



Management Discussion and Analysis

For the year ended 31 December 2013

(Audited Financial Statements)

Thanachart Capital Public Company Limited

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Thanachart Capital Public Company Limited

Management Discussion and Analysis (Audited Financial Statements)

Economics Outlook and Competition in Banking Industry

In the fourth quarter of 2013, Thai economy grew by 0.60 percent, a slower rate than the previous quarter. This was due to the slowdown in almost all economy sectors. For example, private consumption dampened following cautious household spending due to high household debt. Private investment also contracted, as a result of business owners waiting for foreign and domestic demand to recover and political uncertainty. Export slowed down from a sluggish demand of foreign countries. However, tourism was still robust with growing number of Chinese tourists.

Headline inflation slightly increased from the previous quarter to 1.68 percent and core inflation increased to 0.82 percent. This was due to higher cost, and thus, higher price of processed food. However, the price pressure was still low with improving domestic consumption though slowly.

In the last quarter, corporate and retail loan growth have slowed down. As a result of depressed economy and high household debt, financial institutions were more stringent in loan analysis and risk assessment in both corporate and retail loans. At the same time, competition in acquiring deposit base continued to intensify in order to enhance liquidity and support loan expansion. As a result of economic slowdown and pressure on inflation, Monetary Policy Committee adjusted down the policy rate by 0.25 percent from 2.50 percent to 2.25 percent per annum on 27 November 2013 to enhance economic growth and recovery.

Major Events

On 15 November 2013, Thanachart Capital Public Company Limited (“the Company”) issued and offered 2 sets of unsubordinated debentures with no collateral and no debenture holder representative. The first set amounted to 3,100 million baht offering a fixed rate of 4.70 percent per annum with redemption in 2018 and the second set amounted to 2,900 million baht offering a fixed rate of 5.03 percent per annum with redemption in 2020. Such debentures were given the rating of A+ by TRIS Rating Company Limited.

Financial Highlights

Audited Financial Statements	4Q13	3Q13	4Q12	FY2013	FY2013	FY2012
Operating Performance (Million Baht)	Restated*			Excluding extra items**		Restated*
Interest Income	14,001	13,627	12,975	54,115	54,115	49,081
Interest Expenses	6,997	6,950	6,810	27,558	27,558	25,786
Net Interest Income	7,004	6,677	6,165	26,557	26,557	23,295
Non-interest Income	3,747	3,882	3,185	27,366	15,085	12,487
Net Operating Income ⁽¹⁾	10,751	10,559	9,350	53,923	41,642	35,782
Other Operating Expenses	5,302	5,222	5,770	21,475	21,475	21,896
Impairment Loss of Loans and Debt Securities	1,896	1,687	896	11,510	6,130	2,900
Profit before Tax	3,553	3,650	2,684	20,938	14,037	10,986
Income Tax	707	682	614	4,288	2,739	2,360
Net Profit After Tax	2,846	2,968	2,070	16,650	11,298	8,626
Profit for the period from discontinued operations***	-	-	296	354	354	1,212
Profit for the period	2,846	2,968	2,366	17,004	11,652	9,838
Net Profit Attributable to the Company	1,539	1,661	1,258	9,231	6,464	5,509
Net Profit Attributable to Non-controlling interests	1,307	1,307	1,108	7,773	5,188	4,329
Operating Performance Ratios						
Basic Earnings per Share (Baht)	1.28	1.38	0.98	7.49	5.25	4.31
ROAA (%)	1.10	1.16	0.96	1.65	1.13	1.05
ROAE (%)	13.22	14.63	11.72	20.36	14.26	13.37
Interest Spread ⁽²⁾ (%)	2.61	2.49	2.53	2.55	2.55	2.51
Credit Cost (%)	0.91	0.82	0.45	1.38	0.73	0.36
Non-interest Income Ratio ⁽³⁾ (%)	34.85	36.76	36.09	51.07	36.76	37.03
Cost to Income Ratio ⁽⁴⁾ (%)	49.32	49.46	59.81	39.57	51.14	59.19
Financial Position (Million Baht)	31-Dec-13	30-Sep-13	31-Dec-12			
Loans	791,174	787,712	755,330			
Total Assets	1,050,914	1,025,338	1,026,679			
Deposits and Debt Issued and Borrowings	825,221	805,138	782,927			
Total Liabilities	955,474	932,884	941,445			
Equity ⁽⁵⁾	47,369	45,755	43,586			
Financial Position Quality						
Loans to Deposits and Debt Issued and Borrowings (%)	95.87	97.84	96.48			
Non-performing Loans (Million Baht)	37,540	37,337	34,307			
NPL Ratio (%)	4.49	4.56	4.32			
Coverage Ratio (%)	82.61	83.26	73.19			
Reserve to Required Reserve (%)	127.36	127.21	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

** Excluding gain from selling TLIFE and additional provision occurred in the second quarter of 2013

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

Operating results for the year 2013

Performance Overview of Thanachart Capital Public Company Limited and Its Subsidiaries

In 2013, Thanachart Group had a total net profit according to the consolidated financial statements of **17,004 million baht**. Out of the total net profit, **9,231 million baht** was the net profit attributable to the Company, an increase of 3,722 million baht or 67.56 percent from the previous year. However, in the second quarter of 2013, Thanachart Bank sold shares of Thanachart Life Assurance to Prudential Life Assurance, and realized gain from sale of 12,281 million baht. Thanachart Group also set aside 5,380 million baht in special provision. These 2 transactions were considered extraordinary items and so would be excluded from the consideration of operating results comparison for the year 2013 and 2012.

