	4Q12	3Q12	Change %	2012	2011	Change %
Fees and Service Income	1,543	1,453	6.19	5,720	5,026	13.81
Fees and Service Expenses	(383)	(376)	1.86	(1,490)	(1,306)	14.09
Net Fees and Service Income	1,160	1,077	7.71	4,230	3,720	13.71
Gains on Tradings and Foreign Exchange Transactions	206	179	15.08	663	891	(25.59)
Gains on Investments	147	256	(42.58)	852	1,139	(25.20)
Share of Profit from Investments in Associated Companies						
Accounted for under Equity Method	52	74	(29.73)	283	258	9.69
Gains on Properties Foreclose and Other Assets	151	315	(52.06)	1,059	47	2,153.19
Insurance Premium/ Life Insurance Premium Income	6,044	3,554	70.06	16,060	12,853	24.95
Insurance/Life Insurance Expenses	(5,069)	(2,751)	84.26	(12,186)	(10,726)	13.61
Dividend Income	31	301	(89.70)	488	755	(35.36)
Other Income	690	489	41.10	2,009	1,673	20.08
Operating Income	2,252	2,417	(6.83)	9,228	6,890	33.93
Non-interest Income	3,412	3,494	(2.35)	13,458	10,610	26.84

Net Fees and Service Income

For the year 2012, TCAP and its subsidiaries had 4,230 million baht in net fees and service income, an increase of 510 million baht or 13.71 percent comparing to the

previous year. This was mainly due to the customer base expansion and the more diversified transactions of Thanachart Group.

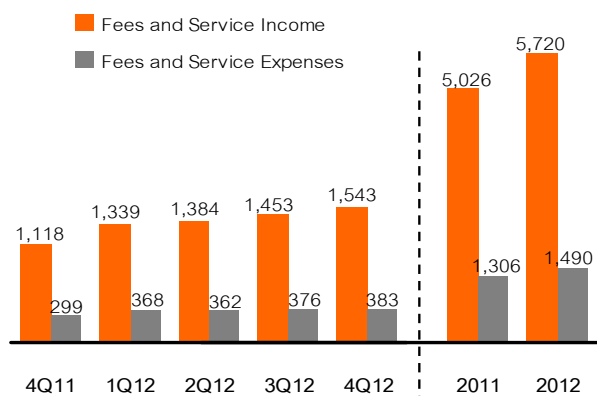
■ Operating Income

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.

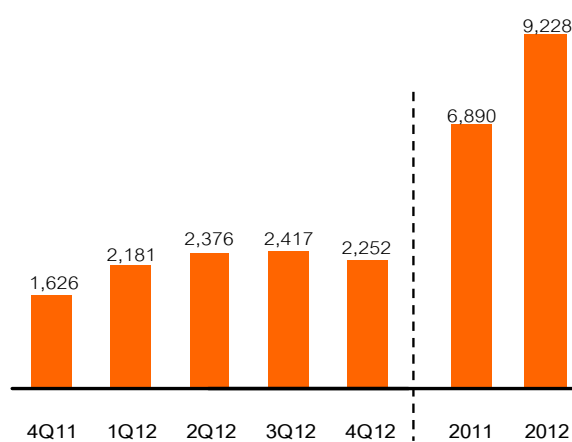
For the year 2012, TCAP and its subsidiaries had 9,228 million baht in operating income, increased by 2,338 million baht or 33.93 percent from the previous year. This was mainly due to the growth in every company under the Group. Net insurance/life insurance premium income increased by 1,747 million baht or 82.13 percent as a result of insurance/life insurance premium income that increased in line with the hire purchase loans growth. Gains on properties foreclosed and other assets were 1,059 million baht, an increase of 1,012 million baht, due to effective distressed asset management of the group in this year. Other income increased from business expansion of every unit under the Group.

Fees and Service Income and Fees and

Service Expenses (Million Baht)



Operating Income (Million Baht)



Net interest income to non-interest income ratio in 2012 was 64 to 36 while it was 70 to 30 in 2011.

Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	4Q12	3Q12	Change %	2012	2011	Change %
Personnel Expenses	2,486	2,609	(4.71)	10,709	10,849	(1.29)
Premises and Equipment Expenses	834	799	4.38	3,225	3,486	(7.49)
Taxes and Duties	240	228	5.26	946	912	3.73
Directors' Remuneration	7	7	-	57	68	(16.18)
Other Expenses	2,428	1,880	29.15	7,641	5,625	35.84
Total Other Operating Expenses	5,995	5,523	8.55	22,578	20,940	7.82

For the year 2012, TCAP and its subsidiaries had 22,578 million baht in operating expenses, an increase of 1,638 million baht or 7.82 percent from the previous year. This was mainly due to an increase in other expenses which include sales promotions varied with business volumes. At the same time, personnel expenses and premise and equipment expenses declined although there were expenses related to IT development and improvement of service and working process in order to compete and support future business growth. In 2012, cost to income ratio was 59.90 percent, a decrease from the previous year of 59.96.

Impairment Loss of Loans and Debt Securities

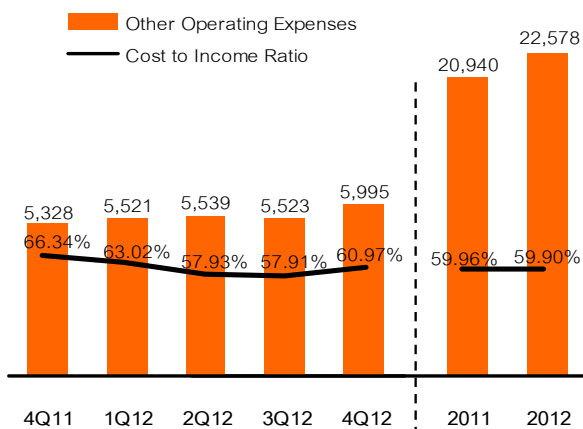
Unit: Million Baht

Impairment Loss of Loans and Debt Securities	4Q12	3Q12	Change %	2012	2011	Change %
Impairment Loss of Loans	884	1,098	(19.49)	2,881	2,133	35.07
Loss from Debt Restructuring (Reversal)	12	1	1,100.00	15	(35)	142.86
Loss from impairment of debt securities (Reversal)	1	1	-	4	(21)	119.05
Impairment Loss of Loans and Debt Securities	897	1,100	(18.45)	2,900	2,077	39.62
Credit Cost (%)	0.45	0.59	(23.73)	0.36	0.31	16.13

For the year 2012, TCAP and its subsidiaries' impairment loss of loans and debt securities expenses were 2,900 million baht, an increase of 823 million baht or 39.62 percent from the previous year. This was due to the impact from the flood in the beginning of the year and the expansion of loans in this year. However, from the effective debt restructuring of clients in this year as well as the implementation of Collective Approach for the impairment loss of loans calculation on TBANK's hire purchase loans since the 1st quarter 2012, the impairment loss of loans and debt securities expenses were lower than industry average. As a result, credit cost was at 0.36 percent, an increase from 0.31 percent from the previous year.

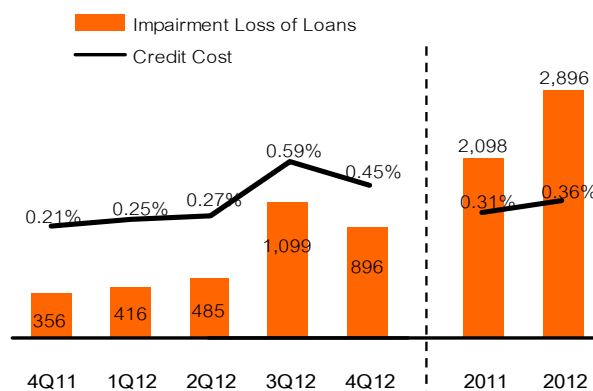
Other Operating Expenses (Million Baht) and

Cost to Income Ratio (%)



Impairment Loss of Loans (Million Baht)

and Credit Cost (%)



Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	31 December 2012		31 December 2011		Change
	Amount	%	Amount	%	%
Interbank and Money Market Items-net	71,978	7.03	63,232	7.06	13.83
Investment-net	150,649	14.71	152,511	17.04	(1.22)
Investment in Associated Company-net	1,795	0.18	1,673	0.19	7.29
Loans to Customers and Accrued Interest Receivables	756,403	73.87	638,084	71.28	18.54
Allowance for Doubtful Accounts and					
Revaluation allowance for Debt Restructuring	(24,891)	(2.43)	(27,286)	(3.05)	(8.78)
Intangible assets acquired in a business combination-net	2,960	0.29	3,498	0.39	(15.38)
Goodwill	14,259	1.39	13,981	1.56	1.99
Other Assets	50,759	4.96	49,464	5.53	2.62
Total Assets	1,023,912	100.00	895,157	100.00	14.38
Deposits	693,421	67.73	435,865	48.69	59.09
Interbank and Money Market Items	87,777	8.57	60,151	6.72	45.93
Debt Issued and Borrowings	89,506	8.74	262,653	29.34	(65.92)
Other Liabilities	69,418	6.78	60,807	6.80	14.16
Total Liabilities	940,122	91.82	819,476	91.55	14.72
Company's Shareholders' Equity	42,772	4.18	38,259	4.27	11.80
Non-controlling Interests	41,018	4.00	37,422	4.18	9.61
Total Shareholders' Equity	83,790	8.18	75,681	8.45	10.71
Total Liabilities and Shareholders' Equity	1,023,912	100.00	895,157	100.00	14.38
Book Value per Share (Baht)	33.47		29.94		11.80

Total Assets

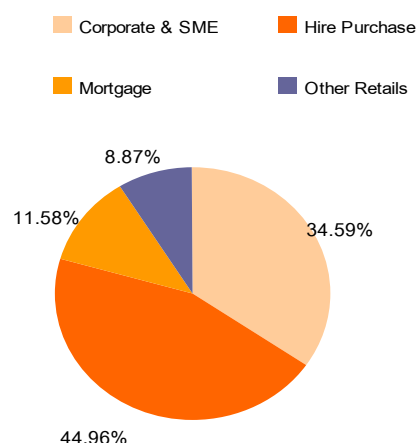
As of 31 December 2012, total assets of Thanachart Group were 1,023,912 million baht, an increase of 128,755 million baht or 14.38 percent from the end of 2011. This was mainly due to loans and accrued interest receivables which increased by 18.54 percent and continues to increase. The key changes in assets side were as follows:

- Interbank and money market items-net were 71,978 million baht, an increase of 8,746 million baht or 13.83 percent from the end of previous year. This was due to the excess liquidity management.
- Investment-net was 150,649 million baht, a decrease of 1,862 million baht or 1.22 percent from the end of previous year, mainly due to maturity of foreign debt securities.
- Loans and accrued interest receivables were 756,403 million baht, an increase of 118,319 million baht or 18.54 percent from the end of last year. This was mainly due to an expansion in hire purchase loans as mentioned. During the year 2012, Thanachart Group has restructured and settled with various corporate clients. Excluding loan reduction due to debt settlement, loans grew by 19.81 percent. Portion of retail loans to corporate and SME loans was 68 percent to 32 percent.

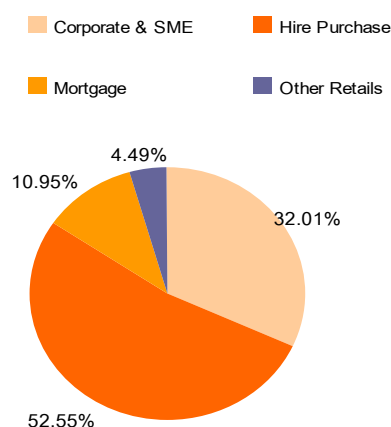
Details of the loan breakdown were as follows:

Loan Breakdown (Percent)

31 December 2011



31 December 2012



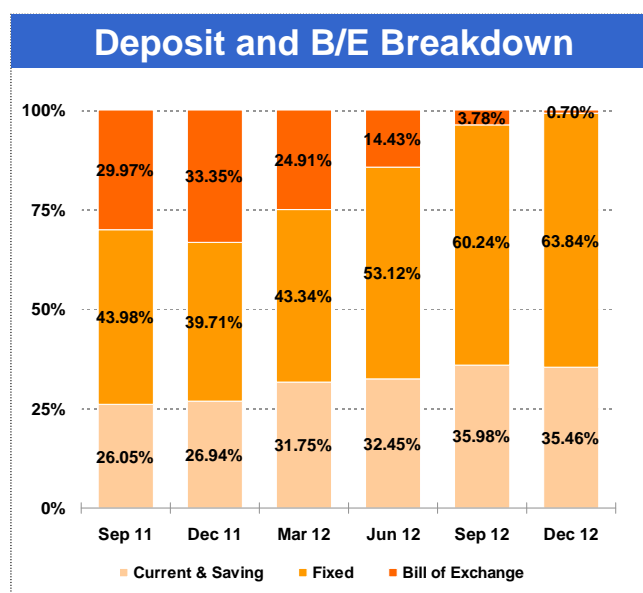
Liabilities

Total liabilities of Thanachart Group as of 31 December 2012 were 940,122 million baht, an increase of 120,646 million baht or 14.72 percent from the end of 2011. The key items were as follows:

Deposits and Bills of Exchange	31 December 2012		31 December 2011		Change
	Amount	%	Amount	%	%
Current	8,504	1.22	7,117	1.09	19.49
Savings	239,104	34.24	169,051	25.85	41.44
Fixed Deposits					
Less than 6 Months	115,133	16.49	52,172	7.98	120.68
6 Months and up to 1 Year	202,747	29.03	133,546	20.42	51.82
Over 1 Year	127,931	18.32	73,916	11.30	73.08
Bills of Exchange	4,930	0.70	218,055	33.35	(97.74)
Others	2	-	63	0.01	(96.83)
Total Deposits and Bills of Exchange	698,351	100.00	653,920	100.00	6.79

- Deposits and bills of exchange were 698,351 million baht, an increase of 44,431 million baht or 6.79 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 35.46 percent, an increase from 26.94 at the end of previous year. This was due to TBANK's savings products offered to serve customers' demand. Bills of exchange to deposits and bills of exchange ratio were 0.70 percent, a decrease from 33.35 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 84,576 million baht, an increase of 39,978 million baht or 89.64 percent. During the year 2012, TCAP issued unsubordinated debentures of 3,000 million baht and TBANK issued subordinated debentures of 12,516 million baht and unsubordinated debentures of 2,072 million baht

Also, Ratchthani Leasing (a subsidiary company) issued 9,000 million baht of unsubordinated debentures.

- Interbank and money market were 87,777 million baht, an increase of 27,626 million baht or 45.93 percent from the end of last year, mainly due to excess liquidity management of TBANK.

Shareholders' Equity

Shareholders' equity was 83,790 million baht, an increase of 8,109 million baht or 10.71 percent from the end of 2011 which can be broken down as follows:

- Equity attributable to the owners of the Company was 42,772 million baht, an increase of 4,513 million baht or 11.80 percent. This was mainly due to an increase in operating profit in 2012 of TCAP and its subsidiaries amounting to 5,482 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 41,018 million baht, an increase of 3,596 million baht or 9.61 percent, mainly due to the performance results of TBANK and its subsidiaries.

Non-performing Loans: NPLs

	TBANK		TCAP (Consol.)	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
NPL-gross (Million Baht)	20,036	17,989	34,307	40,188
Total Allowance* (Million Baht)	15,633	13,062	25,110	27,479
NPL-gross to Total Loans (%)	2.63	2.74	4.32	5.94
NPL-net to Total Loans (%)	1.35	1.45	2.17	2.84
Reserve to Required Reserve (%)	134.94	115.53	124.12	107.01
Coverage Ratio (%)	78.02	72.61	73.19	68.38

* Including revaluation allowance for debt restructuring

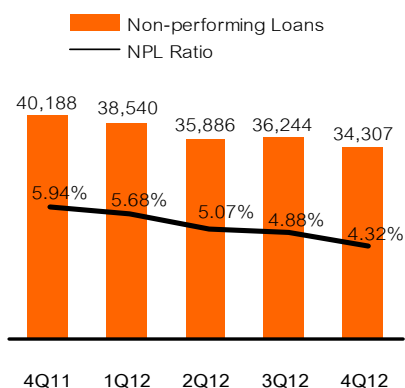
As of 31 December 2012, NPLs amounted to 34,307 million baht, a decrease of 5,881 million baht or 14.63 percent from the end of last year. This was due to a consistent achievement and efficient management in NPLs by the distressed asset management companies under the Group especially TS AMC.

NPL ratio was 4.32 percent, a decrease from 5.94 percent at the end of 2011. NPL-net amounted to 16,834 million baht and NPL-net ratio was at 2.17 percent.

