



Management Discussion and Analysis

For the three-month period ended 31 March 2014

(Reviewed Financial Statements)

Thanachart Capital Public Company Limited

Tel: 0 2217 8000, 0 2217 8444

Fax: 0 2217 8312

Website: www.thanachart.co.th

Investor Relations

Email: tcap_ir@thanachart.co.th

Tel: 0 2613 6107

Thanachart Capital Public Company Limited

Management Discussion and Analysis (Reviewed Financial Statements)

Economics Outlook and Competition in Banking Industry

In the first quarter of 2014, Thai economy grew at a low rate. Due to political unrest, private consumption declined as evidence in the slowdown spending. High household debt and economy slowdown started to affect the household income. Private investment also declined. Business owners have postponed their investment plan to wait and observe the conditions. Tourism was also on a decline with number of Asian tourists, particularly China and Malaysia, decreasing in the beginning of the year. Export, however, has shown an improving sign with revived foreign demand and global economy. Overall, economic indicators have shown sign of decline. Consequently, the Bank of Thailand's Monetary Policy Committee has adjusted down the economic growth forecast in 2014 from 3.00 percent to 2.70 percent.

Headline inflation increased slightly from the previous quarter to 2.00 percent while core inflation increased to 1.19 percent, mainly through liquefied petroleum gas and instant food prices. The government has a policy to continue increasing liquefied petroleum gas for 12 consecutive months which will in turn increase the instant food prices. Therefore, the Bank of Thailand's Monetary Policy Committee has adjusted the headline inflation forecast to 2.50 percent and core inflation to 1.50 percent in response to the price pressure and the increasing cost of production.

Loans expanded at a slow pace following the dampened retail loans. Financial institutions have been more cautious in credit policy amidst high household debt. Corporate loans slowed down from unsure investors who waited to assess political situation. Competition in deposit acquiring started to decline as seen by revising down lending plans of financial institutions following the economy slowdown. As a result of persisting economic slowdown from end of last year till the first quarter of this year, the Bank of Thailand's Monetary Policy Committee issued a resolution to decrease the policy rate by 0.25 percent from 2.25 percent to 2.00 percent per annum in response to economic growth uncertainty.

Major Events

On 3 April 2014, the Annual General Meeting of Shareholders for the year 2014 had resolutions to approve the following important agendas

- The meeting approved to pay dividend to ordinary and preferred shareholders at the rate of 1.00 baht per share, amounting to 1,206 million baht. Taking into account this round of dividend payment and the interim dividend payment worth 0.60 baht per share or 724 million baht, total dividend payment amounts to 1.60 baht per share or 1,930 million baht which accounts for 88.53 percent of the net profit of 2013 on separate comprehensive

income statements of the Company. The payment is schedule to be made on 30 April 2014.

- The meeting approved the Company to jointly invest in all ordinary shares of Siam City Life Assurance Public Company Limited (SCILIFE) according to the resolution of the Board of Directors' Meeting No. 12/2013 by jointly investing with MBK to buy shares of SCILIFE in the total amount of 900 million baht from Thanachart Bank Public Company Limited (TBANK) which is the Company's subsidiary.

The Company and MBK have agreed the following proportion of investment.

- The Company purchases SCILIFE's shares not less than 51 percent of the total paid-up shares of SCILIFE.
- MBK purchases SCILIFE's shares not more than 49 percent of the total paid-up shares of SCILIFE.

In such case, the Company will be a major shareholder who has controlling power in SCILIFE and the Company has to get the permission from the Bank of Thailand in order to make an investment. Also, SCILIFE has still be one of the companies under the Thanachart Financial Group. To directly hold shares in SCILIFE, it will help support the business of the Group and build up long-term returns to the Company and also benefit to the shareholders in the future.

Financial Highlights

Reviewed Financial Statements	For the 3 months ended		
	31-Mar-14	31-Mar-13	31-Dec-13
Operating Performance (Million Baht)			
Interest Income	13,573	13,126	14,001
Interest Expenses	6,801	6,815	6,997
Net Interest Income	6,772	6,311	7,004
Non-interest Income	3,244	4,094	3,747
Net Operating Income ⁽¹⁾	10,016	10,405	10,751
Other Operating Expenses	5,022	5,164	5,302
Impairment Loss of Loans and Debt Securities	1,657	1,365	1,896
Profit before Tax	3,337	3,876	3,553
Income Tax	671	710	707
Net Profit After Tax	2,666	3,166	2,846
Profit for the period from discontinued operations*	-	312	-
Profit for the period	2,666	3,478	2,846
Net Profit Attributable to the Company	1,323	1,953	1,539
Net Profit Attributable to Non-controlling interests	1,343	1,525	1,307
Operating Performance Ratios			
Basic Earnings per Share (Baht)	1.10	1.53	1.28
ROAA (%)	1.02	1.36	1.10
ROAE (%)	11.00	17.55	13.22
Interest Spread ⁽²⁾ (%)	2.45	2.54	2.61
Credit Cost (%)	0.81	0.68	0.91
Non-interest Income Ratio ⁽³⁾ (%)	32.38	41.12	34.85
Cost to Income Ratio ⁽⁴⁾ (%)	50.14	48.18	49.32
Financial Position (Million Baht)	31-Mar-14	31-Mar-13	31-Dec-13
Loans	790,604	771,512	791,174
Total Assets	1,031,317	1,031,891	1,050,914
Deposits and Debt Issued and Borrowings	788,358	782,056	825,221
Total Liabilities	932,807	942,988	955,474
Equity ⁽⁵⁾	48,932	45,678	47,369
Financial Position Quality			
Loans to Deposits and Debt Issued and Borrowings (%)	100.28	98.65	95.87
Non-performing Loans (Million Baht)	38,360	33,584	37,540
NPL Ratio (%)	4.68	4.22	4.49
Coverage Ratio (%)	81.85	75.42	82.61
Reserve to Required Reserve (%)	127.91	125.57	127.36