For operating results excluding extraordinary items, Thanachart Group had a total net profit of **11,652 million baht in 2013**. Out of the total net profit, **6,464 million baht** was the net profit attributable to the Company, an increase of 955 million baht or 17.34 percent from the previous year. The increase in net profit attributable to the Company in 2013 was due to an ability to generate revenue of every company under Thanachart Group, whether in interest or non-interest income, together with prudent expenses management. At the same time, impairment loss of loans and debts securities increased from loss from liquidation of repossessed cars which was a result of the demand-supply in the used car market.

Key operating results can be summarized as follows:

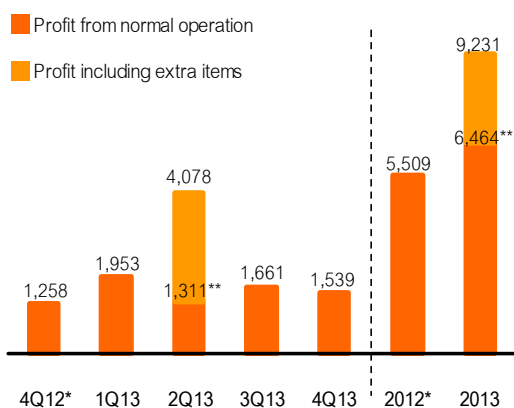
- **Net interest income increased by 14.00 percent:** Net interest income in 2013 amounted to 26,557 million baht, an increase from 2012 of 3,262 million baht. This was mainly due to an increase in interest income by 10.26 percent from an expansion of loans while interest expenses rose by 6.87 from an expansion of deposits and debt issued. As a result, interest spread widened from 2.51 percent in 2012 to 2.55 in 2013.
- **Non-interest income rose by 20.81 percent:** Non-interest income in 2013 amounted to 15,085 million baht, an increase from the previous year of 2,598 million baht. This was due an increase in banking business transactions in line with the loan growth and insurance business. Moreover, brokerage fees and fund management fees increased in line with the market condition. Non-interest income ratio in 2013 was at 36.76 percent, close to that of the previous year.
- **Operating expenses decreased by 1.92 percent:** Operating expenses in 2013 amounted to 21,475 million baht, a decrease of 421 million baht from the previous year. This was mainly due to the prudent cost management which was in line with the cost

control policy as planned. As a result, cost to income ratio was at 51.14 percent, comparing to 59.19 percent in the previous year.

- **Impairment loss of loans and debt securities increased by 111.38 percent:** Impairment loss of loans and debt securities in 2013 was 6,130 million baht, an increase of 3,230 million baht, due to the increase in NPLs from the slowdown in economy and also there were reserve reversals from debt restructuring and closing accounts of many corporate clients in 2012. Credit cost in this year was 0.73 percent, an increase once comparing to 0.36 percent in the previous year. As at 31 December 2013, coverage ratio and reserve to required reserve were at 82.61 percent and 127.36 percent respectively.
- **Loan growth:** loans at the end of 2013 grew by 4.75 percent from the end of 2012. This was mainly from the hire purchase loan growth of 10.88 percent. Other retail loans could still grow from the demand of retail clients while corporate and SME loans declined from risk management policy.
- **Deposits and debts issued and borrowings:** increased by 5.40 percent from the end of the previous year. This increase was due to an issuance of debentures of the Company and its subsidiaries and an expansion of fixed deposits. As at 31 December 2013, the Company and its subsidiaries' current and savings accounts portion to total deposits and debts issued and borrowings (CASA ratio) was at 30.05 percent, a decrease from 31.63 percent at the end of 2012. This was due to the change in deposits structure by having longer duration deposits to deal with the fluctuation in market interest rate.
- **NPLs management:** NPLs of Thanachart Group as at 31 December 2013 was 37,540 million baht, an increase of 3,233 million baht from the end of the previous year. This was due to NPLs from hire purchase loans. NPL ratio at the end of 2013 was at 4.49 percent, an increase from 4.32 percent at the end of the previous year.

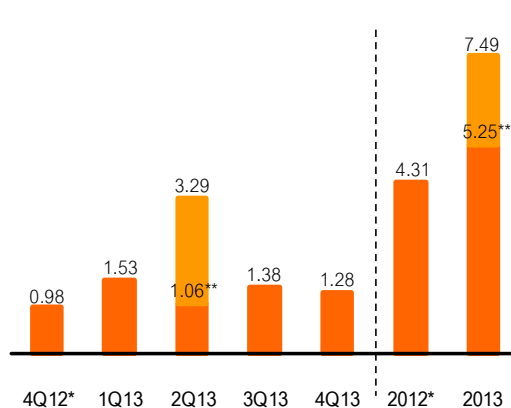
Earning per share (EPS) for the year 2013 was at 5.25 baht, an increase from 4.31 baht per share in the previous year (EPS including extra items was 7.49 baht per share). Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were at 1.13 percent and 14.26 percent respectively (ROAA and ROAE including extra items were at 1.65 and 20.36 percent respectively).

