



Management Discussion and Analysis

For the three-month period ended 31 March 2013

(Reviewed Financial Statements)

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Thanachart Capital Public Company Limited

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Economics Outlook and Competition in Banking Industry

In the first quarter of 2013, Thai economy was mainly driven by domestic demand whether from government or private sectors. Export expanded at a low rate, as a result of weak economies of the trade partners and strong baht currency.

Inflation in the first quarter of 2013 slowed down from a previous quarter and is trending for a decline. Consequently the Monetary Policy Committee (MPC) had a resolution to maintain the policy rate at 2.75 percent in order to aid economic expansion while the risk of financial stability continued to be closely monitored.

For the rest of this year, loans of commercial banks should experience good growth following growing domestic demand. Investment made by the government in infrastructure project would help drive the economy. Funding is expected be raised domestically first. As a result, competition in deposit products will continue to intensify. The risk of Thai economy is still the capital mobility and exchange rate of baht currency which has a tendency to strengthen due to the capital inflow from relaxing monetary policy from other countries. There is a concern for gain speculation in the capital market and also the ability to compete with neighboring countries in the exporting businesses, i.e. consumer goods that have high price competition. Small and medium size enterprises also face the problem of higher wages. Commercial banks must monitor their clients closely to suitable assess the risk.

Major Events

1. On 4 April 2013, the Annual General Meeting of Shareholders for the year 2013 had resolutions to approve the following important agendas
 - The meeting approved to pay dividend to ordinary and preferred shareholders at the rate of 0.90 baht per share, amounting to 1,150 million baht. Taking into account this round of dividend payment and the interim dividend payment worth 0.50 baht per share or 639 million baht, total dividend payment amounts to 1.40 baht per share or 1,789 million baht which accounts for 61.87 percent of the net profit of 2012 on separate comprehensive income statements of the Company. The payment is schedule to be made on 30 April 2013.
 - The meeting approved to cancel the remaining ceiling of debentures which was approved by the 2003 Annual General Meeting of Shareholders and also approved a new ceiling of debentures in the amount of not more than 30,000 million baht. The Board of Directors of the Company or assigned person by the Board of Directors is authorized to be responsible for the issuance and offering of debentures.

2. On 2 April 2013, Thanachart Life Assurance Public Company Limited received the letter from the Office of Insurance Commission (OIC) stated that the OIC approved Prudential Life Assurance (Thailand) Public Company Limited to purchase shares of Thanachart Life Assurance in accordance with the proposed project plan by complying with the terms and conditions specified by the OIC. It is expected that Thanachart Bank will transfer the common shares of Thanachart Life Assurance to Prudential and receive the payment within May 2013.
3. In 2013, Accounting Standard No. 12 regarding the income tax became effective. The Company and its subsidiaries applied the accounting standard. As a result of the adoption, the subsidiary is required to restate the financial statements as if it had always applied this accounting standard including the acquisition date of Siam City Bank ("SCIB"). Subsidiary, therefore, has been made an adjustment regarding of the transactions relevant to the business combination which included deferred tax assets and liabilities related to the assets and liabilities in accounts of SCIB, the fair value adjustment of SCIB's assets and intangible assets in order to determine the reallocation of cost of business combination. As a result, goodwill value increased by 2,202 million baht.

Furthermore, the application of such accounting standard affected the company and subsidiary in adjustments of deferred tax assets and deferred tax liabilities with an increase of 2,896 million baht and 3,781 million baht respectively. Retained earnings of the Company at the beginning of period were impacted in the amount of 1,038 million baht. The non-controlling interests of subsidiaries increased 630 million baht as stated in notes to consolidated financial statements No. 4

4. Following the signing agreement between Thanachart Bank and Prudential, progress on the key conditions has been fulfilled. To comply with the Accounting Standard No. 5 regarding the non-current assets held for sale and discontinued operations, the Company then categorized assets and liabilities of Thanachart Life Assurance as assets classified as held for sale in the financial statements. Thanachart Life Assurance's operating results are considered as a key business, and therefore, the operating results of Thanachart Life Assurance is presented separately in the income statements as profit for the period from discontinued operation.

The transaction, therefore, has been detailed in note to consolidated financial statements No. 38