(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

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

Operating Results for the First Quarter of 2014 Compared to the First Quarter of 2013

Performance Overview

In the first quarter of 2014, Thanachart Group had its **net profit of 2,666 million baht**. **Profit attributable to the Company** amounted to **1,323 million baht**, a decrease of 630 million baht or 32.26 percent from the same quarter last year. Net interest income increased from interest income which grew in line with loan growth over the first quarter last year while interest expenses slightly declined from a decrease in cost of fund following the effective cost and liquidity management to support loan growth under the market competition. Non-interest income dropped because market condition in this quarter did not support the business resulting in a decrease in brokerage fees while banking fees continued to grow. Also, there was an extra gain on share of profit from an associated company in the first quarter of 2013. Impairment loss of loans and debt securities expenses increased due to an increase in non-performing loans following the economic slowdown. However, the Company and its subsidiaries could effectively control their costs resulting in a decrease in operating expenses.

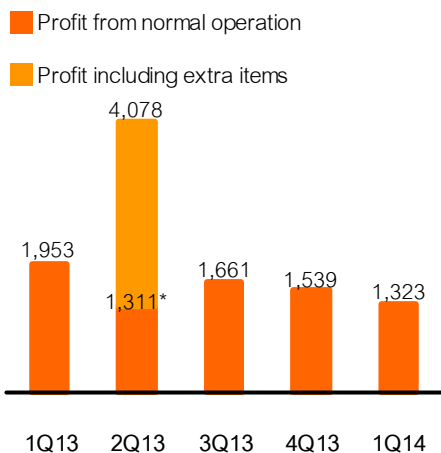
Key operating result summary is as follows:

- **Net interest income increased by 7.30 percent.** In the first quarter of 2014, net interest income was 6,772 million baht, an increase of 461 million baht from the same quarter last year. This was due to an increase in interest income by 3.41 percent from the loan growth while interest expenses dropped by 0.21 percent from the effective management of financial costs and liquidity to support loan growth under the market competition. However, interest spread narrowed from 2.54 percent to 2.45 percent, due to a decrease of yield on investment while loan spread increased from the same quarter last year.
- **Non-interest income dropped by 20.76 percent.** Non-interest income in the first quarter of 2014 was 3,244 million baht, a decrease from the same quarter last year of 850 million baht. This was due to the decline in brokerage fees and fund management fees, in line with the market circumstance. Moreover, the Company and its subsidiaries realized the extra gain on share of profit from an associated company in the first quarter of 2013. As a result, non-interest income ratio in the first quarter of 2014 stayed at 32.38 percent, a decrease from 41.12 percent in the same quarter last year.
- **Operating expenses declined by 2.75 percent.** In the first quarter of 2014, operating expenses were 5,022 million baht and were 142 million baht lower compared to same quarter last year. This was due to the ability to control operating costs effectively in line with the Group's plan. As a result, cost to income ratio was at 50.14 percent.

- **Impairment loss of loans and debt securities increased by 21.39 percent.** In the first quarter of 2014, impairment loss of loans and debt securities was 1,657 million baht, an increase of 292 million baht from the same quarter last year. This was mainly due to an increase in non-performing loans which was in line with the economic slowdown. As a result, credit cost in this quarter was at 0.81 percent, an increase compared with 0.68 percent of the same quarter last year. As of 31 March 2014, coverage ratio was at 81.85 percent and reserve to reserve required by the BOT was at 127.91 percent.
- **Loan growth:** At the end of the first quarter of 2014, loans contracted by 0.07 percent from the end of the previous year. This was mainly due to a decline in hire purchase loans following the slowdown in car market. At the same time, corporate and SME loans increased from an expansion of client base into medium sized business clients.
- **Deposits and debt issued and borrowings** decreased by 4.47 percent from the end of last year. This was due to the management of deposit structure and cost of fund. As of 31 March 2014, the ratio of current and savings accounts to total deposits and debt issued and borrowings (CASA ratio) was at 30.91 percent, a slight increase from 30.05 percent at the end of the previous year.
- **NPL management:** Non-performing loans of Thanachart Group as at 31 March 2014 amounted to 38,360 million baht, an increase of 820 million baht from the end of last year. The increase was mainly due to non-performing loans of hire purchase. NPL ratio at the end of the first quarter of 2014 was at 4.68 percent, an increase from 4.49 percent at the end of last year.