Net Profit of the Company (Million Baht)

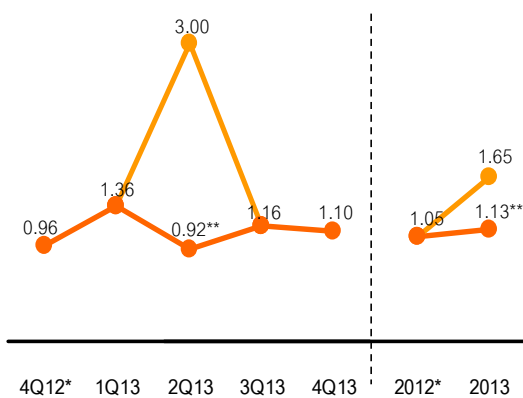


*Restated **Excluding extraordinary items

Earning per Share (Baht)



ROAA (%)

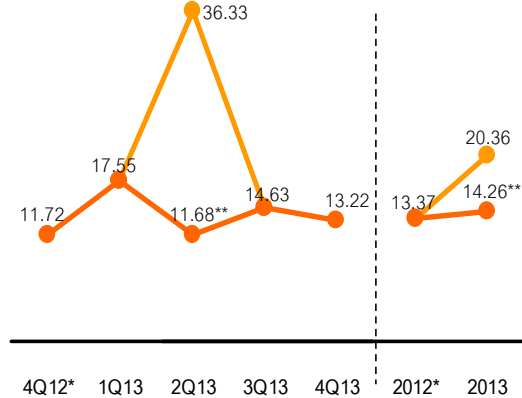


● ROAA and ROAE from normal operation

● ROAA and ROAE including extra items

*Restated **Excluding extraordinary items

ROAE (%)



Net Interest Income

Unit: Million Baht

Net Interest Income	4Q13	3Q13	Change %	2013	2012	Change %
Interest Income	14,001	13,627	2.74	54,115	49,081	10.26
Interbank and Money Market Items	493	459	7.41	1,871	2,294	(18.44)
Investments for trading	99	109	(9.17)	467	491	(4.89)
Investments for debts securities	1,058	1,029	2.82	4,039	3,641	10.93
Loans	5,598	5,328	5.07	21,286	21,500	(1.00)
Hire Purchase and Financial Leases	6,753	6,702	0.76	26,452	21,155	25.04
Interest Expenses	6,997	6,950	0.68	27,558	25,786	6.87
Deposits	4,521	4,507	0.31	17,826	14,531	22.68
Interbank and Money Market Items	353	340	3.82	1,463	1,564	(6.46)
Fund Contributed to FIDF and DPA	905	912	(0.77)	3,598	2,995	20.13
Debts Issued	1,213	1,190	1.93	4,662	6,682	(30.23)
Borrowing Fee	5	1	400.00	9	14	(35.71)
Net Interest Income	7,004	6,677	4.90	26,557	23,295	14.00

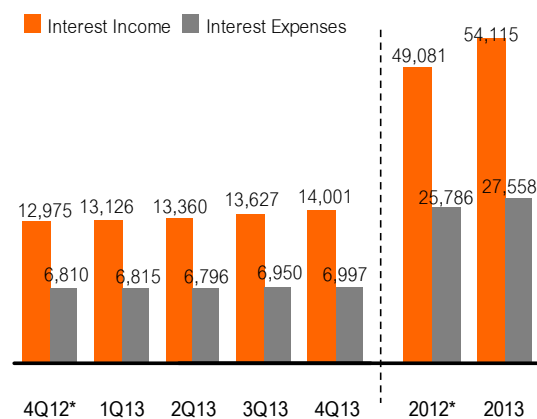
In 2013, net interest income of the Company and its subsidiaries amounted to 26,557 million baht, an increase of 3,262 million baht or 14.00 percent from the previous year. Interest spread was at 2.55 percent, an increase from the previous year of 2.51 percent. Interest income amounted to 54,115 million baht, an increase of 5,034 million baht or 10.26 percent from the previous year. This was mainly a result of loan growth which grew by 4.75 percent from the end of 2012. Interest expenses amounted to 27,558 million baht, an increase of 1,772 million baht or 6.87 percent from the previous year. This was due to an expansion of deposits and debts issued base which grew by 5.40 percent from the end of 2012.

Unit: Percent

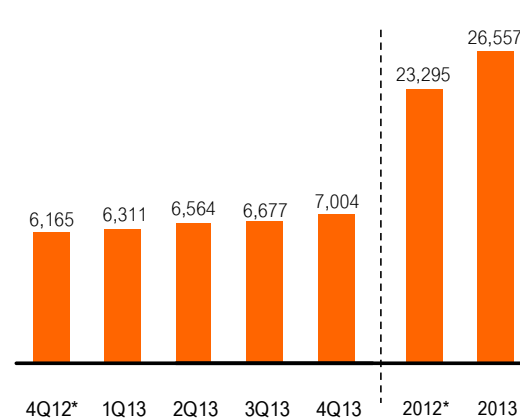
	4Q12*	1Q13	2Q13	3Q13	4Q13	2012	2013
Average Policy Interest Rate	2.79	2.75	2.66	2.50	2.40	2.96	2.58
Yield	5.81	5.69	5.63	5.64	5.76	5.77	5.69
Cost of Fund	3.28	3.15	3.11	3.15	3.15	3.26	3.14
Interest Spread	2.53	2.54	2.52	2.49	2.61	2.51	2.55

* Restated

Interest Income and Interest Expenses (Million Baht)



Net Interest Income (Million Baht)



