



Management Discussion and Analysis

For the second quarter and the first six-month period ended 30 June 2013

(Audited Financial Statements)

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Thanachart Capital Public Company Limited

Management Discussion and Analysis (Audited Financial Statements)

Economics Outlook and Competition in Banking Industry

Thai economy in the second quarter of 2013 has expanded by 2.8 percent, slowing down from 5.4 percent in the first quarter of 2013. This was due to the expansion in a decelerate rate of private consumption and private investment which had a negative impact from the termination of government economic stimulus measure such as the first time car buyer program. Moreover, export has contracted from the sluggish global economy recovery. As a result, the National Economic and Social Development Board (NESDB) reduced the GDP growth estimate of the year 2013 to 3.8-4.3 percent. Monetary Policy Committee (MPC) held a meeting on 28-29 May 2013 and had a resolution to reduce the policy rate by 0.25 percent to 2.50 percent per annum to stimulate economic expansion within the predicted inflation. On 10 July 2013 and 21 August 2013, MPC issued a resolution to maintain the same policy rate.

In the second half of the year, loan growth in the commercial bank sector is predicted to slowdown from the first half due to various risk factors such as domestic demand after the termination of stimulus programs. Sluggish recoveries of counterpart economies will slowdown loan growth. However, fiscal investment in infrastructure projects will positively affect Thai economic growth while easing monetary policy will enhance retail lending. Commercial banks remain ever more cautious with liquidity management amidst uncertainties, particularly the quantitative easing (QE) issues in the United States and Japan which have an impact to capital inflow and outflow through out the year. As a result, money market and capital market have been heavily fluctuating recently, although those markets are not the main source of fund of commercial banks.

Major Events

1. On 3 May 2013, Thanachart Bank Public Company Limited (“Thanachart Bank”) and Prudential Life Assurance (Thailand) Public Company Limited (“Prudential Life Assurance”) signed an exclusive bancassurance agreement in introducing life insurance products and services with a 15 years maturity. Thanachart Bank has transferred 328,500,000 ordinary shares equivalent to 100 percent of total paid-up shares of Thanachart Life Assurance Public Company Limited (“Thanachart Life Assurance”) to Prudential Life Assurance, a deal totaling to 17,500 million baht, subject to a post-completion adjustment based on agreed terms to reflect the net asset value as at the completion date, with a further payment of 500 million baht payable 12 months after completion.
2. On 10 June 2013, Thanachart Capital Public Company Limited (“the Company”) ended the treasury stock repurchase program. The Company’s Board of Directors approved of the repurchase in a period from 11 December 2012 to 10 June 2013 with the repurchase amount not exceeding 127,781,636 shares, equivalent to 10 percent of total paid-up shares, with a limit of 3,400 million baht. At the end of repurchase period, the Company has purchased 71,350,000 shares, equivalent to 5.58 percent of total paid-up shares, totaling to 3,398,455,449.41 baht.

Financial Highlights

	For the 3 months ended			For the 6 months ended	
Audited Financial Statements	30-Jun-13	31-Mar-13	30-Jun-12	30-Jun-13	30-Jun-12
Operating Performance (Million Baht)	Restated*			Restated*	
Interest Income	13,360	13,126	12,099	26,487	23,618
Interest Expenses	6,796	6,815	6,164	13,612	12,290
Net Interest Income	6,564	6,311	5,935	12,875	11,328
Non-interest Income	15,497	4,094	3,000	19,591	5,825
Net Operating Income ⁽¹⁾	22,061	10,405	8,935	32,466	17,153
Other Operating Expenses	5,476	5,164	5,400	10,640	10,754
Impairment Loss of Loans and Debt Securities	6,726	1,365	488	8,091	904
Profit before Tax	9,859	3,876	3,047	13,735	5,495
Income Tax	2,189	710	627	2,899	1,215
Net Profit After Tax	7,670	3,166	2,420	10,836	4,280
Profit for the period from discontinued operations**	42	312	436	354	796
Profit for the period	7,712	3,478	2,856	11,190	5,076
Net Profit Attributable to the Company	4,078	1,953	1,732	6,031	2,977
Net Profit Attributable to Non-controlling interests	3,634	1,525	1,124	5,159	2,099
Operating Performance Ratios					
Basic Earnings per Share (Baht)	3.29	1.53	1.36	4.79	2.33
ROAA (%)	3.00	1.35	1.25	2.18	1.12
ROAE (%)	36.33	17.55	17.13	27.06	14.90
Interest Spread ⁽²⁾ (%)	2.52	2.54	2.63	2.53	2.52
Credit Cost (%)	3.27	0.68	0.27	1.96	0.25
Non-interest Income Ratio ⁽³⁾ (%)	70.30	41.12	36.67	60.77	36.89
Cost to Income Ratio ⁽⁴⁾ (%)	24.77	48.18	57.62	32.42	59.92
	30-Jun-13	31-Mar-13	31-Dec-12		
Financial Position (Million Baht)					
Loans	788,285	771,512	755,330		
Total Assets	1,024,069	1,033,719	1,028,072		
Deposits and Debt Issued and Borrowings	810,075	782,056	782,927		
Total Liabilities	933,743	944,816	942,838		
Equity ⁽⁵⁾	44,885	45,678	43,586		
Finacial Position Quality					
Loans to Deposits and Debt Issued and Borrowings (%)	97.31	98.65	96.48		
Non-performing Loans (Million Baht)	36,615	33,584	34,307		
NPL Ratio (%)	4.45	4.22	4.32		
Coverage Ratio (%)	84.05	75.42	73.19		
Reserve to Required Reserve (%)	126.76	125.57	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 second quarter and the first six-month of 2013

Performance Overview of Thanachart Capital Public Company Limited and Its Subsidiaries

In the second quarter of 2013, Thanachart Group's **net profit** amounted to **7,712 million baht**. This was mainly due to the fact that Thanachart Group sold Thanachart Life Assurance's shares to Prudential Life Assurance, resulting in a realization of a gain on investment after deducting all related expenses and netting of the additional provision in the amount of 5,352 million baht in consolidated financial statements, of which 2,767 million baht was distributed to the Company. After including such gain and the Company's normal business operation, **the Company's net profit** amounted to **4,078 million baht**, an increase of 2,125 million baht or 108.81 percent from the previous quarter. Such gain from disposal of subsidiary positively impacted financial status of the group, including liquidity, capital adequacy, and cost of fund as well as increasing opportunities in developing variety of life insurance products to cover all customers' needs. During this quarter, a special provision was added to enhance financial strength and protect against risks that may arise from the uncertainties in the future. For the first **six-month period of 2013**, Thanachart Group **had a net profit of 11,190 million baht**. **The Company's net profit** was **6,031 million baht**, an increase of 3,054 million baht or 102.59 percent from the same period last year.