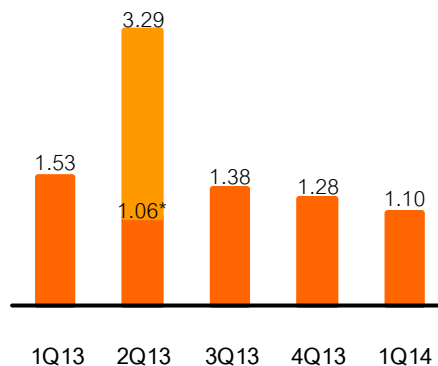
Earning per share (EPS) in the first quarter of 2014 was at 1.10 baht, a decrease from 1.53 baht per share in the same quarter last year. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 1.02 percent and 11.00 percent respectively.

Net Profit of the Company (Million Baht)

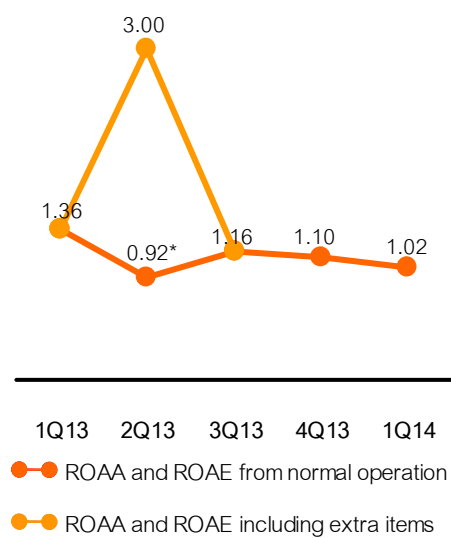


*Excluding gain from selling TLIFE and extra provision

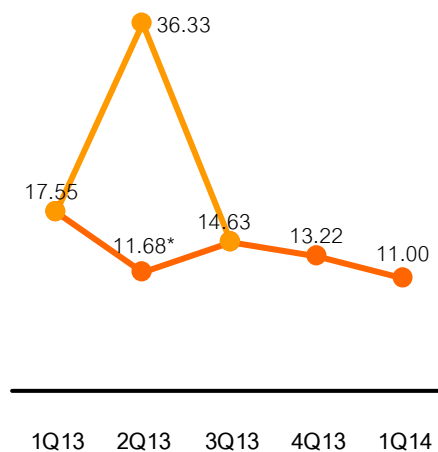
Earning per Share (Baht)



ROAA (%)



ROAE (%)



*Excluding gain from selling TLIFE and extra provision

Net Interest Income

Unit: Million Baht

Net Interest Income	1Q14	1Q13	Change %
Interest Income	13,573	13,126	3.41
Interbank and Money Market Items	506	487	3.90
Investments for trading	117	136	(13.97)
Investments for debts securities	1,138	989	15.07
Loans	5,099	5,137	(0.74)
Hire Purchase and Financial Leases	6,713	6,377	5.27
Interest Expenses	6,801	6,815	(0.21)
Deposits	4,299	4,429	(2.94)
Interbank and Money Market Items	323	398	(18.84)
Fund Contributed to FIDF and DPA	899	878	2.39
Debts Issued	1,278	1,109	15.24
Borrowing Fee	2	1	100.00
Net Interest Income	6,772	6,311	7.30

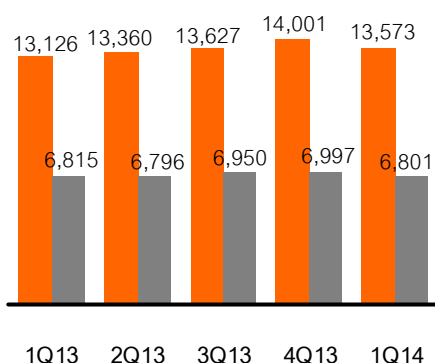
For the first quarter of 2014, the Company and its subsidiaries had 6,772 million baht of net interest income, an increase of 461 million baht or 7.30 percent from the same quarter last year. Interest income was 13,573 million baht, an increase of 447 million baht or 3.41 percent from the same quarter last year. This was mainly due to loans base which grew by 19,092 million baht from the first quarter of 2013, particularly hire purchase loans which increased by 4.08 percent. Interest expenses in the first quarter of 2014 amounted to 6,801 million baht, a decrease of 14 million baht or 0.21 percent from the same quarter last year. This was mainly due to an effective management of financial cost and liquidity in order to support loan growth in accordance with the market competition. However, interest spread was at 2.45 percent, a decrease from 2.54 percent in the same quarter previous year. The decrease was due to a decrease of yield on investment while loan spread increased from the same quarter last year.