Financial Highlights

For the 3 months ended			
Reviewed Financial Statements	31-Mar-13	31-Mar-12	
Operating Performance (Million Baht)		Restated*	
Interest Income	13,126	11,519	
Interest Expenses	6,815	6,127	
Net Interest Income	6,311	5,392	
Non-interest Income	4,094	2,825	
Net Operating Income ⁽¹⁾	10,405	8,217	
Other Operating Expenses	5,164	5,354	
Impairment Loss of Loans and Debt Securities	1,365	415	
Profit before Tax	3,876	2,448	
Income Tax	710	588	
Net Profit After Tax	3,166	1,860	
Profit for the period from discontinued operations**	312	360	
Profit for the period	3,478	2,220	
Net Profit Attributable to the Company	1,953	1,244	
Net Profit Attributable to Non-controlling interests	1,525	976	
Operating Performance Ratios			
Basic Earnings per Share (Baht)	1.53	0.97	
ROAA (%)	1.35	0.99	
ROAE (%)	17.55	12.59	
Interest Spread ⁽²⁾ (%)	2.54	2.41	
Credit Cost (%)	0.68	0.25	
Non-interest Income Ratio ⁽³⁾ (%)	41.12	37.13	
Cost to Income Ratio ⁽⁴⁾ (%)	48.18	62.43	
	31-Mar-13	31-Mar-12	31-Dec-12
Financial Position (Million Baht)			
Loans	771,512	647,661	755,330
Total Assets	1,033,719	908,316	1,028,421
Deposits and Bills of Exchange	691,653	645,903	698,351
Total Liabilities	944,816	829,117	943,187
Equity ⁽⁵⁾	45,678	40,244	43,586
Financial Position Quality			
Loans to Deposits + Bills of Exchange + Debentures (%)	98.80	93.66	96.63
Non-performing Loans (Million Baht)	33,584	38,540	34,307
NPL Ratio (%)	4.22	5.68	4.32
Coverage Ratio (%)	75.42	65.89	73.19
Reserve to Required Reserve (%)	125.57	117.88	124.12

(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 (including profit for the period from discontinued operations)

(4) Cost to Income Ratio = Other Operating Expenses / Net Operating Income (including profit for the period from discontinued operations)

(5) Excluding Non-controlling Interest

* Restated the effect from the Accounting Standard No. 12 regarding the income tax

** The performance of Thanachart Life Assurance is separately presented in the statements of comprehensive income

Operating Results for the First Quarter of 2013 Compared to the First Quarter of 2012

Performance Overview of Thanachart Capital Public Company Limited and Its Subsidiaries

In the first quarter of 2013, Thanachart Group had **net profit of 3,478 million baht**. **Profit attributable to the Company** was **1,953 million baht**, an increase of 709 million baht or 56.99 percent from the same quarter last year. Interest spread increased from declining cost of fund as a result of appropriate management. Non-interest income continued to grow from the synergy and cross-selling effort within the Group. Furthermore, an ability to control costs resulted in the declining operating expenses. Credit cost, however, increased as a result of setting aside more on qualitative provisioning.

Key operating result summary is as follows:

- **Interest Spread** in the first quarter of 2013 was at 2.54 percent, an increase from 2.41 percent in the same quarter last year. This was mainly due to the cost of fund management which resulted in a decrease in cost of fund
- **Non-interest income growth:** Non-interest income in the first quarter of 2013 increased from the same quarter last year as a result of the synergy and cross-selling which continued improving. At the same time, the Group realized additional income from associated company in this quarter. Non-interest income ratio in the first quarter of 2013 was at 41.12 percent, an increase from 37.13 percent in the same quarter last year.
- **Operating expenses** in the first quarter of 2013 declined from the same quarter last year. This was due to the ability to effectively control cost. Cost to income ratio in the first quarter of 2013 was at 48.18 percent, a decrease from the same quarter last year of 62.43 percent
- **Impairment loss of loans and debt securities** in the first quarter of 2013 amounted to 1,365 million baht, an increase of 950 million baht from the same quarter last year. This was due to the loan growth and the Group set aside more general provision for qualitative loans. Credit cost in the first quarter of 2013 was at 0.68 percent
- **Profit for the period from discontinued operations** in the first quarter of 2013 amounted to 312 million baht which was a performance of Thanachart Life Assurance in the first quarter of 2013.
- **Loan growth:** Loans grew by 2.14 percent from the end of the previous year. This was mainly due to the expansion of hire purchase loans which continuously grew by 5.76

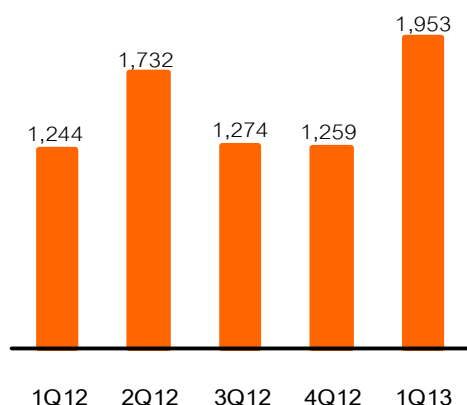
percent and were still getting benefit from the excise tax rebate policy of the government on first time car buyer scheme. At the same time, corporate loans experienced some repayment from credit for working capital of corporate clients.