Net profit increased in the second quarter and the first six-month period of 2013 was mainly due to gain from selling subsidiary company. On a normal business operating basis, net interest income increased due to loan growth and efficient cost of fund management. Non-interest income in the second quarter of 2013 decreased comparing to the previous quarter due to various extraordinary items. Non-interest income for the first six-month period this year improved from the same period last year due to positive business factors and higher cross-selling. Operating expenses increased while other expenses remained stable from effective management. Impairment loss of loans and debt securities increased from the aforementioned special provision.

Key operating results were as follows:

- **Net interest income** in the second quarter of 2013 amounted to 6,564 million baht, an increase of 253 million baht or 4.01 percent. Due to the fact that some non-performing loans of corporate clients have been stopped accruing interest, interest spread decreased from 2.54 percent in the previous quarter to 2.52 percent. However, cost of fund also decreased from the efficient interest expenses control. For the first six-month period of 2013, net interest income was 12,875 million baht, an increase of 1,547 million baht or 13.66 percent. Interest spread was 2.53 percent closed to the same period last year.
- **Non-interest income growth:** In the second quarter of 2013 and the first six-month period of 2013, non-interest income increased, due to the abovementioned gain on the

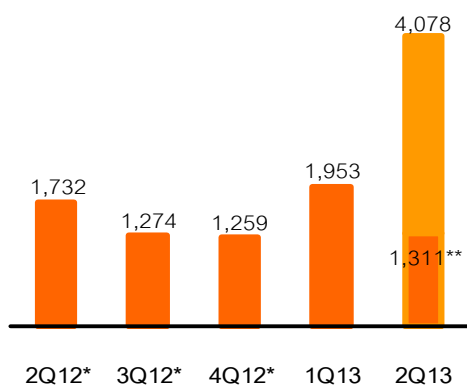
sale of the Company's subsidiary. Consequently non-interest income ratio in the second quarter and the first six-month period of 2013 were 70.30 percent and 60.77 percent, an increase from the last quarter and the first six-month period of 2012 of 41.12 percent and 36.89 percent respectively.

- **Operating expenses** in the second quarter of 2013 were 5,476 million baht, an increase of 312 million baht from the previous quarter. This was due mainly to the provision for possible damage occurring reinsurance company's inability to fulfill its obligation. For the first six-month period of 2013, operating expenses amounted to 10,640 million baht, a decrease of 114 million baht or 1.06 percent, reflecting effective cost management and prudent planning. Cost to income ratio in the second quarter and the first six-month period of 2013 were 24.77 percent and 32.42 percent, a decrease from the last quarter and the first six-month period of 2012 of 48.18 percent and 59.92 percent respectively.
- **Impairment loss of loans and debt securities** in the second quarter and the first six-month period of 2013 were 6,726 million baht and 8,091 million baht, an increase of 5,361 million baht from the previous quarter and 7,187 million baht from the same period last year. This was mainly because of the special provision amounting to 5,380 million baht. As a result of the reversal of reserve for corporate clients to be booked as expenses, the increase in provision in this quarter was lower than the special provision. Coverage ratio at the end of the second quarter of 2013 was 84.05 percent. Credit cost in the second quarter and the first six-month period of 2013 were at 3.27 and 1.96 percent respectively.
- **Loan grew** by 4.36 percent from the end of last year. This was mainly due to the expansion of hire purchase loans which grew by 8.75 percent and were still getting benefit from the excise tax rebate policy of the government on first time car buyer scheme.
- **Deposits and debt issued and borrowings** increased by 3.47 percent from the end of last year, as a result of short term debenture issuance and all types of deposits. At the end of June 2013, the ratio of savings and current deposits to total deposits and debt issued and borrowings (CASA) of the Company and its subsidiaries was 31.20 percent, a decrease from 31.63 percent at the end of 2012.
- **NPLs management:** As of 30 June 2013, NPLs of Thanachart Group amounted to 36,615 million baht, an increase of 2,308 million baht from the end of last year. This was due to reclassification of corporate loans accounts in which Thanachart Bank has set aside a full amount reserve net collateral value. Consequently, NPL ratio at the end of the second quarter of 2013 was at 4.45 percent, an increase from 4.32 percent at the end of last year.

Earning per share (EPS) in the second quarter of 2013 was 3.29 baht, an increase from 1.53 baht per share in the previous quarter. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 3.00 percent and 36.33 percent respectively.

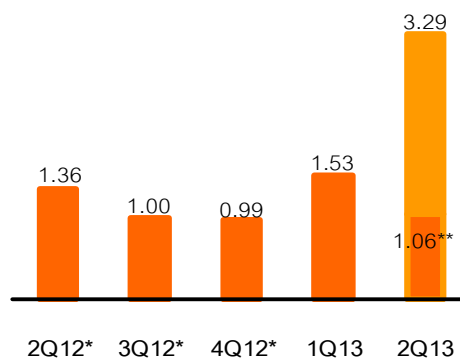
EPS in the first six-month period of 2013 was 4.79 baht, an increase from 2.33 baht per share in the same period last year. ROAA and ROAE were 2.18 percent and 27.06 percent respectively.