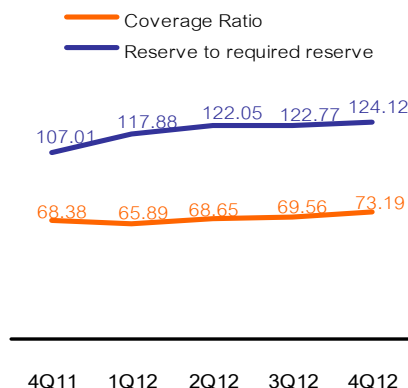
Coverage ratio at the end of December 2012 was at 73.19 percent, an increase from 68.38 percent at the end of December 2011. The ratio of reserve to required reserve under the BOT's

regulation was at 124.12 percent at the end of December 2012. Excess reserve was 4,879 million baht, an increase of 107.01 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 Direct/Indirect	Net Profit (Loss)			
		4Q12	3Q12	2012	2011
Thanachart Bank Plc.					
Consolidated Financial Statements		2,274	2,091	8,221	7,671
Thanachart Securities Plc.	50.96%	152	97	458	293
Thanachart Fund Management Company Limited	38.22%	33	44	141	89
Thanachart Insurance Plc.	50.96%	166	164	616	436
Thanachart Life Assurance Plc.	50.96%	293	621	1,715	770
TS AMC Company Limited	50.96%	246	196	1,718	93
Ratchthani Leasing Plc*	33.22%	159	154	489	205
NFS AMC Company Limited	100.00%	53	9	460	446
MAX AMC Company Limited	83.44%	30	26	280	120

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

Thanachart Bank Public Company Limited and Its Subsidiaries

Key Changes

- Total assets were 1,016,088 million baht
- Total loans grew as high as 18.71 percent or 118,843 million baht
- Strong capital of 101,417 million baht
- NPL significantly decreased with a decrease NPL ratio from 5.68 to 4.17

Total assets of TBANK and its subsidiaries as of 31 December 2012 was 1,016,088 million baht, an increase of 130,028 million baht or 14.67 percent from the end of last year. This was mainly due

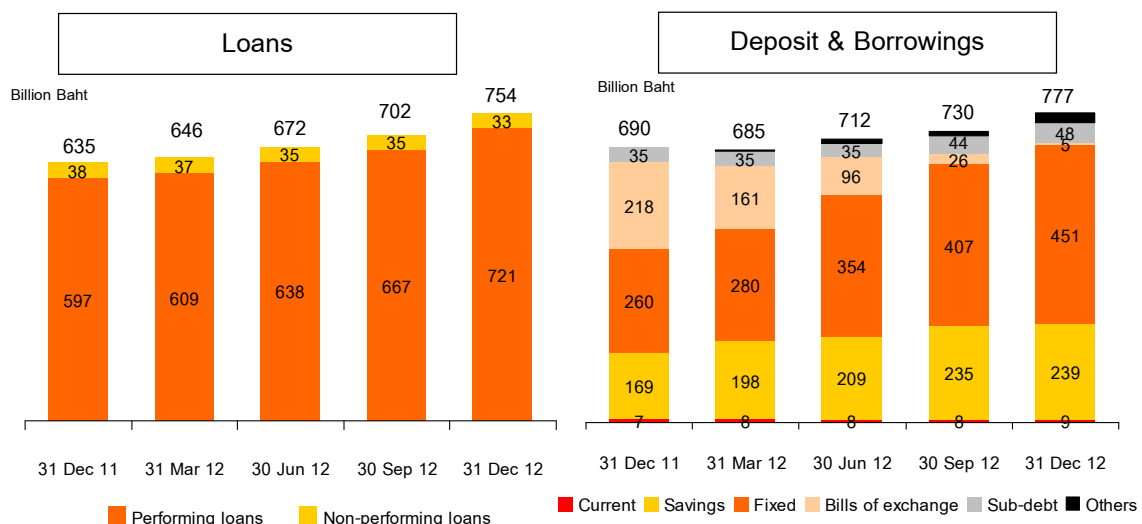
to loan growth of 118,843 million baht or 18.71 percent. Hire purchase particularly was a key driver with 38.89 percent growth. The strong growth was due to excise tax rebate policy coupled with a slowdown in automotive production in the last quarter of 2011 due to flood impact. Furthermore, an improvement in credit review process and IT systems have increased efficiency and effectiveness in product and service offering allowing TBANK to support the growing business volume.

Total liabilities were 933,091 million baht, an increase of 122,565 million baht or 15.1 percent from the end of last year. This was due total deposits and borrowings which grew 12.48 percent or 86,185 million baht. Such increase was contributed by ultra saving, short term fixed deposits, 4-month, 5-month, 6-month and 11-month fixed deposits. Furthermore, there were short term debentures and subordinated debentures issued by TBANK and its subsidiaries (during the year 12,516 million baht of subordinated debentures were issued with 4.70 percent interest rate and 10-year tenor). TBANK was able to acquire more deposits from retail customers while maintaining strong relationship with the high networth customers. However, TBANK and its subsidiaries have reduced B/E portion to total deposits and borrowing. B/E decreased by 5,028 million baht from 218,224 million baht last year.

