



Management Discussion and Analysis

For the second quarter and the first six-month period ended 30 June 2014

(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

In the second quarter of 2014, Thai economy grew by 0.40 percent, an improvement compared to a 0.50 percent contraction last quarter. Private consumption experienced a minute growth of 0.20 percent, as compared to 3.00 percent contraction last quarter. Consumer confidence picked up from a more resolved political progress. On the other hand, private investment continued to decline at 7.00 percent this quarter, in line with contraction in machinery and construction investment which was postponed awaiting clearer political situation and government policy. Tourism contracted following a reducing number of tourists. However, export sector expanded by 0.40 percent, an improvement from a 0.80 percent decline last quarter, as global economy has gradually recovered. Headline inflation increased from 2.00 percent last quarter to 2.47 percent while core inflation increased from 1.19 percent to 1.71 percent. This was a result of gradual increase in liquefied petroleum gas price, processed food price, and electricity unit price which was due to fuel adjustment rate.

Loans grew at a slower rate compared to last quarter, amidst a slowdown in both corporate and retail loans. This was due to a more strict credit policy of the financial institutions as concerns of economic outlook and high household debt which continue to persist. Deposits also grew at a slower rate, in line with slow loan growth. However, loan growth is expected to increase in the second half of the year as the domestic political and economic issues will be more resolved. This would lead to a more rapid loan growth, and thus, resumed competitive in deposit funding. Monetary Policy Committee had a resolution to maintain 2.00 percent per annum policy rate to enhance Thai economic recovery.

Major Events

1. According to the Agreement between Thanachart Capital Public Company Limited (“the Company”) and MBK Public Company Limited (“MBK”) to purchase all common shares of Siam City Life Assurance Public Company Limited (“SCILIFE”) from Thanachart Bank Public Company Limited (“TBANK”) in the amount of 900 million baht, the Company has received an approval from the Shareholders’ Meeting and a permission from the Bank of Thailand to enter into this transaction. The Company and MBK have already made the payment of all common shares of SCILIFE and also received transfer of all common shares of SCILIFE on 2 June 2014. Currently, the Company holds 37,450,000 shares of SCILIFE which accounts to 53.50 percent of SCILIFE’s total paid-up shares.
2. On 19 June 2014, Thanachart Bank has issued and offered Tier 2 capital instrument under the Basel III regulations (subordinated instrument) No. 1/2014, due in 2024, with the issuer’s right to early redeem, in a total of 13,000 million baht. This capital instrument offers 6.00 percent coupon rate per annum and is rated A by TRIS Rating Company Limited. The Bank of Thailand has granted a permission to count this capital instrument as Tier 2 capital. This helps strengthen the capital fund of the Bank. At the end of the second quarter of 2014, BIS ratio of TBANK increased to 15.59 percent comparing to 14.00 percent at the end of the first quarter 2014.