Net Profit of the Company (Million Baht)

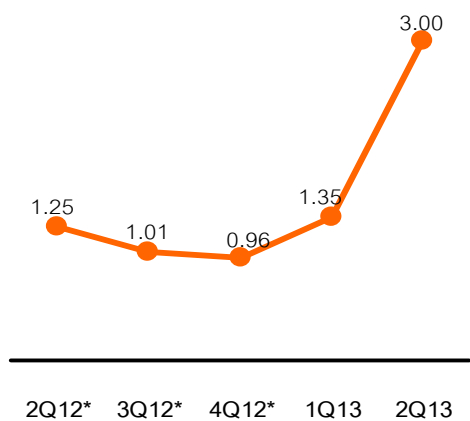


* Restated ** Excluding the extra gain

Earning per Share (Baht)

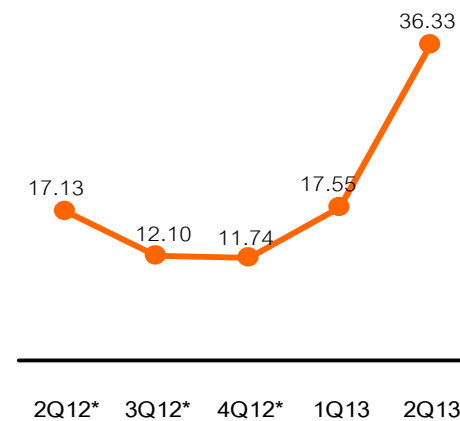


ROAA (%)



* Restated

ROAE (%)



Net Interest Income

Unit: Million Baht

Net Interest Income	2Q13	1Q13	Change %	6M13	6M12	Change %
Interest Income	13,360	13,126	1.78	26,487	23,618	12.15
Interbank and Money Market Items	432	487	(11.29)	920	1,041	(11.62)
Investments for trading	122	136	(10.29)	258	247	4.45
Investments for debts securities	963	989	(2.63)	1,952	1,898	2.85
Loans	5,223	5,137	1.67	10,360	10,708	(3.25)
Hire Purchase and Financial Leases	6,620	6,377	3.81	12,997	9,724	33.66
Interest Expenses	6,796	6,815	(0.28)	13,612	12,290	10.76
Deposits	4,369	4,429	(1.35)	8,798	5,823	51.09
Interbank and Money Market Items	372	398	(6.53)	770	802	(3.99)
Fund Contributed to FIDF and DPA	903	878	2.85	1,781	1,329	34.01
Debts Issued	1,151	1,109	3.79	2,260	4,327	(47.77)
Borrowing Fee	1	1	-	3	9	(66.67)
Net Interest Income	6,564	6,311	4.01	12,875	11,328	13.66

For the second quarter of 2013, TCAP and its subsidiaries' net interest income amounted to 6,564 million baht, an increase of 253 million baht or 4.01 percent from the previous quarter. This was mainly from the expansion of loans. Due to the fact that some non-performing loans of corporate clients have been stopped accruing interest, interest spread decreased from 2.54 percent in the previous quarter to 2.52 percent. However, cost of fund also decreased from the efficient interest expenses control. Interest income amounted to 13,360 million baht, an increase of 234 million baht or 1.78 percent from the previous quarter. This was mainly due to loans growth, particularly hire purchase loans. At the same time, interest expenses amounted to 6,796 million baht, a decrease of 19 million baht or 0.28 percent from the previous quarter. This was mainly due to an effective cost of fund management, although the deposits and borrowings increased.

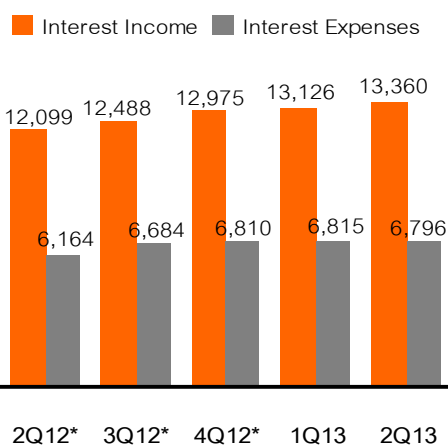
For the first six-month period of 2013, net interest income of TCAP and its subsidiaries amounted to 12,875 million baht, an increase of 1,547 million baht or 13.66 percent from the same period last year. Interest spread was at 2.53 percent, a slightly increase from 2.52 percent in the same period last year. Interest income amounted to 26,487 million baht, an increase of 2,869 million baht or 12.15 percent from the same period last year. This was mainly a result of hire purchase loans growth. Interest expenses amounted to 13,612 million baht, an increase of 1,322 million baht or 10.76 percent from the same period last year. This was due to an expansion in deposits and borrowings base.

Unit: Percent

	2Q12*	3Q12*	4Q12*	1Q13	2Q13
Average Policy Interest Rate	3.00	3.00	2.79	2.75	2.66
Yield	5.83	5.80	5.81	5.69	5.63
Cost of Fund	3.20	3.33	3.28	3.15	3.11
Interest Spread	2.63	2.47	2.53	2.54	2.52

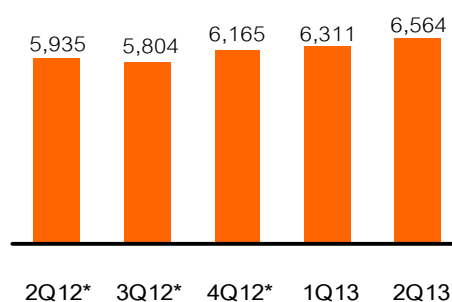
* Restated

Interest Income and Interest Expenses (Million Baht)



* Restated

Net Interest Income (Million Baht)