* Restated

Non-interest Income

Unit: Million Baht

Non-interest Income	4Q13	3Q13	Change %	2013	2012	Change %
Fees and Service Income	2,136	2,138	(0.09)	8,791	6,576	33.68
Fees and Service Expenses	(488)	(494)	(1.21)	(1,891)	(1,487)	27.17
Net Fees and Service Income	1,648	1,644	0.24	6,900	5,089	35.59
Gains on Tradings and Foreign Exchange Transactions	270	117	130.77	531	663	(19.91)
Gains on Investments	790	175	351.43	1,311	717	82.85
Share of Profit from Investments in Associated Companies						
Accounted for under Equity Method	48	250	(80.80)	800	293	173.04
Gains on Properties Foreclose and Other Assets	190	168	13.10	815	1,059	(23.04)
Net Insurance Premium/ Life Insurance Premium Income*	394	585	(32.65)	2,282	2,147	6.29
Dividend Income	60	342	(82.46)	634	437	45.08
Other Income	347	601	(42.26)	1,812	2,082	(12.97)
Operating Income	2,099	2,238	(6.21)	8,185	7,398	10.64
Non-interest Income	3,747	3,882	(3.48)	15,085	12,487	20.81

* Excluding Thanachart Life Assurance Public Company Limited

■ Net Fees and Service Income

For the year 2013, the Company and its subsidiaries' net fees and service income totaled to 6,900 million baht, an increase of 1,811 million baht or 35.59 percent from the previous year. This was mainly due to the increase in Thanachart Group's transaction volume, especially the brokerage fees and fund management fees which increased in line with the market situation during the first half of the year.

■ 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 2013, the Company and its subsidiaries' operating income amounted to 8,185 million baht, an increase of 787 million baht or 10.64 percent from the previous year. This was mainly due to gains on investment which increased from the liquidation of Vayupak Fund, dividend income which increased from the investment and dividend received at a higher rate, share of profit from investments in associated companies which increased from associated company's profit, and net insurance premium/life insurance premium income which increased from product offering that suit the customers' needs and an effective claim and cost management.

Non-interest income ratio in 2013 stood at 36.76 percent, a slight decrease comparing to 37.30 percent of the previous year.

Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	4Q13	3Q13	Change %	2013	2012	Change %
Personnel Expenses	2,515	2,623	(4.12)	10,600	10,594	0.06
Premises and Equipment Expenses	801	755	6.09	3,037	3,158	(3.83)
Taxes and Duties	232	221	4.98	899	918	(2.07)
Directors' Remuneration	10	8	25.00	67	57	17.54
Other Expenses	1,744	1,615	7.99	6,872	7,169	(4.14)
Total Other Operating Expenses	5,302	5,222	1.53	21,475	21,896	(1.92)

In 2013, the operating expenses of the Company and its subsidiaries recorded at 21,475 million baht, a decrease of 421 million baht or 1.92 percent from the previous year. This indicates the ability to control costs efficiently as planned.

Cost to income ratio in 2013 was at 51.14 percent, a decrease from 59.19 in the previous year.

Impairment Loss of Loans and Debt Securities

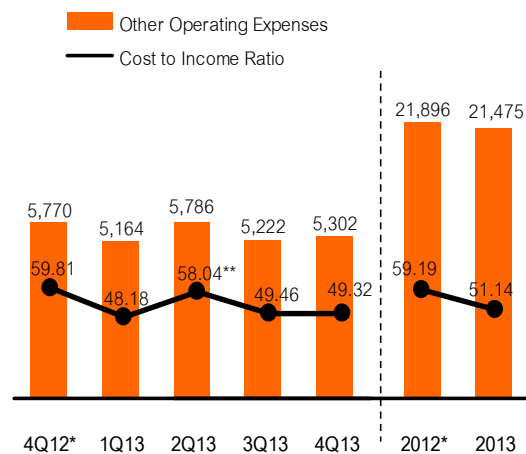
Unit: Million Baht

Impairment Loss of Loans and Debt Securities	4Q13	3Q13	Change %	2013	2012	Change %
Impairment Loss of Loans	1,900	1,687	12.63	6,110	2,881	112.08
Loss from Debt Restructuring	1	-	100.00	4	15	(73.33)
Loss from impairment of debt securities	(5)	-	(100.00)	16	4	300.00
Impairment Loss of Loans and Debt Securities	1,896	1,687	12.39	6,130	2,900	111.38
Credit Cost (%)	0.91	0.82	10.98	0.73	0.36	102.78

In 2013, the Company and its subsidiaries had impairment loss of loans and debt securities expenses amounting to 6,130 million baht, an increase of 3,230 million baht or 111.38 percent from the previous year. The increase was to protect against loss from liquidation of repossessed cars which was a result of the demand-supply in the used car market. Also, in 2012, there were reserve reversals from debt restructuring and closing accounts of many corporate clients. As a result, credit cost in 2013 was at 0.73 percent, an increase from the year 2012 of 0.36 percent.

Other Operating Expenses (Million Baht) and

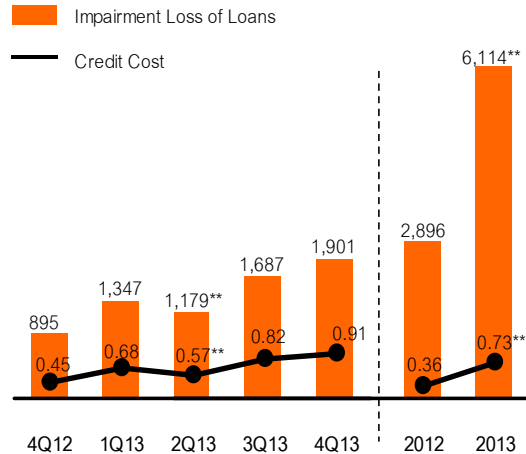
Cost to Income Ratio (%)