Financial Highlights

Audited Financial Statements	For the 3 months ended				For the 6 months ended		
	30-Jun-14	31-Mar-14	30-Jun-13	30-Jun-13	30-Jun-14	30-Jun-13	30-Jun-13
Operating Performance (Million Baht)							
	Excluding extra items**				Excluding extra items**		
Interest Income	13,252	13,572	13,359	13,359	26,824	26,483	26,483
Interest Expenses	6,212	6,814	6,811	6,811	13,026	13,638	13,638
Net Interest Income	7,040	6,758	6,548	6,548	13,798	12,845	12,845
Non-interest Income	3,096	3,028	3,178	15,459	6,124	7,017	19,298
Net Operating Income ⁽¹⁾	10,136	9,786	9,726	22,007	19,922	19,862	32,143
Other Operating Expenses	4,810	4,792	5,585	5,585	9,602	10,480	10,480
Impairment Loss of Loans and Debt Securities	2,158	1,657	1,183	6,563	3,815	2,548	7,928
Profit before Tax	3,168	3,337	2,958	9,859	6,505	6,834	13,735
Income Tax	677	671	639	2,189	1,348	1,350	2,899
Net Profit After Tax	2,491	2,666	2,319	7,670	5,157	5,484	10,836
Profit for the period from discontinued operations*	-	-	42	42	-	354	354
Profit for the period	2,491	2,666	2,361	7,712	5,157	5,838	11,190
Net Profit Attributable to the Company	1,235	1,323	1,311	4,078	2,559	3,264	6,031
Net Profit Attributable to Non-controlling interests	1,256	1,343	1,050	3,634	2,598	2,574	5,159
Operating Performance Ratios							
Basic Earnings per Share (Baht)	1.02	1.10	1.06	3.29	2.12	2.59	4.79
ROAA (%)	0.97	1.02	0.92	3.00	1.00	1.14	2.18
ROAE (%)	10.14	11.00	11.68	36.33	10.58	14.65	27.06
Interest Spread ⁽²⁾ (%)	2.64	2.45	2.51	2.51	2.54	2.52	2.52
Credit Cost (%)	1.04	0.81	0.57	3.19	0.92	0.61	1.92
Non-interest Income Ratio ⁽³⁾ (%)	30.54	30.95	32.96	70.30	30.74	36.46	60.47
Cost to Income Ratio ⁽⁴⁾ (%)	47.45	48.97	57.17	25.33	48.20	51.84	32.25
Financial Position (Million Baht)							
Loans	783,235	790,604	791,174				
Total Assets	1,021,547	1,031,317	1,050,914				
Deposits and Debt Issued and Borrowings	811,956	788,358	825,221				
Total Liabilities	922,442	932,807	955,474				
Equity ⁽⁵⁾	49,163	48,932	47,369				
Financial Position Quality							
Loans to Deposits and Debt Issued and Borrowings (%)	96.46	100.28	95.87				
Non-performing Loans (Million Baht)	38,402	38,360	37,540				
NPL Ratio (%)	4.61	4.68	4.49				
Coverage Ratio (%)	81.60	81.85	82.61				
Reserve to Required Reserve (%)	133.46	127.91	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

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

Operating Results for the Second Quarter and the First Six-month of 2014

Performance Overview

In the second quarter of 2014, Thanachart Group had total **net profit** of **2,491 million baht**. **Profit attributable to the Company** amounted to **1,235 million baht**, a decrease of 88 million baht or 6.65 percent from the previous quarter. The main factors came from the economic slowdown and the prolonged political conflict. As a result, fees and service income were adversely affected and impairment loss of loans increased. However, from the ability to efficiently manage costs, funding cost reduced whereas operating costs increased slightly. The improved political situation will benefit economic condition and build up confidence of consumers and investors which will help support Thanachart Group's business operation in the latter part of the year.

(In the second quarter of 2013, Thanachart Bank sold shares of Thanachart Life Assurance to Prudential Life Assurance. The Group realized gain from sale of 12,281 million baht and also set aside 5,380 million baht in special provision. These 2 transactions were considered as significant extraordinary items and so would be excluded from the operating results of the first six-month period of 2013 in comparison with the first six-month period of 2014.)

For the first six-month period of 2014, total **net profit** of Thanachart Group amounted to **5,157 million baht**. **Profit attributable to the Company** was **2,559 million baht**, a decrease of 705 million baht or 21.60 percent comparing to the normal profit that excludes the extra gains on selling a subsidiary company deducted by extra provision. Net interest income increased from the widened interest spread. At the same time, non-interest income decreased from unfavorable market condition. However, operating expenses decreased by the declined business transactions. Impairment loss of loans and debt securities increased in line with the economic slowdown.