Non-interest Income

Unit: Million Baht

Non-interest Income	2Q13	1Q13	Change %	6M13	6M12	Change %
Fees and Service Income	2,270	2,246	1.07	4,516	2,975	51.80
Fees and Service Expenses	(464)	(444)	4.50	(908)	(729)	24.55
Net Fees and Service Income	1,806	1,802	0.22	3,608	2,246	60.64
Gains on Tradings and Foreign Exchange Transactions	(23)	168	(113.69)	144	278	(48.20)
Gains on Investments	12,418	210	5,813.33	12,628	315	3,908.89
Share of Profit from Investments in Associated Companies						
Accounted for under Equity Method	97	405	(76.05)	502	162	209.88
Gains on Properties Foreclose and Other Assets	144	313	(53.99)	457	594	(23.06)
Net Insurance Premium/ Life Insurance Premium Income*	735	568	29.40	1,303	1,262	3.25
Dividend Income	29	203	(85.71)	232	108	114.81
Other Income	291	425	(31.53)	717	860	(16.63)
Operating Income	13,691	2,292	497.34	15,983	3,579	346.58
Non-interest Income	15,497	4,094	278.53	19,591	5,825	236.33

* Excluding Thanachart Life Assurance Public Company Limited

Net Fees and Service Income

For the second quarter of 2013, TCAP and its subsidiaries' net fees and service income amounted to 1,806 million baht, an increase of 4 million baht or 0.22 percent from the previous quarter.

For the first six-month period of 2013, TCAP and its subsidiaries' net fees and service income totaled to 3,608 million baht, an increase of 1,362 million baht or 60.64 percent from the same period last year. This was mainly due to the increase in the Group's transaction volume, especially the brokerage fees and fund management fees which 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 second quarter of 2013, TCAP and its subsidiaries' operating income amounted to 13,691 million baht, an increase of 11,399 million baht or 497.34 percent from the previous quarter. This was mainly due to the gain from selling a subsidiary company amounting to 12,281 million baht. For normal operation, non-interest income in this quarter decreased from the previous quarter, due to there were income realization from an associate company, gain on properties foreclosed and other assets from the sale of the Company's properties foreclosed, and dividend income received from Vayapuk Fund in the previous quarter. Non-interest income ratio in the second quarter of 2013 was at 70.30 percent, an increase from 41.12 percent in the previous quarter. Non-interest income ratio excluding the extra gain from the sale of subsidiary was at 33.16 percent.

For the first six-month period of 2013, the Company and its subsidiaries' operating income amounted to 15,983 million baht, an increase of 12,404 million baht or 346.58 percent from the same period last year. This was mainly due to the gain from selling a subsidiary company and the various factors that provided business opportunities. As a result, non-interest income ratio in this period was at 60.77 percent, an increase from 36.89 percent in the same period last year. Non-interest income ratio excluding the extra gain from the sale of subsidiary was at 37.31 percent.

Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	2Q13	1Q13	Change %	6M13	6M12	Change %
Personnel Expenses	2,794	2,668	4.72	5,462	5,555	(1.67)
Premises and Equipment Expenses	749	732	2.32	1,481	1,558	(4.94)
Taxes and Duties	215	231	(6.93)	446	464	(3.88)
Directors' Remuneration	42	7	500.00	49	44	11.36
Other Expenses	1,676	1,526	9.83	3,202	3,133	2.20
Total Other Operating Expenses	5,476	5,164	6.04	10,640	10,754	(1.06)

For the second quarter of 2013, the operating expenses of the Company and its subsidiaries were 5,476 million baht, an increase of 312 million baht or 6.04 percent from the previous quarter. This was due mainly to the provision for possible damage occurring reinsurance company's inability to fulfill its obligation. At the same time, other fixed costs were well managed. Cost to income ratio was at 24.77 percent, a decrease from the previous quarter of 48.18 percent. Cost to income ratio excluding the extra gain from the sale of subsidiary was at 55.75 percent.

For the first six-month period of 2013, the operating expenses of the Company and its subsidiaries recorded at 10,640 million baht, a decrease of 114 million baht or 1.06 percent from the same period last year. This indicates the ability to control costs efficiently as planned. Cost to income ratio was at 32.42 percent, a decrease from the same period last year of 59.92 percent. Cost to income ratio excluding the extra gain from the sale of subsidiary was at 51.80 percent.

Impairment Loss of Loans and Debt Securities

Unit: Million Baht

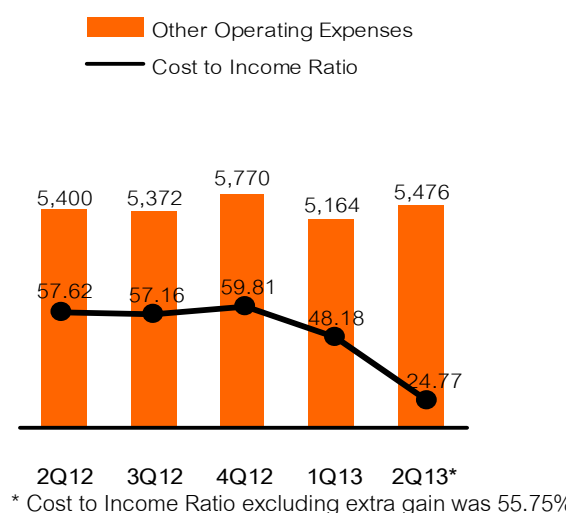
Impairment Loss of Loans and Debt Securities	2Q13	1Q13	Change %	6M13	6M12	Change %
Impairment Loss of Loans	6,719	1,347	398.81	8,066	900	796.22
Loss from Debt Restructuring	3	-	100.00	3	2	50.00
Loss from impairment of debt securities	4	18	(77.78)	22	2	1,000.00
Impairment Loss of Loans and Debt Securities	6,726	1,365	392.75	8,091	904	795.02
Credit Cost (%)	3.27	0.68	380.88	1.96	0.25	684.00

For the second quarter of 2013, impairment loss of loans and debt securities expenses of TCAP and its subsidiaries amounted to 6,726 million baht, an increase of 5,361 million baht or 392.75 percent from the previous quarter. This was mainly from the additional provision amounting to 5,380 million baht. The ratio of impairment loss of loans and loss from debt restructuring to total loans (credit cost) accounted for 3.27 percent, an increase from the