*Restated **Excluding extraordinary items

Impairment Loss of Loans (Million Baht)

and Credit Cost (%)



Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	31 December 2013		31 December 2012		Change
	Amount	%	Amount	%	%
Interbank and Money Market Items-net	70,215	6.68	71,978	7.01	(2.45)
Investment-net	147,686	14.05	150,649	14.67	(1.97)
Investment in Associated Company-net	2,389	0.23	1,807	0.18	32.21
Loans to Customers and Accrued Interest Receivables	792,189	75.38	756,403	73.67	4.73
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(30,772)	(2.92)	(24,891)	(2.42)	23.63
Intangible Assets Acquired in a Business Combination-net	2,445	0.23	2,960	0.29	(17.40)
Goodwill	16,726	1.59	16,461	1.60	1.61
Other Assets	50,036	4.76	51,312	5.00	(2.49)
Total Assets	1,050,914	100.00	1,026,679	100.00	2.36
Deposits	715,931	68.12	693,421	67.54	3.25
Interbank and Money Market Items	81,082	7.72	87,777	8.55	(7.63)
Debt Issued and Borrowings	109,290	10.40	89,506	8.72	22.10
Other Liabilities	49,171	4.68	70,741	6.89	(30.49)
Total Liabilities	955,474	90.92	941,445	91.70	1.49
Company's Shareholders' Equity	47,369	4.51	43,586	4.24	8.68
Non-controlling Interests	48,071	4.57	41,648	4.06	15.42
Total Shareholders' Equity	95,440	9.08	85,234	8.30	11.97
Total Liabilities and Shareholders' Equity	1,050,914	100.00	1,026,679	100.00	2.36
Book Value per Share (Baht)	39.26		34.11		

Assets

As at 31 December 2013, Thanachart Group's total assets amounted to 1,050,914 million baht, representing an increase of 24,235 million baht or 2.36 percent from the end of 2012. This was mainly due to the increase in loans to customers and accrued interest receivables which grew by 4.73 percent. The key contributing factors were:

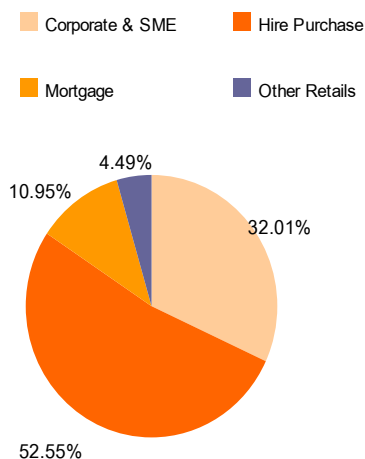
- Net interbank and money market items amounted to 70,215 million baht, a decrease of 1,763 million baht or 2.45 percent from the end of the previous year.
- Investment-net was 147,686 million baht, a decrease of 2,963 million baht or 1.97 percent from the end of the previous year. This was due to the divestment of a subsidiary company and the liquidation of Vayupak Fund while there was an increase in debt securities investment.
- Loans to customers and accrued interest receivables recorded at 792,189 million baht, an increase of 35,786 million baht or 4.73 percent from the end of the previous year.

This was mainly due to an expansion in hire purchase loans. At the same time, there were repayments from corporate and SME loans from managing risks by reducing some clients out of the portfolio. Portion of retail loans to corporate and SME loans was 70 percent to 30 percent.

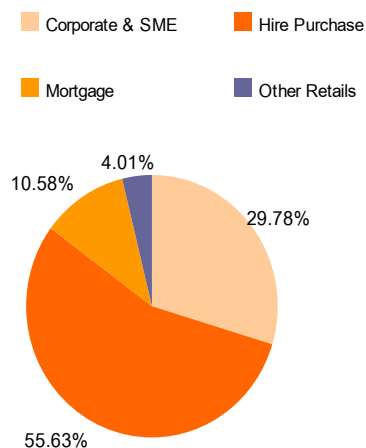
Details of the loan breakdown were as follows:

Loan Breakdown (Percent)

31 December 2012



31 December 2013



Liabilities

Total liabilities of Thanachart Group as at 31 December 2013 were 955,474 million baht, an increase of 14,029 million baht or 1.49 percent from the end of 2012. The key items were as follows:

	31 December 2013		31 December 2012		Change
	Amount	%	Amount	%	%
Deposits and Debt Issued and Borrowings					
Current	8,759	1.06	8,504	1.09	3.00
Savings	239,189	28.99	239,104	30.54	0.04
Fixed Deposits					
Less than 6 Months	99,454	12.05	115,133	14.70	(13.62)
6 Months and up to 1 Year	167,756	20.33	202,747	25.90	(17.26)
Over 1 Year	197,532	23.94	127,931	16.34	54.41
Debt Issued and Borrowings	109,290	13.24	89,506	11.43	22.10
Others	3,241	0.39	2	-	161,950.00
Total Deposits and Debt Issued and Borrowings	825,221	100.00	782,927	100.00	5.40

- Deposits and debts issued and borrowings were 825,221 million baht, an increase of 42,294 million baht or 5.40 percent from the end of the previous year. This was due to

the increase in debentures of the Company and its subsidiaries and the expansion of fixed deposits.

- The ratio of current and savings accounts to total deposits and debt issued and borrowings (CASA ratio) was at 30.05 percent, a decrease from 31.63 percent. This was due to the change in deposits portfolio by having longer duration deposits to deal with the fluctuation in market interest rate.