Key operating result summary is as follows:

- Interest spread increased from 2.45 percent to 2.64 percent QoQ
- Non-interest Income increased by 2.25 percent QoQ
- Cost to Income Ratio decreased from 48.97 percent to 47.45 percent QoQ
- Credit Cost increased from 0.81 percent to 1.04 percent QoQ
- NPL was quite stable from the previous quarter
- BIS Ratio of TBANK has been strengthening and recorded at 15.59 percent
- Loans expanded in every types of loans except hire purchase loans that decreased, resulting in a decrease in total loans by 1.00 percent

- **Net interest income increased by 4.17 percent.** In the second quarter of 2014, net interest income was 7,040 million baht, an increase of 282 million baht from the previous quarter. This was due to a decrease in interest expenses by 8.83 percent as a result of policy rate cut by the Bank of Thailand during the end of the previous quarter, funding restructuring, as well as the efficient cost control to manage the Bank's liquidity. Interest spread improved from 2.45 percent to 2.64 percent. For the first six-month period of 2014, net interest income was 13,798 million baht, an increase of 953 million baht or 7.42 percent and interest spread was at 2.54 percent, closed to the same period last year.
- **Non-interest income increased by 2.25 percent.** Non-interest income in the second quarter of 2014 was 3,096 million baht, an increase from the previous quarter by 68 million baht. Non-interest income ratio in the second quarter of 2014 was at 30.54, a slight decline from 30.95 percent in the previous quarter as a result of the net interest income increase. For the first six-month period of 2014, non-interest income amounted to 6,124 million baht, a decrease of 893 million baht or 12.73 percent. Non-interest income ratio was at 30.74 percent, a decrease from 36.46 percent in the same period last year.
- **Operating expenses increased by 0.38 percent.** In the second quarter of 2014, operating expenses were 4,810 million baht, an increase of 18 million baht from the previous quarter. This was from the ability to efficiently manage costs which was in line with the cost control policy. As a result, cost to income ratio stayed at 47.45 percent, declined from 48.97 percent. For the first six-month period of 2014, operating expenses were 9,602 million baht, a decrease of 878 million baht or 8.38 percent and cost to income ratio was at 48.20 percent, a decrease from 51.84 percent in the same period last year.
- **Impairment loss of loans and debt securities increased by 30.24 percent.** In the second quarter of 2014, impairment loss of loans and debt securities was 2,158 million baht, an increase of 501 million baht from the previous quarter. This was mainly due to the economic slowdown which resulted in an increase in non-performing loans of hire purchase as well as a delay in debt restructuring. Credit cost in this quarter was at 1.04 percent, an increase from 0.81 percent. For the first six-month period of 2014, impairment loss of loans and debt securities was 3,815 million baht, an increase of 1,267 million baht or 49.73 percent from the same period last year. Credit cost in this period was at 0.92 percent, an increase from 0.61 percent in the same period last year.
- **Loan growth:** At the end of the second quarter of 2014, loans contracted by 1.00 percent from the end of 2013. This was mainly due to a decline in hire purchase loans following the slowdown in car market. At the same time, corporate, SME and housing loans increased from the success in expanding client base into its target customers.
- **Deposits and debt issued and borrowings decreased by 1.61 percent** from the end of last year. This was due to deposits restructuring and cost of fund management.

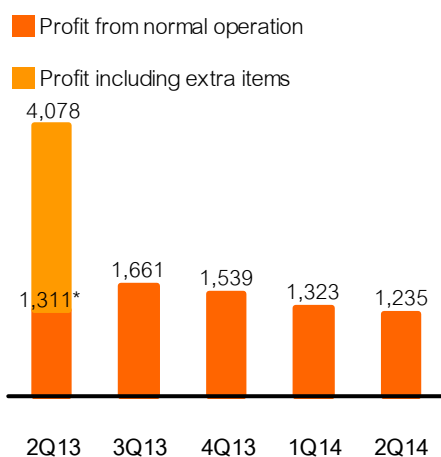
Moreover, during the quarter, TBANK has early redeemed its subordinated debentures in the total amount of 12,000 million baht and issued Tier 2 capital instrument under the Basel III regulations in replacement amounting to 13,000 million baht. Such Tier 2 capital instrument can be counted as Tier 2 capital of TBANK and it helps strengthen TBANK's capital fund. As of 30 June 2014, the ratio of current and savings accounts to total deposits and debt issued and borrowings (CASA ratio) was at 29.56 percent, a decrease from 30.05 percent at the end of the previous year.