Unit: Percent

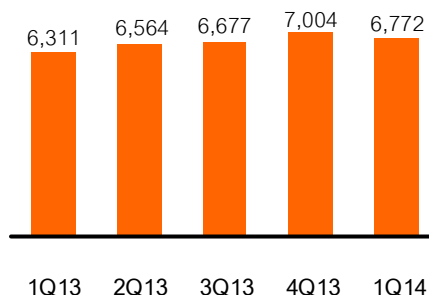
	1Q13	2Q13	3Q13	4Q13	1Q14
Average Policy Interest Rate	2.75	2.66	2.50	2.40	2.19
Yield	5.69	5.63	5.64	5.76	5.48
Cost of Fund	3.15	3.11	3.15	3.15	3.03
Interest Spread	2.54	2.52	2.49	2.61	2.45

Interest Income and Interest Expenses (Million Baht)

Interest Income Interest Expenses



Net Interest Income (Million Baht)



Non-interest Income

Unit: Million Baht

Non-interest Income	1Q14	1Q13	Change %
Net Fees and Service Income	1,561	1,802	(13.37)
Gains on Trading and Foreign Exchange Transactions	347	168	106.55
Gains on Investments	302	210	43.81
Share of Profit from Investments in Associated Companies			
Accounted for under Equity Method	61	405	(84.94)
Gains on Properties Foreclose and Other Assets	197	313	(37.06)
Net Insurance Premium/ Life Insurance Premium Income	398	568	(29.93)
Dividend Income	37	203	(81.77)
Other Income	341	425	(19.76)
Operating Income	1,683	2,292	(26.57)
Non-interest Income	3,244	4,094	(20.76)

Net Fees and Service Income

For the first quarter of 2014, the Company and its subsidiaries had 1,561 million baht in net fees and service income, a decrease of 241 million baht or 13.37 percent comparing to the same quarter last year. This was mainly due to brokerage fees and which decreased in line with the market condition while banking fees continued to increase.

■ Operating Income

Operating income includes gain on trading and foreign exchange transactions, gain on investments, share of profit from investments in associated companies accounted for under equity method, gains on properties foreclosed and other assets, net insurance/life insurance premium income, dividend income, and other income.

In the first quarter of 2014, the Company and its subsidiaries' operating income amounted to 1,683 million baht, a decrease of 609 million baht or 26.57 percent from the same quarter last year. The main reasons came from a decrease in share of profit from investments in associated companies which in the first quarter last year the Company and its subsidiaries realized extra gain on share of profit from an associated company, a decrease in net insurance/life insurance premium income, as well as a decrease in dividend income from the liquidation of Vayupak Fund in the fourth quarter of 2013. However, gains on trading and foreign exchange transactions and gains on investments increased.

Non-interest income ratio in the first quarter of 2014 was at 32.38 percent, a decrease from 41.12 percent in the same quarter last year.

Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	1Q14	1Q13	Change %
Personnel Expenses	2,733	2,668	2.44
Premises and Equipment Expenses	707	732	(3.42)
Taxes and Duties	212	231	(8.23)
Directors' Remuneration	8	7	14.29
Other Expenses	1,362	1,526	(10.75)
Total Other Operating Expenses	5,022	5,164	(2.75)

For the first quarter of 2014, operating expenses of the Company and its subsidiaries amounted to 5,022 million baht, a decrease of 142 million baht or 2.75 percent from the same quarter last year. This was mainly due to an effective cost control as well as a decrease in expenses related to business transactions. Cost to income ratio in the first quarter of 2014 was at 50.14 percent, an increase from the same quarter last year of 48.18 percent.

Impairment Loss of Loans and Debt Securities

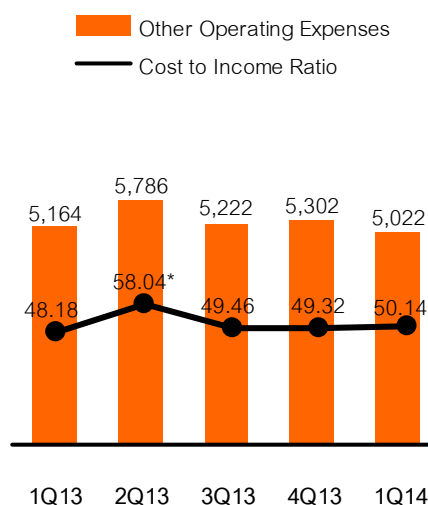
Unit: Million Baht

Impairment Loss of Loans and Debt Securities	1Q14	1Q13	Change %
Impairment Loss of Loans	1,655	1,347	22.87
Loss from impairment of debt securities	2	18	(88.89)
Impairment Loss of Loans and Debt Securities	1,657	1,365	21.39
Credit Cost (%)	0.81	0.68	19.12

For the first quarter of 2014, the Company and its subsidiaries' impairment loss of loans and debt securities expenses were 1,657 million baht, an increase of 292 million baht or 21.39 percent from the same quarter last year. This was mainly due to an increase in non-performing loans following the slowdown in economy. Credit cost in the first quarter of 2014 was at 0.81 percent, an increase from the same quarter last year of 0.68 percent.