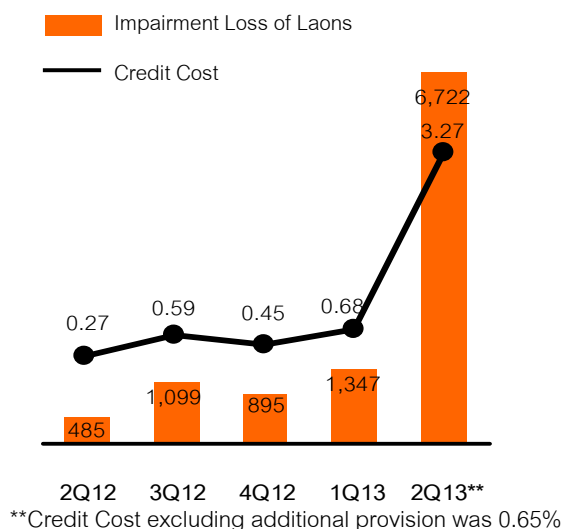
previous quarter of 0.68 percent. Credit cost excluding the additional provision was at 0.65 percent.

For the first six-month period of 2013, the Company and its subsidiaries had impairment loss of loans and debt securities expenses amounting to 8,091 million baht, an increase of 7,187 million baht or 795.02 percent from the same period last year. Credit cost was at 1.96 percent, an increase from the same period last year of 0.25 percent. Credit cost excluding the additional provision was at 0.65 percent.

Other Operating Expenses (Million Baht) and
Cost to Income Ratio (%)



Impairment Loss of Loans (Million Baht)
and Credit Cost (%)



Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	30 June 2013		31 December 2012		Change
	Amount	%	Amount	%	%
Interbank and Money Market Items-net	59,074	5.77	71,978	7.00	(17.93)
Investment-net	133,760	13.06	150,649	14.65	(11.21)
Investment in Associated Company-net	2,199	0.21	1,807	0.18	21.69
Loans to Customers and Accrued Interest Receivables	789,228	77.07	756,403	73.57	4.34
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(30,544)	(2.98)	(24,891)	(2.42)	22.71
Intangible Assets Acquired in a Business Combination-net	2,702	0.26	2,960	0.29	(8.72)
Goodwill	16,593	1.62	16,461	1.60	0.80
Other Assets	51,057	4.99	52,705	5.13	(3.13)
Total Assets	1,024,069	100.00	1,028,072	100.00	(0.39)
Deposits	702,545	68.60	693,421	67.45	1.32
Interbank and Money Market Items	68,888	6.73	87,777	8.54	(21.52)
Debt Issued and Borrowings	107,530	10.50	89,506	8.70	20.14
Other Liabilities	54,780	5.35	72,134	7.02	(24.06)
Total Liabilities	933,743	91.18	942,838	91.71	(0.96)
Company's Shareholders' Equity	44,885	4.38	43,586	4.24	2.98
Non-controlling Interests	45,441	4.44	41,648	4.05	9.11
Total Shareholders' Equity	90,326	8.82	85,234	8.29	5.97
Total Liabilities and Shareholders' Equity	1,024,069	100.00	1,028,072	100.00	(0.39)
Book Value per Share (Baht)	37.20		34.11		

Total Assets

As at 30 June 2013, Thanachart Group's total assets amounted to 1,024,069 million baht, representing a decrease of 4,003 million baht or 0.39 percent from the end of 2012. This was mainly due to the divestment of a subsidiary company, resulting in a decrease in the net investment. Loans to customers and accrued interest receivables continued growing and increased by 4.34 percent. The key contributing factors were:

- Net interbank and money market items amounted to 59,074 million baht, a decrease of 12,904 million baht or 17.93 percent from the end of last year.
- Investment-net was 133,760 million baht, a decrease of 16,889 million baht or 11.21 percent from the end of last year, due to the divestment of a subsidiary company.
- Loans to customers and accrued interest receivables were 789,228 million baht, an increase of 32,825 million baht or 4.34 percent from the end of last year. This was

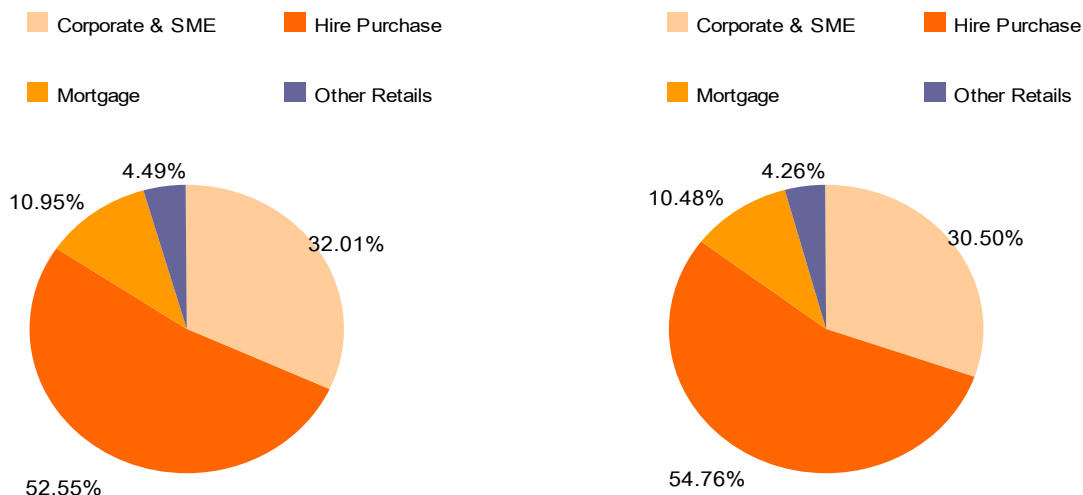
mainly due to an expansion in hire purchase loans as mentioned. Portion of retail loans to corporate and SME loans was 69 percent to 31 percent.