- NPL management:** Non-performing loans of Thanachart Group as at 30 June 2014 amounted to 38,402 million baht, an increase of 42 million baht from the previous quarter and an increase of 862 million baht from the end of last year. The increase was mainly due to non-performing loans of hire purchase which increased in line with the economic condition. However, Thanachart Group has monitored and controlled its NPLs very closely. This includes selling bad debts and writing off. NPL ratio at the end of the second quarter of 2014 was at 4.61 percent, a decrease from 4.68 percent at the end of the previous quarter and an increase from 4.49 percent at the end of last year.

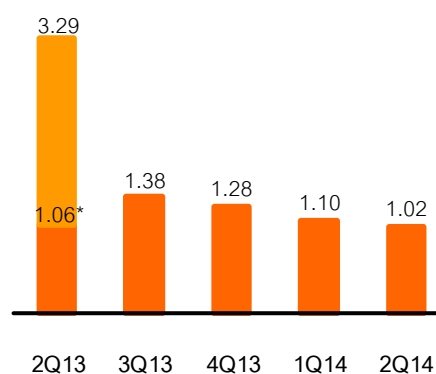
Earning per Share (EPS) in the second quarter of 2014 was at 1.02 baht, a decrease from 1.10 baht per share in the previous quarter. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 0.97 percent and 10.14 percent respectively.

For the first six-month period of 2014, Earning per Share (EPS) was at 2.12 baht, a decrease from 2.59 baht per share in the same period last year. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 1.00 percent and 10.58 percent respectively.

Net Profit of the Company (Million Baht)

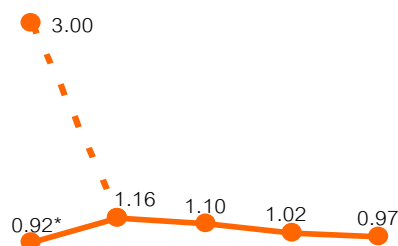


Earning per Share (Baht)



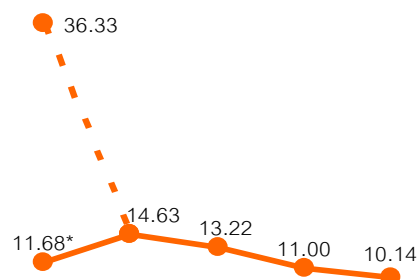
*Excluding gain from selling TLIFE and extra provision

ROAA (%)



2Q13 3Q13 4Q13 1Q14 2Q14

ROAE (%)



2Q13 3Q13 4Q13 1Q14 2Q14

*Excluding gain from selling TLIFE and extra provision

Net Interest Income

Unit: Million Baht

Net Interest Income	2Q14	1Q14	Change %	6M14	6M13	Change %
Interest Income	13,252	13,572	(2.36)	26,824	26,483	1.29
Interbank and Money Market Items	430	506	(15.02)	936	921	1.63
Investments for trading	134	117	14.53	251	258	(2.71)
Investments for debts securities	1,082	1,138	(4.92)	2,220	1,950	13.85
Loans	5,045	5,097	(1.02)	10,142	10,357	(2.08)
Hire Purchase and Financial Leases	6,561	6,714	(2.28)	13,275	12,997	2.14
Interest Expenses	6,212	6,814	(8.83)	13,026	13,638	(4.49)
Deposits	3,951	4,299	(8.09)	8,250	8,798	(6.23)
Interbank and Money Market Items	342	336	1.79	678	796	(14.82)
Fund Contributed to FIDF and DPA	878	899	(2.34)	1,778	1,781	(0.17)
Debts Issued	1,038	1,278	(18.78)	2,316	2,260	2.48
Borrowing Fee	3	2	50.00	4	3	33.33
Net Interest Income	7,040	6,758	4.17	13,798	12,845	7.42