- **Deposits plus B/E and debentures** decreased by 0.10 percent from the end of last year. At the end of March 2013, the Company and its subsidiaries' current and savings accounts to total deposits and B/E (CASA) was at 34.30 percent, a slightly decrease from the end of 2012.
- **NPL management:** Non-performing loans of Thanachart Group as at 31 March 2013 amounted to 33,584 million baht, a decrease of 723 million baht from the end of last year. This was a result of efficient NPL management of distressed asset management companies under the Group. As a result, the NPL ratio continuously decreased from 4.32 percent at the end of last year to 4.22 percent.

In terms of financial position, the asset size of Thanachart Group continues to grow. In the first quarter of 2013, the Company and its subsidiaries had 771,512 million baht in total loans, an increase of 16,182 million baht or 2.14 percent from the end of 2012. Consequently at the end of the first quarter of 2013, total assets were 1,033,719 million baht, an increase of 5,298 million baht or 0.52 percent from the end of last year.

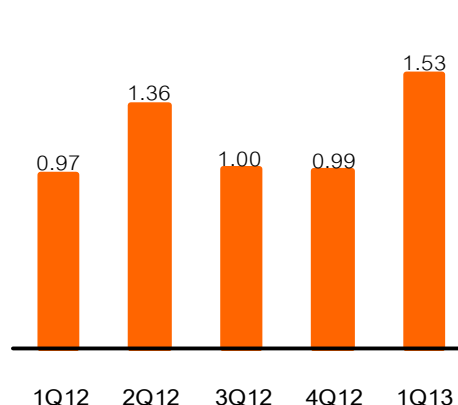
Earning per share (EPS) in the first quarter of 2013 was 1.53 baht, an increase from 0.97 baht per share in the same quarter last year. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 1.35 percent and 17.55 percent respectively.

Net Profit* (Million Baht)

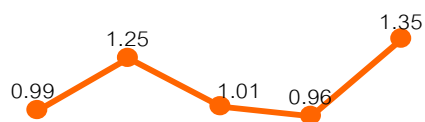


* Restated

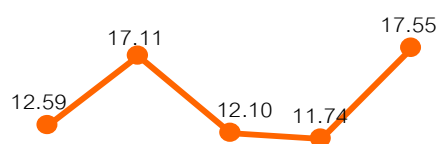
Earning per Share (Baht)



ROAA (%)



ROAE (%)



Net Interest Income

Unit: Million Baht

Net Interest Income	1Q13	1Q12	Change %
Interest Income	13,126	11,519	13.95
Interbank and Money Market Items	487	532	(8.46)
Investments for trading	136	125	8.80
Investments for debts securities	989	961	2.91
Loans	5,137	5,257	(2.28)
Hire Purchase and Financial Leases	6,377	4,644	37.32
Interest Expenses	6,815	6,127	11.23
Deposits	4,429	2,646	67.38
Interbank and Money Market Items	398	371	7.28
Fund Contributed to FIDF and DPA	878	607	44.65
Debts Issued	1,109	2,501	(55.66)
Borrowing Fee	1	2	(50.00)
Net Interest Income	6,311	5,392	17.04

For the first quarter of 2013, TCAP and its subsidiaries had 6,311 million baht of net interest income, an increase of 919 million baht or 17.04 percent comparing to the same quarter last year. Interest spread was at 2.54 percent, an increase from 2.41 percent in the same quarter previous year. Interest income was 13,126 million baht, an increase of 1,607 million baht or 13.95 percent from the same quarter last year. This was mainly due to loans growth, particularly hire purchase loans which increased by 5.76 percent. In the first quarter of 2013, interest expenses amounted to 6,815 million baht, an increase of 688 million baht or 11.23 percent from the same quarter last year. This was mainly due to an increase in deposit base.

Non-interest Income

Unit: Million Baht

Non-interest Income	1Q13	1Q12	Change %
Fees and Service Income	2,246	1,448	55.11
Fees and Service Expenses	(444)	(369)	20.33
Net Fees and Service Income	1,802	1,079	67.01
Gains on Tradings and Foreign Exchange Transactions	168	(90)	(286.67)
Gains on Investments	210	194	8.25
Share of Profit from Investments in Associated Companies			
Accounted for under Equity Method	405	39	938.46
Gains on Properties Foreclose and Other Assets	313	180	73.89
Net Insurance Premium/ Life Insurance Premium Income*	568	924	(38.53)
Dividend Income	203	82	147.56
Other Income	425	417	1.92
Operating Income	2,292	1,746	31.27
Non-interest Income	4,094	2,825	44.92

* Excluding Thanachart Life Assurance Public Company Limited

■ Net Fees and Service Income

For the first quarter of 2013, TCAP and its subsidiaries had 1,802 million baht in net fees and service income, an increase of 723 million baht or 67.01 percent comparing to the same quarter last year. This was mainly due to the increase in transaction volumes especially the brokerage fee that increased in line with the market situation.