Shareholders' Equity

Shareholders' equity as at 31 December 2013 recorded at 95,440 million baht, an increase of 10,206 million baht or 11.97 percent from the end of 2012. This can be broken down as follows:

- Equity attributable to the owners of the Company was 47,369 million baht, an increase of 3,783 million baht or 8.68 percent. This was mainly due to an increase in operating profit of the Company and its subsidiaries, which in 2013 amounted to 9,231 million baht, cash paid for treasury stocks amounting to 3,398 million baht during the second quarter of 2013, dividend payment of 1,150 million baht paid for the second half of 2012, and interim dividend payment of 724 million baht paid for the first six-month of 2013.
- Non-controlling interests were 48,071 million baht, an increase of 6,423 million baht or 15.42 percent, mainly due to the operating results of subsidiary companies.

Non-performing Loans: NPLs

	TBANK		TCAP (Consol.)	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
NPL-gross (Million Baht)	24,394	20,036	37,540	34,307
Total Allowance* (Million Baht)	21,755	15,633	31,013	25,110
NPL-gross to Total Loans (%)	3.07	2.63	4.49	4.32
NPL-net to Total Loans (%)	1.69	1.35	2.30	2.17
Reserve to Required Reserve (%)	138.38	134.94	127.36	124.12
Coverage Ratio (%)	89.18	78.02	82.61	73.19

* Including revaluation allowance for debt restructuring

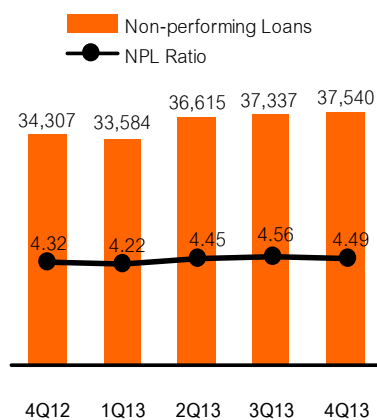
As at 31 December 2013, NPLs amounted to 37,540 million baht, an increase of 3,233 million baht or 9.42 percent from the end of the previous year. This was due to the slowdown in economy and the growth in hire purchase lending which resulted in the increase in the NPLs from hire purchase loans.

Non-performing loans to total loans to customers (NPL ratio) was at 4.49 percent, an increase from 4.32 percent at the end of 2012. Non-performing loans after deducting reserve (NPL-net) amounted to 18,769 million baht while the ratio of NPL-net to total loans was at 2.30 percent, an increase from 2.17 percent at the end of 2012.

Coverage ratio at the end of 2013 was at 82.61 percent, an increase from 73.19 percent at the end of 2012. The ratio of reserve to required reserve under the BOT's regulation was at 127.36 percent at the end of 2013, an increase from 124.12 percent at the end of 2012. Excess reserve was 6,662 million baht.

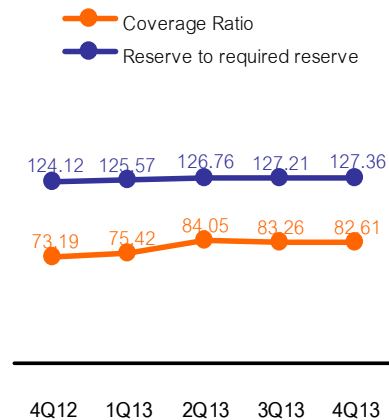
Non-performing Loans (Million Baht) and

NPL Ratio (%)



Coverage Ratio (%) and Reserve to Required

Reserve (%)



Operating Results of Subsidiaries

Unit: Million Baht

Subsidiaries	% holding Direct/Indirect	Net Profit (Loss)			
		4Q13	3Q13	2013	2012*
Thanachart Bank Plc.					
Consolidated Financial Statements		2,641	2,522	15,385	8,354
Thanachart Securities Plc.	50.96%	103	167	801	462
Thanachart Fund Management Company Limited	38.22%	65	77	285	141
Thanachart Insurance Plc.	50.96%	245	247	953	616
TS AMC Company Limited	50.96%	435	104	404	1,756
Ratchthani Leasing Plc.	33.22%	145	212	754	477
NFS AMC Company Limited	100.00%	68	107	296	435
MAX AMC Company Limited	83.44%	42	21	103	279

*Restated

Thanachart Bank Public Company Limited and Its Subsidiaries

Total Assets as of 31 December 2013 was 1,038,349 million baht, an increase of 19,729 million baht or 1.94 percent from last year. This was mainly due to loan which grew 35,954 million baht or 4.77 percent. Loan growth was mainly from hire purchase even though the first-car policy has ended. Net investment decreased by 7,281 million baht, as a result of investment in Vayupak fund.

Total liabilities were 941,109 million baht, an increase of 6,675 million baht or 0.72 percent from last year. Deposit and borrowing grew 34,787 million baht or 4.48 percent, due to an increase in fixed deposit, short-term debentures and debenture of subsidiaries (5,760 million baht of debentures were issued at 4.70%-4.80% during the year). The Bank continued to innovate and offer products and pricing that satisfy the needs of the customers and suitable for the competitive environment.

Shareholders' equity of the Bank and subsidiary companies (excluding minority interest) was 96,218 million baht, an increase of 12,888 million baht or 15.47 percent from last year. This was mainly due to profit of the Bank and its subsidiaries, including the extraordinary gain from sale of investment in subsidiary net special provisions for future uncertainty. Profit was paid out in dividend during April 2013 in the amount of 2,040 million baht or 0.37 baht per share.