Other Operating Expenses (Million Baht) and

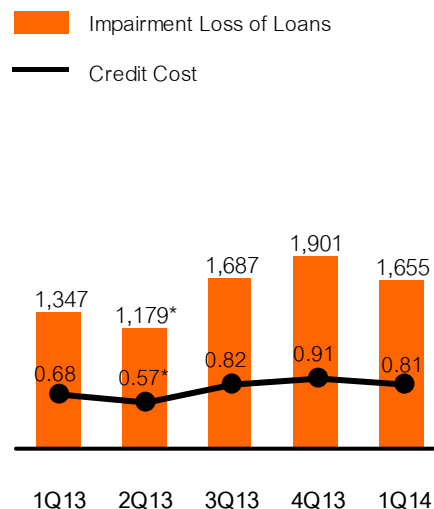
Cost to Income Ratio (%)



*Excluding gain from selling TLIFE and extra provision

Impairment Loss of Loans (Million Baht)

and Credit Cost (%)



Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	31 March 2014		31 December 2013		Change
	Amount	%	Amount	%	%
Interbank and Money Market Items-net	49,949	4.84	70,215	6.68	(28.86)
Investment-net	152,366	14.77	147,686	14.05	3.17
Investment in Associated Company-net	2,339	0.23	2,389	0.23	(2.09)
Loans to Customers and Accrued Interest Receivables	791,468	76.74	792,189	75.38	(0.09)
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(31,163)	(3.02)	(30,772)	(2.92)	1.27
Intangible Assets Acquired in a Business Combination-net	2,327	0.23	2,445	0.23	(4.83)
Goodwill	16,786	1.63	16,726	1.59	0.36
Other Assets	47,245	4.58	50,036	4.76	(5.58)
Total Assets	1,031,317	100.00	1,050,914	100.00	(1.86)
Deposits	676,280	65.58	715,931	68.12	(5.54)
Interbank and Money Market Items	95,647	9.27	81,082	7.72	17.96
Debt Issued and Borrowings	112,078	10.87	109,290	10.40	2.55
Other Liabilities	48,802	4.73	49,171	4.68	(0.75)
Total Liabilities	932,807	90.45	955,474	90.92	(2.37)
Company's Shareholders' Equity	48,932	4.74	47,369	4.51	3.30
Non-controlling Interests	49,578	4.81	48,071	4.57	3.13
Total Shareholders' Equity	98,510	9.55	95,440	9.08	3.22
Total Liabilities and Shareholders' Equity	1,031,317	100.00	1,050,914	100.00	(1.86)
Book Value per Share (Baht)	40.56		39.26		

Assets

As at 31 March 2014, Thanachart Group's total assets amounted to 1,031,317 million baht, representing a decrease of 19,597 million baht or 1.86 percent from the end of 2013. The key contributing factors were as follows:

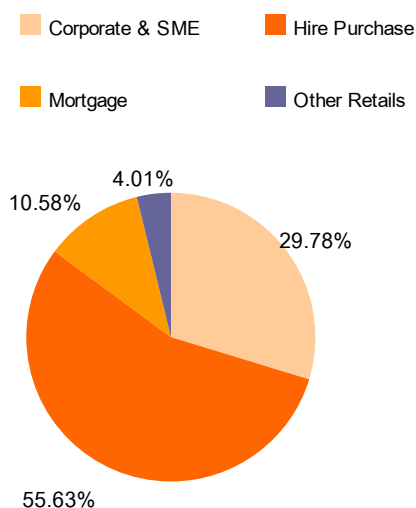
- Net interbank and money market items amounted to 49,949 million baht, a decrease of 20,266 million baht or 28.86 percent from the end of last year, due to the reduction of excess liquidity.
- Investment-net was 152,366 million baht, an increase of 4,680 million baht or 3.17 percent from the end of previous year, due to an investment in government bonds and corporate bonds.
- Loans and accrued interest receivables were 791,468 million baht, a decrease of 721 million baht or 0.09 percent from the end of last year. This was mainly due to a decline

in hire purchase loans following the slowdown in car market. At the same time, corporate and SME loans increased from an expansion of client base into medium sized business clients. Portion of retail loans to corporate and SME loans was 70 percent to 30 percent.