■ 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 first quarter of 2013, TCAP and its subsidiaries had 2,292 million baht in operating income, increased by 546 million baht or 31.27 percent from the same quarter last year. This was mainly due to various factors that led to an increase in share of profit from investments in associated companies accounted for under equity method from income realization from an associate company, an increase in gain on properties foreclosed and other assets from the sale of the Company's properties foreclosed, and an increase in dividend income from the dividend income received from Vayapuk Fund. At the same time net insurance/life insurance premium income decreased.

Non-interest income ratio in the first quarter of 2013 was at 41.12 percent, an increase from 37.13 percent in the same quarter last year.

Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	1Q13	1Q12	Change %
Personnel Expenses	2,668	2,866	(6.91)
Premises and Equipment Expenses	732	757	(3.30)
Taxes and Duties	231	226	2.21
Directors' Remuneration	7	7	-
Other Expenses	1,526	1,498	1.87
Total Other Operating Expenses	5,164	5,354	(3.55)

For the first quarter of 2013, TCAP and its subsidiaries had 5,164 million baht in operating expenses, a decrease of 190 million baht or 3.55 percent from the same quarter last year. This was mainly due to a decrease in personnel expenses from an efficient cost management as well as the Mutual Separation Program paid in the first quarter of 2012. In the first quarter of 2013, cost to income ratio was 48.18 percent, a decrease from the same quarter last year of 62.43.

Impairment Loss of Loans and Debt Securities

Unit: Million Baht

Impairment Loss of Loans and Debt Securities	1Q13	1Q12	Change %
Impairment Loss of Loans	1,347	412	226.94
Loss from Debt Restructuring	-	3	(100.00)
Loss from impairment of debt securities	18	-	100.00
Impairment Loss of Loans and Debt Securities	1,365	415	228.92
Credit Cost (%)	0.68	0.25	172.00

For the first quarter of 2013, TCAP and its subsidiaries' impairment loss of loans and debt securities expenses were 1,365 million baht, an increase of 950 million baht or 228.92 percent. This was due to an increase in loan portfolio and the Group's provision policy to increase its provision. Moreover, The Company and its subsidiaries were successful to debt restructuring of corporate clients in the first quarter of 2012 which helped decrease these expenses. Credit cost in the first quarter of 2013 was at 0.68 percent, an increase from 0.25 percent from the same quarter last year.

Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	31 March 2013		31 December 2012		Change
	Amount	%	Amount	%	%
Interbank and Money Market Items-net	45,660	4.42	71,978	7.00	(36.56)
Investment-net	139,560	13.50	150,649	14.65	(7.36)
Investment in Associated Company-net	2,071	0.20	1,807	0.18	14.61
Loans to Customers and Accrued Interest Receivables	772,601	74.74	756,403	73.55	2.14
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(25,103)	(2.43)	(24,891)	(2.42)	0.85
Intangible Assets Acquired in a Business Combination-net	2,831	0.27	2,960	0.28	(4.36)
Goodwill	16,527	1.60	16,461	1.60	0.40
Assets Classified as Held for Sale	29,070	2.81	-	-	100.00
Other Assets	50,502	4.89	53,054	5.16	(4.81)
Total Assets	1,033,719	100.00	1,028,421	100.00	0.52
Deposits	688,315	66.59	693,421	67.43	(0.74)
Interbank and Money Market Items	88,424	8.55	87,777	8.53	0.74
Debt Issued and Borrowings	93,741	9.07	89,506	8.70	4.73
Liabilities Directly Associated with Assets Classified as Held for Sale	24,568	2.38	-	-	100.00
Other Liabilities	49,768	4.81	72,483	7.05	(31.34)
Total Liabilities	944,816	91.40	943,187	91.71	0.17
Company's Shareholders' Equity	45,678	4.42	43,586	4.24	4.80
Non-controlling Interests	43,225	4.18	41,648	4.05	3.79
Total Shareholders' Equity	88,903	8.60	85,234	8.29	4.30
Total Liabilities and Shareholders' Equity	1,033,719	100.00	1,028,421	100.00	0.52
Book Value per Share (Baht)	35.75		34.10		4.84

Total Assets

As at 31 March 2013, Thanachart Group's total assets amounted to 1,033,719 million baht, representing an increase of 5,298 million baht or 0.52 percent from the end of 2012. This was mainly due to a 2.14 percent increase in loans to customers and accrued interest receivables which continued to grow consistently. The key contributing factors were:

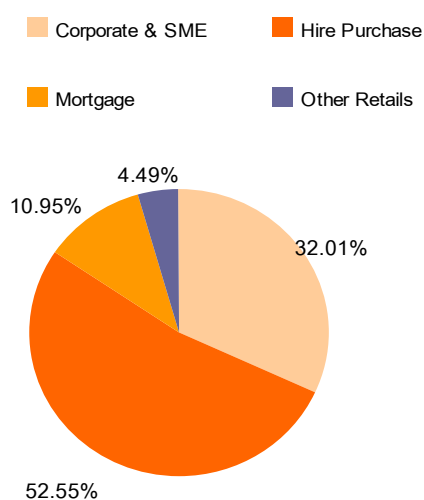
- Net interbank and money market items amounted to 45,660 million baht, a decrease of 26,318 million baht or 36.56 percent from the end of last year.
- Investment-net was 139,560 million baht, a decrease of 11,089 million baht or 7.36 percent from the end of previous year, due to the reclassified investments of Thanachart Life Assurance by taking out to present in another item in the first quarter of 2013.