Shareholders' equity of TBANK and its subsidiaries (excluding minority interest) was 82,163 million baht, an increase of 7,315 million baht or 9.77 percent from the end of last year. Key contribution was from profitability of TBANK and its subsidiaries. There was a dividend payout from the operating results of the year 2011 in the amount of 0.35 baht per share, totaling to 1,930 million baht.

Loan Breakdown

Loans	31-Dec-12	30-Sep-12	30-Jun-12	31-Mar-12	31-Dec-11	(Millions of Baht)			
						Variance from Sep-12		Variance from Dec-11	
						Amount	%	Amount	%
Corporate	157,839	151,052	154,671	154,259	152,998	6,787	4.49%	4,841	3.16%
SME	77,103	72,362	70,840	69,008	72,436	4,741	6.55%	4,667	6.44%
Retail									
- Hire Purchase	396,519	358,581	327,641	302,818	285,494	37,938	10.58%	111,025	38.89%
- Housing	83,706	80,660	80,640	80,678	81,703	3,046	3.78%	2,002	2.45%
- Others	19,826	18,797	18,175	17,479	17,221	1,029	5.47%	2,605	15.13%
Others	19,070	20,088	20,251	21,541	25,368	(1,018)	-5.07%	(6,298)	-24.83%
Total Loans	754,063	701,541	672,218	645,784	635,220	52,522	7.49%	118,843	18.71%



	31 Dec.11	31 Mar.12	30 Jun.12	30 Sep.12	31 Dec.12
Loans to deposits + Bills of exchange	92.30%	99.00%	99.96%	102.87%	104.45%
Loans to deposits + Bills of exchange + Borrowings	87.82%	93.94%	94.99%	96.69%	97.99%

Operating Results of 2012 Compared to Previous Year

In 2012, **TBANK and its subsidiaries'** total assets experienced substantial growth, particularly from loan growth in corporate, retail and SME loans. NPL was managed effectively resulting in an increase in performing loan portion. During the year, TBANK and its subsidiaries were pressured from competition in deposit product. Despite an aggressive competition, non-interest income grew 25.32 percent as a result of successful efforts in synergy and cross-selling. Operating expenses were managed and controlled effectively. Consequently, **net profit** excluding minority interest was 8,221 million baht, an increase of 549 million baht or 7.15 percent from the end of last year. The key changes include the following.

1. **Interest spread** was at 2.47 percent, a decrease from 2.93 percent. Yield on earning asset was 5.80 percent, an increase from 5.55 percent. Cost of fund was 3.33 percent, an increase from 2.63 percent as a result of intensified competition in deposit product to satisfy appropriate liquidity management in response to an aggressive loan growth. The adverse interest spread impact was offset in some extent by loan growth.
2. **Non-interest income grew** from underwriting income, banking fee, brokerage fee and gain on property foreclosed. Non-interest income ratio in 2012 was 32.97 percent, an increase from 27.93 percent. Non-interest income to average assets ratio—illustrating an improvement of non-interest income with lessened impact from interest spread—increased from 1.09 percent to 1.28 percent.
3. **Operating expense** was managed under cost control policy, resulting in a declining fixed cost while variable cost increased with business volume. Cost to income ratio in 2012 was 62.10 percent, an increase from 61.24 percent. An increase in cost to income ratio was a result of narrowing interest spread. Operating expense to average asset was 2.40 percent similar to that of last year.
4. **Credit cost** in 2012 was 0.40 percent, similar to last year. This was a result of NPL management and hire purchase Collective Approach provisioning method which was effective since the 1st quarter. TBANK and its subsidiaries' NPLs as of 31 December 2012 was 33,047 million baht, a decrease from 38,311 million baht last year. NPL correction was mainly done by TS AMC, a subsidiary of TBANK, resulting in NPL ratio which declined from 5.68 percent last year to 4.17 percent.

Capital adequacy of TBANK is strong with total capitals of 101,417 million baht, of which 61,546 million baht was Tier 1 and 39,871 million baht was Tier 2. BIS ratio was 13.99 percent, an increase from 13.72 percent. This was partly due to 12,516 million baht of subordinate debentures to support future business growth and to maintain capital adequacy under Basel III regulation. An improving capital adequacy was also due to operating results in the first half of 2012. Risk weighted assets has increased 9.14 percent, particularly from strong loan growth.