Details of the loan breakdown were as follows:

Loan Breakdown (Percent)

31 December 2012

30 June 2013



Liabilities

Total liabilities of Thanachart Group as of 30 June 2013 were 933,743 million baht, a decrease of 9,095 million baht or 0.96 percent from the end of 2012. The key items were as follows:

Unit: Million Baht

Deposits and Debt Issued and Borrowings	30 June 2013		31 December 2012		Change
	Amount	%	Amount	%	%
Current	9,681	1.20	8,504	1.09	13.84
Savings	243,062	30.00	239,104	30.54	1.66
Fixed Deposits					
Less than 6 Months	87,366	10.78	115,133	14.70	(24.12)
6 Months and up to 1 Year	183,039	22.60	202,747	25.90	(9.72)
Over 1 Year	179,395	22.15	127,931	16.34	40.23
Debt Issued and Borrowings	107,530	13.27	89,506	11.43	20.14
Others	2	-	2	-	-
Total Deposits and Debt Issued and Borrowings	810,075	100.00	782,927	100.00	3.47

- Deposits and debts issued and borrowings were 810,075 million baht, an increase of 27,148 million baht or 3.47 percent from the end of last year. This was due to the increase in short-term debentures and all types of deposits.

CASA to deposits and debt issued and borrowings ratio was 31.20 percent, a decrease from 31.63. However, Thanachart Bank is still focusing on increasing CASA ratio to be in line with its plan.

Shareholders' Equity

Shareholders' equity as of 30 June 2013 recorded at 90,326 million baht, an increase of 5,092 million baht or 5.97 percent from the end of 2012 which can be broken down as follows:

- Equity attributable to the owners of the Company was 44,885 million baht, an increase of 1,299 million baht or 2.98 percent. This was mainly due to an increase in operating profit of TCAP and its subsidiaries in the first six-month of 2013 amounting to 6,031 million baht while there were cash paid for treasury stocks and dividend for the second half of 2012 performance amounting to 3,398 million baht and 1,150 million baht respectively .
- Non-controlling interests were 45,441 million baht, an increase of 3,793 million baht or 9.11 percent, mainly due to the performance results of TBANK and its subsidiaries and the gain from selling Thanachart Life Assurance.

Non-performing Loans: NPLs

	TBANK		TCAP (Consol.)	
	30-Jun-13	31-Dec-12	30-Jun-13	31-Dec-12
NPL-gross (Million Baht)	22,565	20,036	36,615	34,307
Total Allowance* (Million Baht)	21,014	15,633	30,774	25,110
NPL-gross to Total Loans (%)	2.88	2.63	4.45	4.32
NPL-net to Total Loans (%)	1.70	1.35	2.40	2.17
Reserve to Required Reserve (%)	137.01	134.94	126.76	124.12
Coverage Ratio (%)	93.13	78.02	84.05	73.19

* Including revaluation allowance for debt restructuring

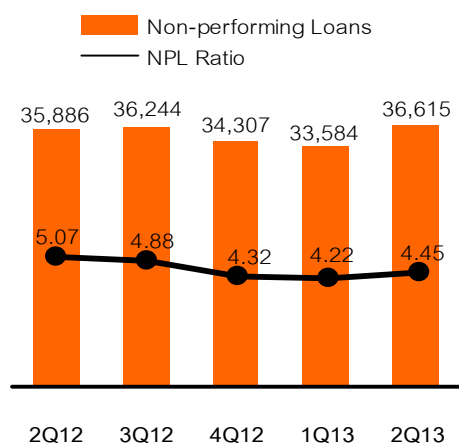
As of 30 June 2013, NPLs amounted to 36,615 million baht, an increase of 2,308 million baht or 6.73 percent from the end of last year. This was due to the NPL from corporate clients in which the Bank has fully provided provision after deducting the value of collateral since last year. As a result, there was no impact to the Group's performance.

NPL ratio was 4.45 percent, an increase from 4.32 percent at the end of 2012. NPL-net amounted to 19,277 million baht and NPL-net ratio was at 2.40 percent.

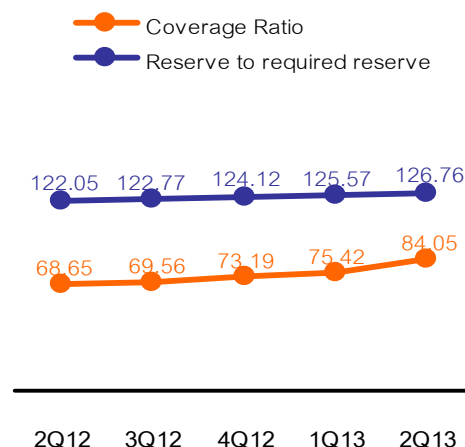
Coverage ratio at the end of June 2013 was at 84.05 percent, an increase from 73.19 percent at the end of December 2012. The ratio of reserve to required reserve under the BOT's

regulation was at 126.76 percent at the end of June 2013. Excess reserve was 6,497 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)			
		2Q13	1Q13	6M13	6M12*
Thanachart Bank Plc.					
Consolidated Financial Statements		7,261	2,961	10,222	4,075
Thanachart Securities Plc.	50.96%	260	271	531	213
Thanachart Fund Management Company Limited	38.22%	72	71	143	65
Thanachart Insurance Plc.	50.96%	203	257	461	273
Thanachart Life Assurance Plc.	50.96%	42	312	354	796
TS AMC Company Limited	50.96%	(169)	33	(135)	1,306
Ratchthani Leasing Plc	33.22%	198	199	398	174
NFS AMC Company Limited	100.00%	78	43	121	373
MAX AMC Company Limited	83.44%	9	32	41	223

*Restated

Thanachart Bank Public Company Limited and Its Subsidiaries

Total assets of Thanachart Bank and its subsidiaries as of 30 June 2013 were 1,017,257 million baht, a decrease of 2,688 million baht or 0.27 percent from the end of last year, due to sale of Thanachart Life Assurance, one of the Bank's subsidiaries. Total loans however grew by 4.38 percent from the end of last year or 33,010 million baht, mainly from hire purchase, SME, and retail loans.