- Assets classified as held for sale amounted to 29,070 million baht which was the total assets of Thanachart Life Assurance.
- Loans and accrued interest receivables were 772,601 million baht, an increase of 16,198 million baht or 2.14 percent from the end of last year. This was mainly due to an expansion in hire purchase loans as mentioned. Portion of retail loans to corporate and SME loans was 69 percent to 31 percent.

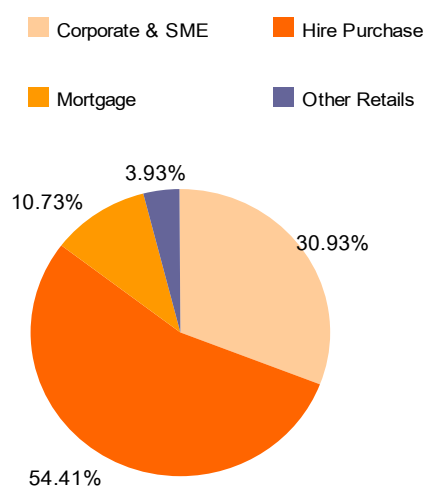
Details of the loan breakdown were as follows:

Loan Breakdown (Percent)

31 December 2012



31 March 2013



Liabilities

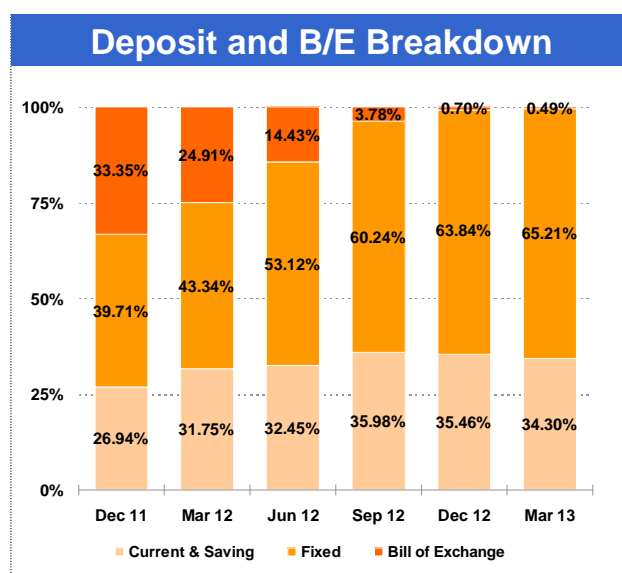
Total liabilities of Thanachart Group as of 31 March 2013 were 944,816 million baht, an increase of 1,629 million baht or 0.17 percent from the end of 2012. The key items were as follows:

Deposits and Bills of Exchange	31 March 2013		31 December 2012		Change
	Amount	%	Amount	%	%
Current	8,456	1.22	8,504	1.22	(0.56)
Savings	228,815	33.08	239,104	34.24	(4.30)
Fixed Deposits					
Less than 6 Months	139,550	20.18	115,133	16.49	21.21
6 Months and up to 1 Year	151,419	21.89	202,747	29.03	(25.32)
Over 1 Year	160,073	23.14	127,931	18.32	25.12
Bills of Exchange	3,338	0.49	4,930	0.70	(32.29)
Others	2	-	2	-	-
Total Deposits and Bills of Exchange	691,653	100.00	698,351	100.00	(0.96)

Unit: Million Baht

- Deposits and debts issued and borrowings were 782,056 million baht, a decrease of 871 million baht or 0.11 percent from the end of last year. The Group issued short-term debentures to replace the reduction of deposits and bills of exchange.

CASA to deposits and bills of exchange ratio was 34.30 percent, a decrease from 35.46. However, Thanachart Bank is still focusing on increasing CASA ratio to be in line with its plan.



- Interbank and money market were 88,424 million baht, an increase of 647 million baht or 0.74 percent from the end of last year.
- Liabilities directly associated with assets classified as held for sale amounted to 24,568 million baht which was the total liabilities of Thanachart Life Assurance.

Shareholders' Equity

Shareholders' equity was 88,903 million baht, an increase of 3,669 million baht or 4.30 percent from the end of 2012 which can be broken down as follows:

- Equity attributable to the owners of the Company was 45,678 million baht, an increase of 2,092 million baht or 4.80 percent. This was mainly due to an increase in operating profit of TCAP and its subsidiaries in the first quarter of 2013 amounting to 1,953 million baht.
- Non-controlling interests were 43,225 million baht, an increase of 1,577 million baht or 3.79 percent, mainly due to the performance results of TBANK and its subsidiaries.