In the second quarter of 2014, the Company and its subsidiaries had 7,040 million baht of net interest income, an increase of 282 million baht or 4.17 percent from the previous quarter. Interest income was 13,252 million baht, a decrease of 320 million baht or 2.36 percent. This was mainly due to the contraction of hire purchase loans from the previous quarter. Interest expenses in the second quarter of 2014 amounted to 6,212 million baht, a decrease of 602 million baht or 8.83 percent from the previous quarter. This was mainly due to the reduction of the policy rate by the Bank of Thailand during the end of the previous quarter, the restructuring of deposits and borrowings, and the effective management of financial costs and liquidity. As a result, interest spread was at 2.64 percent, an increase from 2.45 percent in the previous quarter.

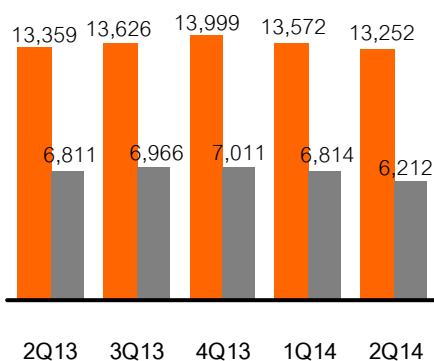
For the first six-month period of 2014, net interest income of the Company and its subsidiaries amounted to 13,798 million baht, an increase of 953 million baht or 7.42 percent from the same period last year. Interest spread was at 2.54 percent, slightly increased from 2.52 percent in the same period last year. Interest income was 26,824 million baht, an increase of 341 million baht or 1.29 percent from the same period last year, which was a result of an increase in average loan base. Interest expenses were 13,026 million baht, a decrease of 612 million baht or 4.49 percent from the same period last year, which was due mainly to the reduction in cost of fund following the decline in the policy rate announced by the Bank of Thailand.

Unit: Percent

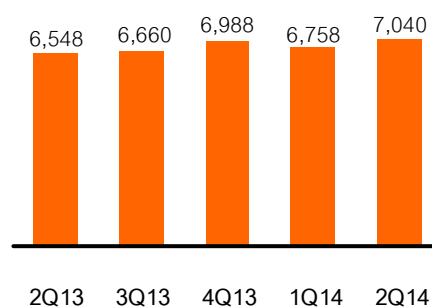
	2Q13	3Q13	4Q13	1Q14	2Q14
Average Policy Interest Rate	2.66	2.50	2.40	2.19	2.00
Yield	5.63	5.64	5.76	5.49	5.48
Cost of Fund	3.12	3.16	3.15	3.04	2.84
Interest Spread	2.51	2.48	2.61	2.45	2.64

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	2Q14	1Q14	Change %	6M14	6M13**	Change %
Net Fees and Service Income	1,213	1,346	(9.88)	2,559	3,167	(19.20)
Gains on Trading and Foreign Exchange Transactions	165	347	(52.45)	511	144	254.86
Gains on Investments	410	302	35.76	712	347	105.19
Share of Profit from Investments in Associated Companies						
Accounted for under Equity Method	59	61	(3.28)	120	502	(76.10)
Gains on Properties Foreclose and Other Assets	164	197	(16.75)	361	457	(21.01)
Net Insurance Premium/ Life Insurance Premium Income*	482	397	21.41	880	1,303	(32.46)
Dividend Income	108	37	191.89	145	232	(37.50)
Other Income	495	341	45.16	836	865	(3.35)
Operating Income	1,883	1,682	11.95	3,565	3,850	(7.40)
Non-interest Income	3,096	3,028	2.25	6,124	7,017	(12.73)

* Excluding Thanachart Life Assurance

** Excluding gain from selling Thanachart Life Assurance

■ Net Fees and Service Income

In the second quarter of 2014, the Company and its subsidiaries had 1,213 million baht in net fees and service income, a decrease of 133 million baht or 9.88 percent comparing to the previous quarter. This was mainly due to a decrease in discounted income on insurance premium while brokerage fees increased in line with the market recovery.