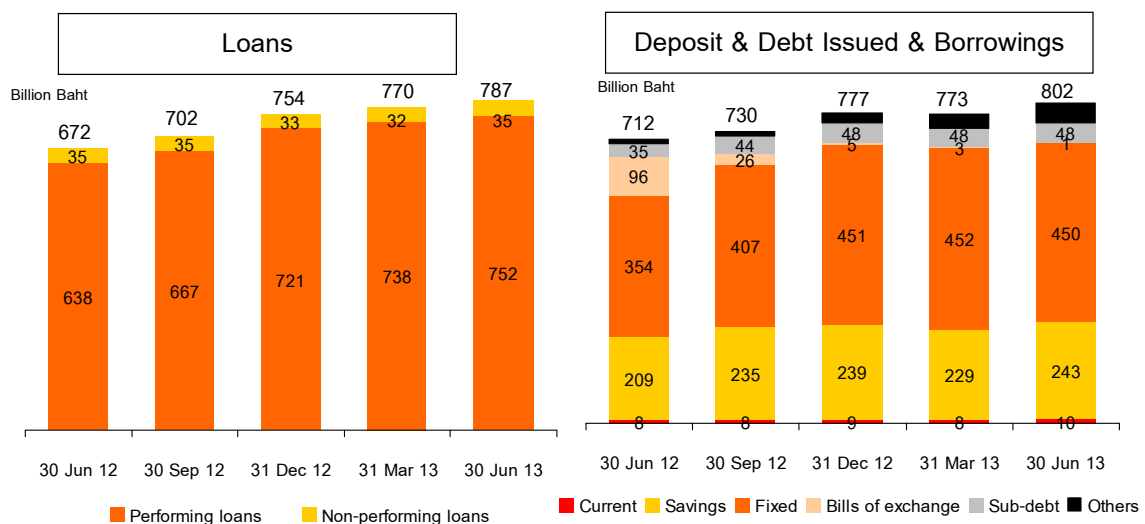
Total liabilities were 925,186 million baht, a decrease of 10,573 million baht or 1.13 percent. Deposits and borrowings increased 25,692 million baht or 3.31 percent, due to acquisition in short term debentures and saving deposits.

Shareholders' equity of Thanachart Bank and its subsidiaries (excluding non-controlling interest) was 91,128 million baht, an increase of 7,798 million baht or 9.36 percent. This was mainly due to profit of Thanachart Bank and its subsidiaries, particularly gain from the sale of subsidiary net special provision which was to protect against the risks that may arise in the future. Furthermore, there was a dividend payout in April 2013 in the amount of 2,040 million baht or 0.37 baht per share.

Loan Breakdown

(million baht)

Loans	30-Jun-13	31-Mar-13	31-Dec-12	30-Sep-12	30-Jun-12	Change from 31-Dec-12		Change from 30-Jun-12	
(unit: million baht)						Amount	%	Amount	%
Corporate	153,529	150,984	157,839	151,052	154,671	(4,311)	-2.73%	(1,143)	-0.74%
SME	78,986	78,069	77,103	72,362	70,840	1,883	2.44%	8,146	11.50%
Retail									
- Hire Purchase	431,398	419,473	396,519	358,581	327,641	34,879	8.80%	103,757	31.67%
- Housing	83,411	83,468	83,706	80,660	80,640	(295)	-0.35%	2,771	3.44%
- Other	20,229	19,328	19,826	18,797	18,175	403	2.03%	2,054	11.30%
Other	19,520	18,953	19,070	20,088	20,251	450	2.36%	(731)	-3.61%
Total Loans	787,073	770,276	754,063	701,541	672,218	33,010	4.38%	114,855	17.09%



Operating results in the second quarter and the first six-month period of 2013

In the second quarter of 2013, **Thanachart Bank and its subsidiaries' net profit** amounted to 7,261 million baht, an increase of 4,300 million baht or 145.23 percent from the previous quarter. This was mainly an effect from extraordinary gain from the sale of subsidiary company net special

provision. For the first six-month period of 2013, the net profit was 10,222 million baht, an increase of 6,148 million baht or 150.88 percent from the same period last year. The key driving factors in the second quarter were as follows:

1. **Interest spread** in the second quarter of 2013 was at 2.48 percent, a slightly decrease from 2.51 percent in the previous quarter. Yield on earning asset was at 5.64 percent, decreased from 5.74 percent, due to the fact that some non-performing loans have been stopped accruing interest. Cost of fund was at 3.16 percent, decreased from 3.23 percent in the previous quarter. This was due to cost and liquidity management to support loan growth.
2. **Non-interest income increased**, aside from the extra gain from the sale of subsidiary company, non-interest income was closed to that of the previous quarter. Banking fees, brokerage fees, financial advisory fees, and fund management fees continued increasing in line with the market situation. Cross-selling also increased. Non-interest income ratio in the second quarter of 2013 was 69.93 percent, an increase from 37.79 percent in the previous quarter. Non-interest income to average asset was at 6.00 percent, an increase from 1.52 percent.
3. **Operating expenses were well controlled** under zero growth policy. Consequently, fixed cost reduced while variable cost increased with business volume. This was mainly due to the provision for possible damage occurring reinsurance company's inability to fulfill its obligation. Cost to income ratio in the second quarter of 2013 was at 25.44 percent, a decrease from 50.19 percent in the previous quarter. The ratio of operating expenses to average asset was 2.18 percent, compared to 2.01 percent in the previous quarter.
4. **Credit cost** in the second quarter of 2013 was at 3.47 percent which was a result of special provision of Thanachart Bank and its subsidiaries. If excluding the additional provision, credit cost was at 0.73 percent, comparing to 0.71 percent in the previous quarter. NPLs as of 30 June 2013 amounted to 35,416 million baht, an increase from 33,047 million baht at the end of last year. During the second quarter, NPLs increased from corporate loans which Thanachart Bank has fully provisioned for and it did not have any impact to the Bank's financial statements. The ratio of NPLs to total loans accounted for 4.50 percent, comparing to 4.38 percent at the end of last year.