Non-performing Loans: NPLs

	TBANK		TCAP (Consol.)	
	31-Mar-13	31-Dec-12	31-Mar-13	31-Dec-12
NPL-gross (Million Baht)	19,420	20,036	33,584	34,307
Total Allowance* (Million Baht)	15,858	15,633	25,329	25,110
NPL-gross to Total Loans (%)	2.55	2.63	4.22	4.32
NPL-net to Total Loans (%)	1.29	1.35	2.08	2.17
Reserve to Required Reserve (%)	137.45	134.94	125.57	124.12
Coverage Ratio (%)	81.66	78.02	75.42	73.19

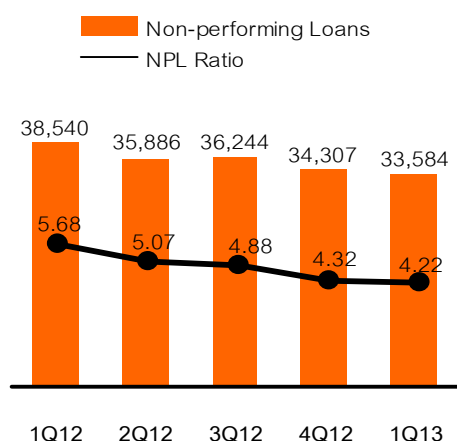
* Including revaluation allowance for debt restructuring

As of 31 March 2013, NPLs amounted to 33,584 million baht, a decrease of 723 million baht or 2.11 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.

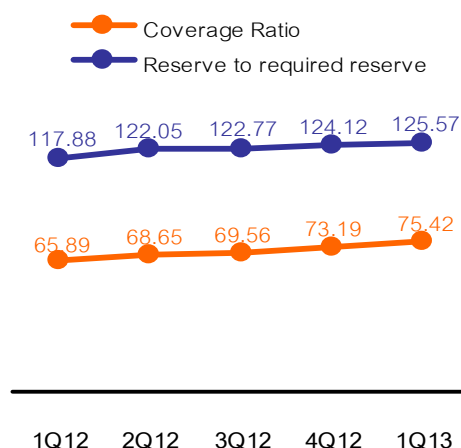
NPL ratio was 4.22 percent, a decrease from 4.32 percent at the end of 2012. NPL-net amounted to 16,209 million baht and NPL-net ratio was at 2.08 percent.

Coverage ratio at the end of March 2013 was at 75.42 percent, an increase from 73.19 percent at the end of December 2012. The ratio of reserve to required reserve under the BOT's regulation was at 125.57 percent at the end of March 2013. Excess reserve was 5,157 million baht, an increase of 124.12 percent from the end of December 2012.

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



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



Operating Results of Subsidiaries

Unit: Million Baht

Subsidiaries	% holding Direct/Indirect	Net Profit (Loss)	
		1Q13	1Q12*
Thanachart Bank Plc.			
Consolidated Financial Statements		2,961	1,896
Thanachart Securities Plc.	50.96%	271	94
Thanachart Fund Management Company Limited	38.22%	71	25
Thanachart Insurance Plc.	50.96%	257	140
Thanachart Life Assurance Plc.	50.96%	312	360
TS AMC Company Limited	50.96%	33	854
Ratchthani Leasing Plc	33.22%	199	85
NFS AMC Company Limited	100.00%	43	145
MAX AMC Company Limited	83.44%	32	30

*Restated

Thanachart Bank Public Company Limited and Its Subsidiaries

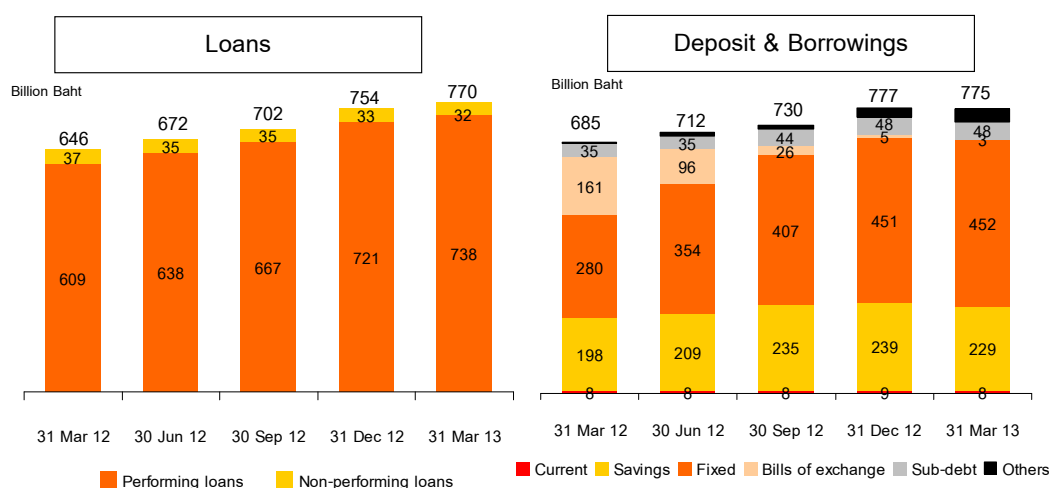
Total assets of the Bank and its subsidiaries as of 31 March 2013 was 1,024,631 million baht, an increase of 4,343 million baht or 0.4 percent from the end of last year. This was mainly due to loan growth of 16,213 million baht or 2.2 percent. The growth was particularly contributed by hire purchase loans that have been growing as a result of excise tax policy rebate by the government.