For the first six-month period of 2014, net fees and service income amounted to 2,559 million baht, a decrease of 608 million baht or 19.20 percent from the same period last year. This was mainly due to the decrease in brokerage fees which was line with the market condition.

■ 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 second quarter of 2014, the Company and its subsidiaries' operating income amounted to 1,883 million baht, an increase of 201 million baht or 11.95 percent from the previous quarter. The main reasons came from an increase in gains on investments from selling debt investments, an increase in net insurance/life insurance premium income from new product launched that could expand customer base, and an increase in other income from gain on debt settlements/disposals.

For the first six-month period of 2014, operating income amounted to 3,565 million baht a decrease of 285 million baht or 7.40 percent from the same period last year. This was mainly attributable to the decreases in net insurance/life insurance premium income and gains on properties foreclosed. Also, in the first six-month last year, the Company and its subsidiaries realized extra gain on share of profit from an associated company.

Non-interest income ratio in the second quarter of 2014 was at 30.54 percent, a decrease from 30.95 percent in the previous quarter while non-interest income ratio for the first six-month period of 2014 was at 30.74 percent, a decrease from 36.46 percent in the same period last year.

Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	2Q14	1Q14	Change %	6M14	6M13	Change %
Personnel Expenses	2,647	2,733	(3.15)	5,380	5,462	(1.50)
Premises and Equipment Expenses	739	707	4.53	1,446	1,481	(2.36)
Taxes and Duties	210	212	(0.94)	423	447	(5.37)
Directors' Remuneration	48	8	500.00	56	49	14.29
Other Expenses	1,166	1,132	3.00	2,297	3,041	(24.47)
Total Other Operating Expenses	4,810	4,792	0.38	9,602	10,480	(8.38)

In the second quarter of 2014, operating expenses of the Company and its subsidiaries amounted to 4,810 million baht, an increase of 18 million baht or 0.38 percent from the previous quarter. This was mainly due to an effective cost control. Cost to income ratio in the second quarter of 2014 was at 47.45 percent, a decrease from the previous quarter of 48.97 percent.

For the first six-month of 2014, operating expenses were 9,602 million baht, a decrease of 878 million baht or 8.38 percent from the same period last year. This was a result of a decline in expenses that varied with the business volume. Cost to income ratio in the first six-month of 2014 was 48.20 percent, a decrease from 51.84 percent in the same period last year.

Impairment Loss of Loans and Debt Securities

Unit: Million Baht

Impairment Loss of Loans and Debt Securities	2Q14	1Q14	Change %	6M14	6M13*	Change %
Impairment Loss of Loans	2,156	1,655	30.27	3,811	2,523	51.05
Loss from Debt Restructuring	2	-	100.00	2	3	(33.33)
Loss from impairment of debt securities	-	2	(100.00)	2	22	(90.91)
Impairment Loss of Loans and Debt Securities	2,158	1,657	30.24	3,815	2,548	49.73
Credit Cost (%)	1.04	0.81	28.40	0.92	0.61	50.82

* Excluding extra provision of 5,380 million baht

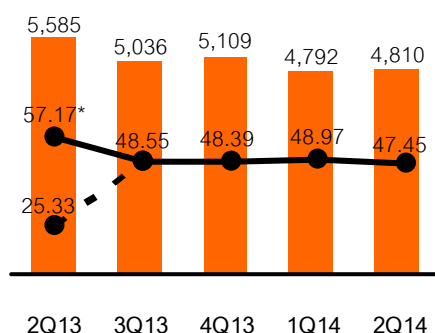
In the second quarter of 2014, the Company and its subsidiaries' impairment loss of loans and debt securities expenses were 2,158 million baht, an increase of 501 million baht or 30.24 percent from the previous quarter. This was mainly due to the economic slowdown since the second half of 2013 which resulted in an increase of hire purchase non-performing loans as well as a delay in debt restructuring. Credit cost in the second quarter of 2014 picked up from 0.81 percent in the previous quarter to 1.04 percent.