Loan Breakdown

(Million Baht)

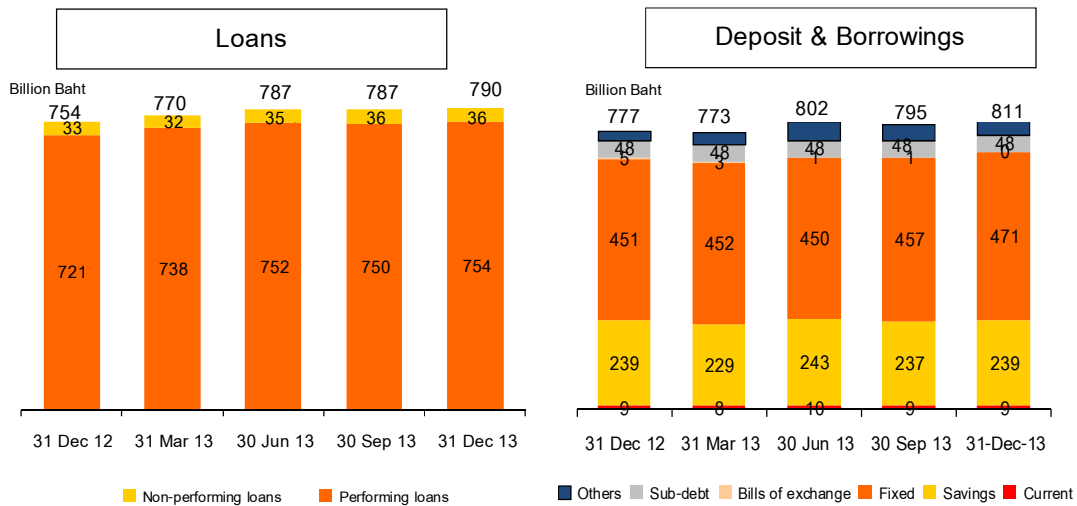
Loan	31-Dec-12	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	Change from 31-Dec-12		Change from 30-Sep-13	
						Amount	%	Amount	%
Corporate Loan	157,839	150,984	153,529	148,121	148,995	(8,844)	-5.60%	875	0.59%
SME Loan	77,103	78,069	78,986	78,993	78,309	1,206	1.56%	(684)	-0.87%
Retail Loan									
- Hire Purchase	396,519	419,473	431,398	436,686	439,984	43,465	10.96%	3,298	0.76%
- Housing	83,706	83,468	83,411	83,556	84,828	1,122	1.34%	1,272	1.52%
- Other	19,826	19,328	20,229	20,787	21,031	1,206	6.08%	245	1.18%
Other Loan*	19,070	18,953	19,520	18,376	16,869	(2,201)	-11.54%	(1,507)	-8.20%
Total Loans	754,063	770,276	787,073	786,519	790,017	35,954	4.77%	3,498	0.44%

* Other loan includes loans under TS AMC management and staff loan

Deposit and Borrowing Breakdown

(Million Baht)

Deposit	31-Dec-12	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	Change from 31-Dec-12		Change from 30-Sep-13	
						Amount	%	Amount	%
Current	8,514	7,999	9,685	9,020	8,768	254	2.99%	(252)	-2.80%
Saving	239,328	231,725	243,141	236,851	239,231	(97)	-0.04%	2,380	1.00%
Fixed	450,529	444,017	450,220	456,559	471,081	20,552	4.56%	14,522	3.18%
B/E	5,028	3,422	595	584	47	(4,981)	-99.07%	(537)	-91.95%
Total Deposit and B/E	703,398	687,162	703,642	703,014	719,126	15,728	2.24%	16,112	2.29%
Subordinated and Other Debentures	73,123	85,808	98,571	92,456	92,182	19,059	26.06%	(274)	-0.30%
Total Deposit and Borrowing	776,521	772,970	802,213	795,470	811,308	34,787	4.48%	15,838	1.99%



Operating Results of 2013 Compared to 2012

In the year 2013, **the Bank and its subsidiaries had a net profit** excluding minority interest in the amount of 15,385 million baht, an increase of 7,031 million baht or 84.16 percent from last year, which was mainly due to the extraordinary income from sale of investment in subsidiary net special provision. If excluding such extraordinary item, the Bank and its subsidiaries' net profit would amount to 10,101 million baht, an increase of 1,747 million baht or 20.91 percent from last year. The key drivers of this year performance were as follows:

1. **Interest spread was 2.59 percent**, an increase from 2.48 percent last year. Yield on earning asset was 5.76 percent, a decrease from 5.82 percent last year which was due to 2 downward adjustments in policy rate from 2.75 percent to 2.50 percent in the second quarter and 2.50 percent to 2.25 percent in the fourth quarter. Yield was partially diminished by the non-performing loans which the Bank stopped recognizing the accrued interest income. Cost of fund was 3.17 percent, a decrease from 3.34 percent last year. Cost of fund was managed to enforce appropriate liquidity to support loan growth and market competition. Furthermore, cost of fund decreased from impact of policy rate adjustment.
2. **Non-interest income increased by 12.50 percent** from banking fee, brokerage fee, gain on investment and dividend income. Non-interest income ratio in 2013 was 33.80 percent. Non-interest income to average asset was 1.33 percent.
3. **Operating expense** was managed under resolute policy. As a result, non-business related items consistently decreased while the business-related expense increased following business volume. Cost to income ratio in 2013 was 52.80 percent, a decrease from 61.40 percent. Operating expense to average asset was 2.08 percent.