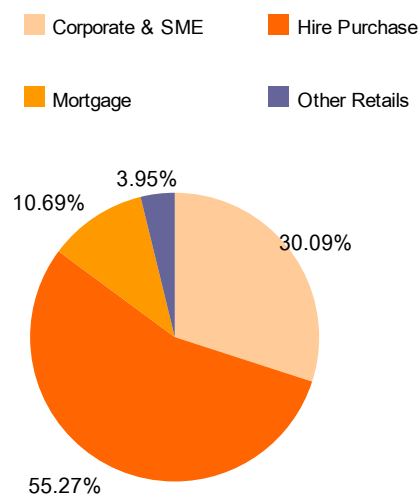
Details of the loan breakdown were as follows:

Loan Breakdown (Percent)

31 December 2013



31 March 2014



Liabilities

Total liabilities of Thanachart Group as of 31 March 2014 were 932,807 million baht, a decrease of 22,667 million baht or 2.37 percent from the end of 2013. The key items were as follows:

	31 March 2014		31 December 2013		Change
	Amount	%	Amount	%	%
Deposits and Debt Issued and Borrowings					
Current	7,961	1.01	8,759	1.06	(9.11)
Savings	235,736	29.90	239,189	28.99	(1.44)
Fixed Deposits					
Less than 6 Months	90,211	11.44	99,454	12.05	(9.29)
6 Months and up to 1 Year	118,883	15.08	167,756	20.33	(29.13)
Over 1 Year	184,091	23.35	197,532	23.94	(6.80)
Debt Issued and Borrowings	112,078	14.22	109,290	13.24	2.55
Certificate of Deposit	39,398	5.00	3,241	0.39	1,115.61
Total Deposits and Debt Issued and Borrowings	788,358	100.00	825,221	100.00	(4.47)

Unit: Million Baht

- Deposits and debts issued and borrowings were 788,358 million baht, a decrease of 36,863 million baht or 4.47 percent from the end of last year. This was due to a decrease in fixed depositors following the deposit restructure and cost of fund management.

The ratio of current and savings accounts to total deposits and debt issued and borrowings (CASA ratio) was at 30.91 percent, an increase from 30.05 percent at the end of the previous year.

- Interbank and money market were 95,647 million baht, an increase of 14,565 million baht or 17.96 percent from the end of last year, due to the liquidity management.

Shareholders' Equity

Shareholders' equity as of 31 March 2014 was 98,510 million baht, an increase of 3,070 million baht or 3.22 percent from the end of 2013. This can be broken down as follows:

- Equity attributable to the owners of the Company was 48,932 million baht, an increase of 1,563 million baht or 3.30 percent. This was mainly due to an increase in operating profit of the Company and its subsidiaries in the first quarter of 2014 amounting to 1,323 million baht.
- Non-controlling interests were 49,578 million baht, an increase of 1,507 million baht or 3.13 percent, mainly due to the operating results of subsidiary companies.

Non-performing Loans: NPLs

	TBANK		TCAP (Consol.)	
	31-Mar-14	31-Dec-13	31-Mar-14	31-Dec-13
NPL-gross (Million Baht)	25,321	24,394	38,360	37,540
Total Allowance* (Million Baht)	22,062	21,755	31,399	31,013
NPL-gross to Total Loans (%)	3.25	3.07	4.68	4.49
NPL-net to Total Loans (%)	1.75	1.69	2.35	2.30
Reserve to Required Reserve (%)	139.23	138.38	127.91	127.36
Coverage Ratio (%)	87.13	89.18	81.85	82.61

* Including revaluation allowance for debt restructuring

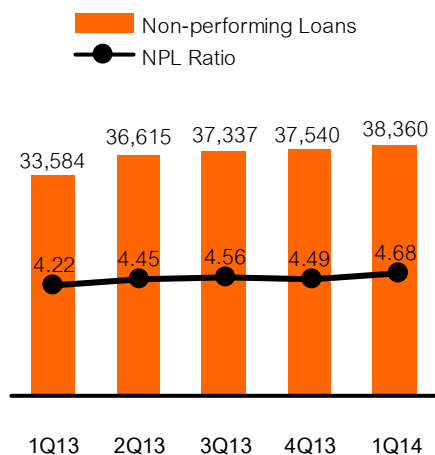
As of 31 March 2014, NPLs amounted to 38,360 million baht, an increase of 820 million baht or 2.18 percent from the end of last year. This was due to an increase in non-performing loans of hire purchase portfolio which was in line with the market condition and the economic slowdown.

Non-performing loans to total loans to customers (NPL ratio) was at 4.68 percent, an increase from 4.49 percent at the end of 2013. Non-performing loans after deducting reserve (NPL-net) amounted to 18,818 million baht while the ratio of NPL-net to total loans was at 2.35 percent.

Coverage ratio at the end of March 2014 was at 81.85 percent, a decrease from 82.61 percent at the end of December 2013. The ratio of reserve to required reserve under the BOT's regulation was at 127.91 percent at the end of March 2014, an increase from 127.36 percent from the end of December 2013. Excess reserve was 6,851 million baht.