Total liabilities were 937,309 million baht, an increase of 1,207 million baht or 0.1 percent from the end of last year, as a result of short-term debenture issuance.

Shareholders' equity of the Bank and its subsidiaries (excluding minority interest) was 86,395 million baht, an increase of 3,066 million baht or 3.7 percent from the end of last year. This was mainly due to profit of the Bank and its subsidiaries and partially from the adjustment due to accounting standard regarding the income tax.

Table of Loan Breakdown

Loans	31 Mar 13	31 Dec 12	30 Sep 12	30 Jun 12	31 Mar 12	Change from 31 Dec 12		Change from 31 Mar 12	
(Unit: Million Baht)						Amount	%	Amount	%
Corporate Loans	150,984	157,839	151,052	154,671	154,259	(6,855)	-4.34%	(3,275)	-2.12%
SME Loans	78,069	77,103	72,362	70,840	69,008	966	1.25%	9,061	13.13%
Retail Loans									
- Hire Purchase Loans	419,473	396,519	358,581	327,641	302,818	22,954	5.79%	116,655	38.52%
- Housing Loans	83,468	83,706	80,660	80,640	80,678	(238)	-0.28%	2,790	3.46%
- Other Retail Loans	19,328	19,826	18,797	18,175	17,479	(497)	-2.51%	1,849	10.58%
Others	18,953	19,070	20,088	20,251	21,541	(117)	-0.61%	(2,588)	-12.01%
Total Loans	770,276	754,063	701,541	672,218	645,784	16,213	2.15%	124,493	19.28%



Operating results in the first quarter of 2013 compared to the same quarter last year

Total assets of the Bank and its subsidiaries relied on loan expansion and were 1,024,631 million baht at the end of the first quarter of 2013. Furthermore, improving interest spread and efficient non-performing loan management has improved the portion of the earning loans. Non-interest income grew by 38.0 percent and operating expenses were managed effectively. As a result, **net profit** of the Bank and its subsidiaries contributable to the Bank was 2,961 million baht in the first quarter 2013, an increase of 1,065 million baht or 56.2 percent from the same quarter last year. The key factors were as follows:

1. **Interest Spread** was at 2.56 percent, an increase from 2.46 percent in the same quarter last year. Yield on earning asset was 5.81 percent, an increase from 5.75 percent. This was a result of increasing the earning assets portion. Furthermore, cost of fund was at 3.25 percent, a decrease from 3.29 percent in the same quarter last year, mainly due to effective cost management to support loan growth.
2. **Non-interest income increased** from fee income from banking business, securities business and gains on property foreclosed. Non-interest income ratio in the first quarter of 2013 was at 38.1 percent, an increase from 34.1 percent in the same period last year. Non-interest income to average assets ratio, excluding the impact from interest spread, was at 1.54 percent, an increase from 1.16 percent.
3. **Operating expenses management** under cost control policy resulted in decreasing non-variable costs while variable costs increased with business volume. Cost to income ratio in the first quarter of 2013 was at 50.4 percent, a decrease from 64.6 percent in the same period last year. Cost to income ratio was impacted by a declining interest spread. If looking at operating expenses to average assets ratio, the ratio was at 2.03 percent, decreased from 2.19 percent.

4. **Credit cost** in the first quarter of 2013 was at 0.71 percent, an increase from 0.24 percent in the same quarter last year. This was due to setting aside additional qualitative provision. Also in this quarter, TS AMC, a subsidiary of the Bank, has settled debts of corporate account following the Bank's policy to continue manage non-performing loans effectively and consistently. As of 31 March 2013, non-performing loans of the Bank and its subsidiaries were 32,367 million baht, a decrease from 33,047 million baht at the end of last year. NPL to total loans ratio decreased from 4.38 at the end of last year to 4.20 percent this quarter.