4. **Credit cost** in 2013 was 0.78 percent (excluding special provision) increase from 0.40 percent in last year. This was a result of loss from sale of repossessed car which was affected by the deprived used car market.

Non-performing loans (NPL) of the Bank and its subsidiaries as of 31 December 2013 was 36,376 million baht, an increase from 33,047 million baht last year. This was a result from hire purchase loan growth. Hire purchase NPL growth has slowed down from the previous quarter. However, the Bank has a policy to closely monitor and proactively manage debt collection process. Furthermore, NPLs increased from corporate client that was not fully provisioned for. NPL to total loan was 4.60 percent, compared to 4.38 percent last year.

NPL Breakdown

(Million Baht)

NPLs	31-Dec-12	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	Change	
						31-Dec-12	30-Sep-13
Corporate Loan	10,416	9,557	12,016	12,069	11,847	1,430	(222)
Retail Loan							
- Hire Purchase	5,640	6,381	7,133	8,227	9,221	3,582	995
- Housing	3,151	3,243	3,153	3,187	3,387	236	200
- Other	1,269	720	817	891	929	(339)	39
Other Loan*	12,572	12,467	12,297	11,760	10,992	(1,580)	(768)
Total NPL	33,047	32,367	35,416	36,133	36,376	3,329	243

* Other loan includes loans under TS AMC management and loan from subsidiaries

Capital Adequacy: The Bank's total capital based on Basel III as of 31 December 2013 was 110,683 million baht, of which 70,818 million baht was Tier 1 (including common equity tier 1 and additional tier 1) and 39,865 million baht was Tier 2. BIS ratio was at 14.80 percent, compared to 13.99 percent in 2012. Total capital has included profit from the 6-month operating results of 2013. Total capital was affected by the regulatory change from Basel II to Basel III and from dividend payout in April 2013.

Thanachart Securities Public Company Limited

Daily trading volume of Thanachart Securities Public Company Limited in 2013 was 4,074 million baht, a substantially increase from the daily trading volume in the previous year of 2,711 million baht. The increase was in line with the capital market condition. Market share in this year was at 4.63 percent.

Net profit for the year ended 31 December 2013 was 801 million baht, an increase of 338 million baht or 73.25 percent from the previous year. Total income amounted to 2,403 million baht, an increase of 46.11 percent. The main source of income came from brokerage income which totaled

to 1,828 million baht, fees and service income amounting to 152 million baht, and interest income from margin loans amounting to 205 million baht. On the other side, financial costs and operating expenses were 1,410 million baht, an increase of 33.73 percent from the previous year in line with a growing business volume and income.

As at 31 December 2013, Net Capital Ratio (NCR) was at 94.07 percent higher than the minimum requirement of the Securities and Exchange Commissions (SEC) of 7.00 percent.

Thanachart Fund Management Company Limited

At the end of 2013, Thanachart Fund Management Company Limited had asset under management amounting to 134,410 million baht, an increase of 12,389 million baht or 10.15 percent from the end of 2012. Asset under management comprised of 78.35 percent mutual funds, 7.83 percent provident funds, and 13.81 percent private funds.

For operating results of 2013, the company had a net profit of 285 million baht, an increase of 145 million baht or 103.57 percent from the year 2012. This was mainly due to the higher sales volume of equity fund and flexible fund than that of 2012.

Thanachart Insurance Public Company Limited

Thanachart Insurance Public Company Limited had a net profit for the year 2013 of 953 million baht, an increase of 337 million baht or 54.70 percent from the year 2012. The key factors were given to a focus on profitable products, claims management, and an effective cost management.

TS Asset Management Company Limited

In 2013, TS Asset Management Company Limited has restructured debts in accordance with policy and business plan of Thanachart Group. As at 31 December 2013, the company's total assets were 9,058 million baht. For the operating result of the year 2013, the company had a net profit of 404 million baht, due to the income from debt repayment of 850 million baht. Interest expenses amounted to 178 million baht while income from selling properties foreclosed and other income were 111 million baht. Operating expenses were 161 million baht and provision expenses amounted to 103 million baht. However, the company was able to restructure 257 loan accounts. Income from debt restructuring was 819 million baht.

Ratchthani Leasing Public Company Limited

As at 31 December 2013, Ratchthani Leasing Public Company Limited had total assets of 27,296 million baht, an increase of 8,081 million baht or 42.06 percent from the end of 2012. This was due to an expansion of hire purchase loans, particularly from trucks. At the end of 2013, hire purchase loans of the company recorded at 26,592 million baht, an increase of 7,933 million baht or 42.52

percent from the end of 2012, accounted for 97.42 percent of total assets. Total liabilities and shareholders' equity were 24,072 million baht and 3,223 million baht respectively.

Net profit for the year 2013 amounted to 754 million baht, an increase of 277 million baht or 57.99 percent from the previous year. Total income for the year 2013 was 2,397 million baht, an increase of 814 million baht or 51.37 percent from the previous year. The increase was due to the domestic automotive industry growth and the continuous hire purchase loan base expansion of the company. Interest expenses were 917 million baht, an increase of 245 million baht or 36.36 percent. The increase was due to an increase in additional borrowings to support loan growth. Impairment loss of loans of the company was 269 million baht, an increase of 188 million baht or 231.24 percent, due to the domestic economic condition in the last quarter of 2013 showing a clear sign of a slowdown and also the additional provision provided in accordance with the large expansion of hire purchase loan growth of the company.

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.