Thanachart Securities Public Company Limited

Average daily trading volume of TNS in 2012 was 2,711 million baht, an increase from 2,267 million baht from the previous year, with a market share of 4.82 percent. Trading volume was composed of 66.36 percent retail clients, 13.68 percent institutional clients, and 19.96 percent foreign clients.

Net profit for the year ended 31 December 2012 was 458 million baht, an increase of 165 million baht or 56.14 percent from the previous year. Total income was 1,645 million baht, an increase of 11.37 percent. Of which, 1,222 million baht was from brokerage fees; 152 million baht was from fees and service income and; 138 million baht from interest income on margin loans. Interest expenses, fees and service expenses, and operating expenses were 1,075 million baht, an increase from the previous year, in line with growing business volume and increase in income.

As of 31 December 2012, TNS's net liquid capital ratio was at 60.70 percent, higher than the regulated minimum of 7.00 percent set by Securities and Exchange Commissions (SEC).

Thanachart Fund Management Company Limited

As at the end of 2012, TFUND had 119,691 million baht of asset under management, an increase of 24,998 million baht or 26.40 percent from the end of 2011. Composition of asset under management was 83.62 percent mutual fund, 8.29 percent provident fund and 8.09 percent private fund.

As for the performance in 2012, TFUND had net profit of 141 million baht, an increase of 52 million baht or 58.90 percent from the previous year.

Thanachart Insurance Public Company Limited

Thanachart Insurance Public Company Limited had net profit of 616 million baht in the year 2012, an increase of 180 million baht or 41.28 percent from the previous 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 Public Company Limited

For the year ended 31 December 2012, TLIFE had net profit of 1,715 million baht, an increase of 945 million baht or 122.81 percent from the previous year. Underwriting income grew from hire

purchase customer base, 1,151 million baht or 66.16 percent specifically, and ordinary insurance of 1,887 million baht or 43.79 percent. As a result, net underwriting income increased from the previous year by 2,863 million baht or 40.49 percent. Underwriting expenses increased by 2,636 million baht or 40.71 percent from the previous year. As a result, underwriting profit increased by 227 million baht or 38.03 percent from the previous year. Gains on investment increased by 874 million baht or 99.67 percent, due to the profit from disposal of the company's investment.

TS Asset Management Company Limited

In the year 2012, TS AMC focused on debt restructuring, in alignment with the policy and business plan of Thanachart Group. As of 31 December 2012, TS AMC's total assets were 10,070 million baht. For the performance of the year 2012, TS AMC had net profit of 1,718 million baht, an increase of 1,624 million baht from the previous year. This was the result of NPL management and continued debt restructuring. Income from debt restructuring and gains on properties foreclosed and other assets were 2,501 million baht and 192 million baht respectively while operating expenses were 177 million baht.

Ratchthani Leasing Public Company Limited

As of the end of 2012, Ratchthani Leasing's total assets were 19,209 million baht, an increase of 6,855 million baht or 55.49 percent from the end of 2011. This was due to continuous growth in hire purchase customers especially the truck hire purchase. Hire purchase loans amounted to 18,659 million baht, an increase of 6,607 million baht or 54.82 percent. This accounted for 97.13 percent of total assets. Total liabilities and shareholders' equity were 16,705 million baht and 2,504 million baht respectively.

Net profit of 2012 was 489 million baht, an increase of 284 million baht or 138.86 percent from the previous year. Total income was 1,583 million baht, an increase of 462 million baht or 41.24 percent, due to continuous growth of hire purchase loans especially truck hire purchase. Interest expenses were 673 million baht, an increase of 134 million baht or 24.81 percent, mainly due to an increase in additional borrowings that have lower cost of fund to support business growth which resulted in a decrease in interest expenses. Impairment loss of loans was 81 million baht, a decrease of 45 million baht or 35.57 percent, due to the impact from flooding in Bangkok and its vicinities in the last quarter of the previous 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, liquidity risk, and operational risk. For risk measurement and monitoring discipline, the risk limit and warning signal are set to ensure that business operation would always be within such acceptable risk limit. Moreover, the Executive Committee and the Board of Directors of the Company closely govern and monitor risk status and the efficiency of risk management system on a monthly basis.

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