Capital adequacy of the Bank is based on Basel III regulation. As of 31 March 2013, total capital was 95,542 million baht, of which 58,593 million baht was Tier 1 (including Common Equity Tier 1 and Additional Tier 1), and 36,948 million baht was Tier 2. BIS ratio was 13.02 percent, compared to 13.99 percent at the end of 2012. The Bank's capital was affected by changing from Basel II regulations to Basel III regulations, and also, by complying with accounting standard no. 12 regarding the income tax.

Thanachart Securities Public Company Limited

Average daily trading volume of Thanachart Securities in the first quarter of 2013 was 5,331 million baht, a significant increase compared to 2,877 million baht in the same period last year. Market share was 4.60 percent. Such growth was in the same direction as securities market which experienced high growth. Securities trading volume was divided into 74.58 percent retail, 13.25 percent institution, and 12.17 percent foreign clients.

Net profit for a 3-month period ending 31 March 2013 was 271 million baht, an increase from 177 million baht or 188.80 percent from the same period last year. Total income was 731 million baht, an increase of 92.23 percent, comprising of 616 million baht in brokerage fees, 20 million baht in service fees, and 42 million baht in interest on margin loans. Cost of fund and operating expenses were 395 million baht, an increase from the same period last year following growing business volume and revenue.

As of 31 March 2013, Thanachart Securities maintained its liquidity ratio at 54.26 percent, higher than the regulated minimum by the Securities and Exchange Commissions (SEC) at 7.00 percent.

Thanachart Fund Management Company Limited

At the end of the first quarter of 2013, Thanachart Fund Management had 129,965 million baht in asset under management, an increase of 7,943 million baht or 6.51 percent from the end of last year, and an increase of 19,904 million baht or 18.08 percent from the 1st quarter 2012. Assets under management comprised of 84.46 percent mutual fund, 7.69 percent provident fund and 7.86 percent private fund.

Operating results in the first quarter of 2013 was a net profit of 71 million baht, an increase of 46 million baht or 181.81 percent from the same period last year.

Thanachart Insurance Public Company Limited

Thanachart Insurance had a net profit of 257 million baht in the first quarter of 2013, an increase of 117 million baht or 83.57 percent from the same period last year. The key contributing factors included higher premium income in all channels and a focus on revenue generating channel, including effective management in claims and operating expenses.

Thanachart Life Assurance Public Company Limited

For 3-month period ending 31 March 2013, the Company had a net profit of 312 million baht, a decrease of 48 million baht or 13.73 percent from the same period last year. Underwriting income increased from expanding customer past from ordinary products in the amount of 1,343 million baht or 128.89 percent, from hire purchase products 224 million baht or 40.28 percent. Consequently, net underwriting income increased from the same period last year by 1,555 million baht or 90.76 percent. Underwriting expenses increased from the same period last year by 1,615 million baht or 110.35 percent, due to more life insurance policies from the same period last year which resulted in an increase in provision for life insurance by 453 million baht or 77.02 percent. Policy maturity for ordinary products increased from the same period last year by 1,040 million baht or 454.71 percent. As a result, profit from insurance underwriting decreased from the same period last year by 60 million baht or 23.81 percent.

TS AMC Company Limited

TS AMC has restructured debts according to the policy and business plan of Thanachart Group. As of 31 March 2013, the total assets were 9,949 million baht and net profit in the first quarter of 2013 was 33 million baht, a decrease of 821 million baht from the same period last year. This was a result of large debt settlements and restructuring of many accounts in 2012. In the first quarter of 2013, the Company has restructured 52 accounts worth 113 million baht. Income from debt restructuring was 89 million baht.

Ratchthani Leasing Public Company Limited

At the end of the first quarter of 2013, Ratchthani had 21,731 million baht in total assets, an increase 8,082 million baht or 59.21 percent from the same quarter last year which came from hire purchase clients, particularly from the large trucks. Hire purchase loans were 21,212 million baht, an increase of 7,962 million baht or 60.09 percent, equivalent to 97.41 percent of total assets. Total liabilities and shareholders' equity were 19,022 million baht or 2,709 million baht respectively.

Comparing the financial position of the Company at the end of the first quarter of 2013 to the end of 2012, the Company had strong financial structure with total assets growing by 2,522 million baht or 13.13 percent. Hire purchase loans increased by 2,553 million baht or 13.68 percent. Total liabilities

and shareholders' equity increased by 2,317 million baht or 13.87 percent and 205 million baht or 8.17 percent respectively.

Net profit in the first quarter of 2013 was 199 million baht, an increase of 114 million baht or 135.74 percent from the same period last year. Total income was 524 million baht, an increase of 196 million baht or 59.69 percent as a result of hire purchase loans expansion. At the same time, financial cost was 192 million baht, an increase of 42 million baht or 28.33 percent from seeking lower cost in the source of fund to support loan growth resulting in lower cost of fund. Bad debts and doubtful account expenses were 34 million baht, an increase of 18 million baht or 119.52 percent from the same period last year, as a result of normal provisioning of the Company for growing loans base.

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.