Capital adequacy in accordance with Basel III standard, Thanachart Bank had as of 30 June 2013 a total capital of 103,749 million baht, of which 62,315 million baht was Tier I (including Common Equity and Additional Tier I) and 41,434 million baht was Tier II. BIS ratio was at 13.89 percent, comparing to 13.99 percent at the end of 2012. Thanachart Bank's capital was affected by the change in regulation from Basel II to Basel III, implementation of accounting standard no. 12 regarding the income tax, and dividend payout in April.

Thanachart Securities Public Company Limited

Daily trading volume of Thanachart Securities Public Company Limited in the second quarter of 2013 was 4,514 million baht, a decrease from 5,331 million baht in the previous quarter. Market share was at 4.47 percent. The trading volume was in line with the slowdown in capital market. Clients included 68.56 percent retail, 17.85 percent institution, and 13.59 percent foreign.

Comparing the second and the first quarter of 2013, net profit reduced slightly. Net profit in the second quarter was 260 million baht. Total income amounted to 693 million baht including 500 million baht of brokerage income, 109 million baht of fees and service income, 53 million baht of interest income from margin loans. Financial costs and operating expenses were 369 million baht.

Net profit for the first six-month period of 2013 was 531 million baht, an increase of 318 million baht or 149.72 percent from the same period last year. Total income was 1,424 million baht, an increase of 78.33 percent. Brokerage income was 1,115 million baht, fees and service income amounted to 129 million baht, interest income from margin loans was 96 million baht. Financial costs and operating expenses were 764 million baht, an increase from the same period last year in line with growing business volume and income.

As of 30 June 2013, NCR was 40.06 percent higher than the minimum of Securities and Exchange Commissions (SEC) of 7.00 percent.

Thanachart Fund Management Company Limited

At the end of the second quarter of 2013, Thanachart Fund Management Company Limited had 131,923 million baht of asset under management, an increase of 9,901 million baht or 8.11 percent from the end of last year and 1,958 million baht or 1.51 percent from the previous quarter. Asset under management comprised of 84.78 percent mutual funds, 7.76 percent provident funds, and 7.46 percent private funds.

For operating results in the second quarter of 2013, the company had a net profit of 72 million baht, an increase of 1 million baht or 1.53 percent from the previous quarter. This was mainly due to fund management fees. For the first six-month period of 2013, net profit was 143 million baht, an increase of 79 million baht or 121.13 percent from the same period last year. This was due to the capital market expansion with an increase in net asset value and better performance of mutual fund. The company was able to achieve the target return and collect annual fees in advance before fund expiration as stated in the invitation letter.

Thanachart Insurance Public Company Limited

Thanachart Insurance Public Company Limited had a net profit of 203 million baht in the second quarter of 2013, a decrease of 54 million baht or 21.01 percent from the first quarter of 2013. For the first six-month period of 2013, net profit was 461 million baht, an increase of 188 million baht or

69.12 percent from the same period last year. The key factors were given to a focus on profitable products, claims management, and an effective cost management.

TS Asset Management Company Limited

For the first six-month period of 2013, TS Asset Management Company Limited has restructured debts in accordance with the group policy. As of 30 June 2013, the company's total assets were 9,528 million baht. In the second quarter of 2013, the company had a net loss of 169 million baht, due to the additional provision of 254 million baht. However, the company was able to restructure 80 loan accounts, equivalent to 1,097 million baht. Income from restructuring was 103 million baht.

For the first six-month period of 2013, net loss was 135 million baht. The company has restructured 132 loan accounts equivalent to 1,210 million baht during the first half of 2013. Income from restructuring was 192 million baht.

Ratchthani Leasing Public Company Limited

As the end of second quarter of 2013, Ratchthani Leasing Public Company Limited had 24,153 million baht in total assets, an increase of 4,878 million baht or 25.31 percent from the end of last year. This was due to hire purchase loans, particularly from trucks. Hire purchase loans were 23,470 million baht, an increase of 4,811 million baht or 25.79 percent from the end of last year, accounted for 97.17 percent of total assets. Total liabilities and shareholders' equity were 21,286 million baht and 2,867 million baht respectively.

In the second quarter of 2013, the company's net profit was 198 million baht, a slightly decrease of 1 million baht or 0.59 percent from previous quarter. Total income was 578 million baht, an increase of 55 million baht or 10.42 percent, due to hire purchase loan growth. Interest expenses were 216 million baht, an increase of 23 million baht or 12.04 percent, a result of source of fund management to support loan growth. In the second quarter, repayment from debtors was low due to more national holidays and opening school term. This is a normal seasonal impact on repayment. As a result, credit cost in the second quarter was 42 million baht, an increase of 8 million baht or 24.34 percent from the previous quarter.

Net profit for the first six-month period of 2013 was 398 million baht, an increase of 224 million baht or 128.59 percent. Total income was 1,102 million baht, an increase of 406 million baht or 58.36 percent from the same period last year. This was due to automotive industry growth and continuous hire purchase loan base expansion. Interest expenses were 408 million baht, an increase of 91 million baht or 28.79 percent from the same period last year. The increase was due to an increase in borrowings to support loan growth. Credit cost was 76 million baht, an increase of 19 million baht or 34.24 percent from 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, 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.

Disclaimer

Thanachart Capital Public Company Limited ("the Company") had provided this report to publish the Company's performance for this quarter. In part of the information contained in this report is the prediction of the financial position and performance of the Company in the future, which is base on many hypotheses, including the financial information and any information from the other sources as of the date of this report. The information in this report may be changed according to economies and politics both inside and outside country. The readers or recipients should consider the information carefully and please use your discretion before making a decision in any transaction. Any unauthorized use, reproduction or distribution in whole or in part of the information contained in this report without the Company's permission is strictly prohibited. However, the Company reserves the right with its own discretion to amend or modify the information contained in this report without any prior notice. The Company shall have no responsibility for any inaccuracy, inappropriate or incomplete of any information contained in this report.