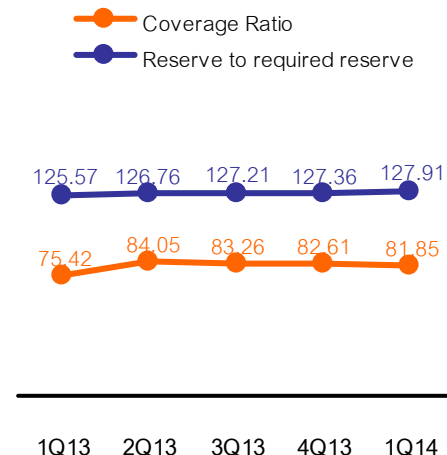
Non-performing Loans (Million Baht) and

NPL Ratio (%)



Coverage Ratio (%) and Reserve to Required

Reserve (%)



Operating Results of Subsidiaries

Unit: Million Baht

Subsidiaries	% holding	Net Profit (Loss)		
	Direct/Indirect	1Q14	1Q13	4Q13
Thanachart Bank Plc.				
Consolidated Financial Statements		2,555	2,961	2,641
Thanachart Securities Plc.	50.96%	80	271	103
Thanachart Fund Management Company Limited	38.22%	74	71	65
Thanachart Insurance Plc.	50.96%	248	257	245
TS AMC Company Limited	50.96%	55	33	435
Ratchthani Leasing Plc	33.22%	201	199	145
NFS AMC Company Limited	100.00%	8	43	68
MAX AMC Company Limited	83.44%	26	32	42

Thanachart Bank Public Company Limited and Its Subsidiaries

Total assets of the Bank and its subsidiaries as of 31 March 2014 were 1,018,819 million baht, decreased by 19,530 million baht or 1.88 percent from the end of last year. This was mainly due to liquidity management to be in line with the cautious lending under the persisting economic slowdown and political unrest since the end of last year.

Total liabilities were 918,525 million baht, a decrease of 22,585 million baht or 2.40 percent from the end of last year, due to liquidity management of the Bank to be in line with the loan volume.

Shareholders' equity of the Bank and its subsidiaries (excluding non-controlling interest) was 99,183 million baht, an increase of 2,965 million baht or 3.08 percent from the end of last year. This was mainly due to profit contribution from the Bank and its subsidiaries.

Loan Breakdown Table

(million baht)

Loans	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	Change from 31-Dec-13		Change from 31-Mar-13	
(unit: million baht)						Amount	%	Amount	%
Corporate	150,984	153,529	148,121	148,995	152,742	3,747	2.51%	1,758	1.16%
SME	78,069	78,986	78,993	78,309	76,837	(1,472)	-1.88%	(1,233)	-1.58%
Retail	522,270	535,038	541,029	545,844	542,913	(2,931)	-0.54%	20,643	3.95%
Other*	18,953	19,520	18,376	16,869	16,785	(84)	-0.50%	(2,168)	-11.44%
Total Loans	770,276	787,073	786,519	790,017	789,277	(741)	-0.09%	19,000	2.47%

* Other loans include loan of TS AMC and staff loan.

Deposit and Borrowing Breakdown Table

(million baht)

Deposit and Borrowings	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	Change from 31-Dec-13		Change from 31-Mar-13	
						Amount	%	Amount	%
Current	7,999	9,685	9,020	8,768	7,970	(797)	-9.09%	(28)	-0.36%
Saving	231,725	243,141	236,851	239,231	235,801	(3,430)	-1.43%	4,077	1.76%
Fixed	444,017	450,220	456,559	471,081	435,605	(35,475)	-7.53%	(8,411)	-1.89%
B/E	3,422	595	584	47	35	(12)	-25.53%	(3,387)	-98.98%
Total Deposits and B/E	687,162	703,642	703,014	719,126	679,412	(39,714)	-5.52%	(7,750)	-1.13%
Subordinated & Other Debentures	85,808	98,571	92,456	92,182	94,985	2,803	3.04%	9,177	10.69%
Total Deposits and Borrowings	772,970	802,213	795,470	811,308	774,397	(36,911)	-4.55%	1,427	0.18%

Operating results of the first quarter 2014 in comparison to the first quarter 2013

The Bank and its subsidiaries' net profit attributable to the Bank in the first quarter 2014 was 2,555 million baht, decreased by 406 million baht or 13.72 percent. This was mainly due to a decrease in non-interest income, particularly from securities business following the market condition and the share of profit from investments in associated companies accounted for under the equity

method. At the same time, net interest income increased in line with the loan expansion as well as operating expenses decreased. Key factors include the following:

1. **Interest spread** was 2.58 percent, increased from 2.56 percent in the same period last year. Yield on earning assets was 5.60 percent, decreased from 5.79 percent. This was due to 2 times reduction in the policy rate in the second and fourth quarters of 2013 by 0.25 percent each time. The policy rate decreased from 2.75 percent in the beginning of the last year to 2.25 percent at the end of the last year. Another 0.25 percent reduction at the end of the first quarter of this year to end at 2.00 percent. Cost of fund was 3.02 percent, a decrease from 3.23 percent in the same period last year. This was a result of deposit structure adjustment and cost of fund management to be efficient and in line with the loan growth.
2. **Non-interest income** decreased from the same period last year. Banking fee, gain on investment, and gain on foreclosed assets continued to increase following business volume while brokerage fees decreased in line with the market. Non-interest income ratio in the first quarter of 2014 was 31.17 percent, decreased from 38.06 percent in the same period last year. Non-interest income to average asset was 1.22 percent, compared to 1.53 percent in the same period last year.
3. **Operating expenses** were well managed and resulted in an increase in fixed expenses while variable expenses decreased following the business volume. Cost to income ratio in the first quarter of 2014 was 49.97 percent, decreased from 50.41 percent in the same period last year. Operating expense to average asset was 1.96 percent, decreased from 2.03 percent in the same quarter last year.
4. **Impairment loss of loans and debt securities increased.** Credit cost in the first quarter of 2014 was 0.85 percent, increased from 0.71 percent in the same period last year. This was due to an increase in NPL following the economic slowdown.

The Bank and its subsidiaries actively and consistently managed their non-performing loans. As of 31 March 2014, NPLs were 37,210 million baht, increased from 36,376 million baht. NPL to total loan was 4.71 percent, compared to 4.60 percent in the end of last year.

Capital Adequacy: The Bank's capital under Basel III as of 31 March 2014 was 105,385 million baht, of which 69,645 million baht was tier 1 (including common equity tier 1 and additional tier 1) and 35,740 million baht was tier 2. BIS ratio was 14.00 percent, comprising of 9.25 percent tier 1 and 4.75 percent tier 2, compared to 14.80 percent at the end of 2013. Reduction in capital was due to phasing out of non-qualifying and non-callable capital instruments as in accordance with Basel III regulation.

Thanachart Securities Public Company Limited

Average daily trading volume of Thanachart Securities in the first quarter of 2014 was 2,301 million baht. Market share was 4.22 percent, a decrease from the same period last year that had average daily trading volume of 5,331 million baht and also a decrease comparing to the last quarter of 2013 that had average daily trading volume of 2,769 million baht. The decrease in daily trading was in line with the overall stock market.

Net profit for a 3-month period ending 31 March 2014 was 80 million baht and was 191 million baht or 70.53 percent lower than the net profit of 271 million baht at the same period last year. Total income was 365 million baht, a decrease of 50.08 percent from the same period last year. Main sources of income comprised of 247 million baht in brokerage fees, 11 million baht in fees and service income, and 50 million baht in interest income on margin loans. Cost of fund and operating expenses were 47 million baht, a decrease of 31.67 percent from the same period last year in line with the decrease in business volume and revenue.

As of 31 March 2014, Thanachart Securities maintained its liquidity ratio at 83.65 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 2014, Thanachart Fund Management had asset under management of 149,444 million baht, an increase of 15,034 million baht or 11.19 percent from the end of last year. Assets under management comprised of 80.24 percent in mutual fund, 12.76 percent in private fund, and 7.00 percent provident fund. At the end of the first quarter of 2014, the company ranked 8 with market share of 3.77 percent in mutual fund business, ranked 9 with market share of 4.03 percent in private fund business, and ranked 14 with market share of 1.36 percent in provident fund business.

For operating results in the first quarter of 2014, the company had a net profit of 74 million baht, an increase of 3 million baht or 4.22 percent from the same period last year. This was the result of offering more fixed income funds to clients.

Thanachart Insurance Public Company Limited

Thanachart Insurance had a net profit of 248 million baht in the first quarter of 2014, a decrease of 9 million baht or 3.50 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 AMC Company Limited

TS AMC has restructured debts according to the policy and business plan of Thanachart Group. As of 31 March 2014, the total assets were 8,794 million baht. For the operating result of the first quarter of 2014, the company had a net profit of 55 million baht, an increase of 22 million baht from

the first quarter last year. However, the company was able to restructure 57 loan accounts worth 80 million baht in the first quarter of 2014. Income from debt restructuring was 88 million baht.

Ratchthani Leasing Public Company Limited

At the end of the first quarter of 2014, Ratchthani Leasing continued having strong financial structure amidst the clear sign of a slowdown in domestic economy. Total assets amounted to 27,934 million baht, an increase of 646 million baht or 2.37 percent from the end of last year. The increase was from the expansion of hire purchase clients, especially in trucks. The company had hire purchase loans of 27,276 million baht, an increase of 684 million baht or 2.57 percent, equivalent to 97.63 percent of total assets. Total liabilities and shareholders' equity were 24,515 million baht and 3,424 million baht respectively.

Net profit in the first quarter of 2014 was 201 million baht, an increase of 2 million baht or 0.63 percent from the same period last year. Total income increased by 160 million baht or 30.51 percent as a result of a continuous expansion in hire purchase loans. At the same time, financial cost increased by 72 million baht or 37.65 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 increased by 44 million baht or 131.15 percent from the same period last year, as a result of normal provisioning of the company for growing loans base and the additional general provision to protect against the slowdown in domestic economy.

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 based 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.