For the first six-month period of 2014, impairment loss of loans and debt securities expenses amounted to 3,815 million baht, an increase of 1,267 million baht or 49.73 percent. This had to deal with the economic condition. Credit cost in the first six-month period of 2014 was 0.92 percent, an increase from 0.61 percent in the same period last year. However, it is expected that the credit cost in the second half of the year would improve following the clear sign of economic recovery.

Other Operating Expenses (Million Baht) and

Cost to Income Ratio (%)

Other Operating Expenses
Cost to Income Ratio

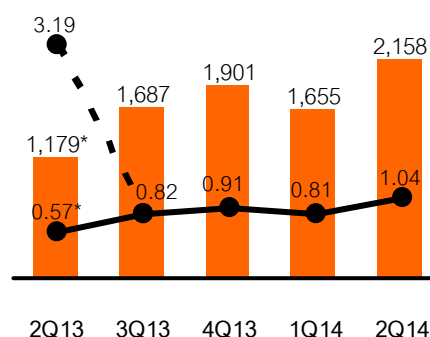


*Excluding gain from selling TLIFE and extra provision

Impairment Loss of Loans (Million Baht)

and Credit Cost (%)

Impairment Loss of Loans
Credit Cost



Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	30 June 2014		31 December 2013		Change
	Amount	%	Amount	%	%
Interbank and Money Market Items-net	64,183	6.28	70,215	6.68	(8.59)
Investment-net	138,392	13.55	147,686	14.05	(6.29)
Investment in Associated Company-net	2,373	0.23	2,389	0.23	(0.67)
Loans to Customers and Accrued Interest Receivables	784,089	76.76	792,189	75.38	(1.02)
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(31,123)	(3.05)	(30,772)	(2.92)	1.14
Intangible Assets Acquired in a Business Combination-net	2,209	0.22	2,445	0.23	(9.65)
Goodwill	16,847	1.65	16,726	1.59	0.72
Other Assets	44,577	4.36	50,036	4.76	(10.91)
Total Assets	1,021,547	100.00	1,050,914	100.00	(2.79)
Deposits	712,920	69.79	715,931	68.12	(0.42)
Interbank and Money Market Items	64,408	6.31	81,082	7.72	(20.56)
Debt Issued and Borrowings	99,036	9.69	109,290	10.40	(9.38)
Other Liabilities	46,078	4.51	49,171	4.68	(6.29)
Total Liabilities	922,442	90.30	955,474	90.92	(3.46)
Company's Shareholders' Equity	49,163	4.81	47,369	4.51	3.79
Non-controlling Interests	49,942	4.89	48,071	4.57	3.89
Total Shareholders' Equity	99,105	9.70	95,440	9.08	3.84
Total Liabilities and Shareholders' Equity	1,021,547	100.00	1,050,914	100.00	(2.79)
Book Value per Share (Baht)	40.75		39.26		

Assets

As at 30 June 2014, Thanachart Group's total assets amounted to 1,021,547 million baht, representing a decrease of 29,367 million baht or 2.79 percent from the end of 2013. The key contributing factors were as follows:

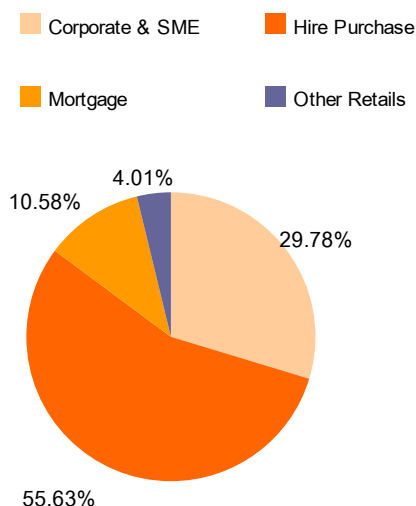
- Net interbank and money market items amounted to 64,183 million baht, a decrease of 6,032 million baht or 8.59 percent from the end of last year, due to the liquidity management.
- Investment-net was 138,392 million baht, a decrease of 9,294 million baht or 6.29 percent from the end of previous year, due mostly to the divestment of government and state enterprise's bonds.
- Loans and accrued interest receivables were 784,089 million baht, a decrease of 8,100 million baht or 1.02 percent from the end of last year. This was mainly due to a decline of 3.06 percent in hire purchase loans following the slowdown in car market. At the

same time, corporate, SME, and housing loans increased by 1.57 percent from its success in expanding to the target customers. Portion of retail loans to corporate and SME loans was 69 percent to 31 percent.

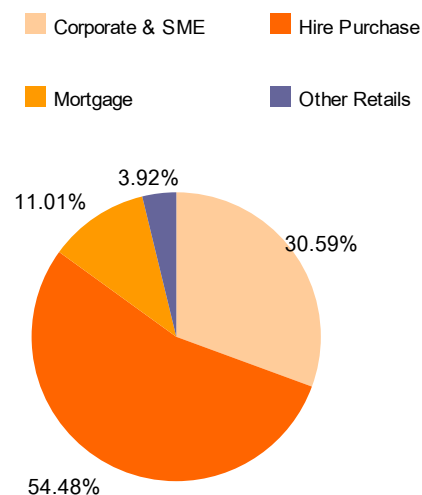
Details of the loan breakdown were as follows:

Loan Breakdown (Percent)

31 December 2013



30 June 2014



Liabilities

Total liabilities of Thanachart Group as of 30 June 2014 were 922,442 million baht, a decrease of 33,032 million baht or 3.46 percent from the end of 2013. The key items were as follows:

Deposits and Debt Issued and Borrowings	30 June 2014		31 December 2013		Change
	Amount	%	Amount	%	%
Current	8,115	1.00	8,759	1.06	(7.35)
Savings	231,860	28.56	239,189	28.99	(3.06)
Fixed Deposits					
Less than 6 Months	71,890	8.85	99,454	12.05	(27.72)
6 Months and up to 1 Year	58,710	7.23	167,756	20.33	(65.00)
Over 1 Year	202,582	24.95	197,532	23.94	2.56
Debt Issued and Borrowings	99,036	12.20	109,290	13.24	(9.38)
Certificate of Deposit	139,763	17.21	3,241	0.39	4,212.34
Total Deposits and Debt Issued and Borrowings	811,956	100.00	825,221	100.00	(1.61)

Unit: Million Baht

- Deposits and debts issued and borrowings were 811,956 million baht, a decrease of 13,265 million baht or 1.61 percent from the end of last year. This was due the deposit restructure and cost of fund management. Also, during the second quarter of 2014,

TBANK has early redeemed subordinated debentures amounting to 12,000 million baht and issued Tier 2 capital instrument under the Basel III regulations in replacement amounting to 13,000 million baht. Such Tier 2 capital instrument can be counted as Tier 2 capital of TBANK and it helps strengthen TBANK's capital fund.

The ratio of current and savings accounts to total deposits and debt issued and borrowings (CASA ratio) was at 29.56 percent, a decrease from 30.05 percent at the end of the previous year.

- Interbank and money market items were 64,408 million baht, a decrease of 16,674 million baht or 20.56 percent from the liquidity management.

Shareholders' Equity

Shareholders' equity as of 30 June 2014 was 99,105 million baht, an increase of 3,665 million baht or 3.84 percent from the end of 2013. This can be broken down as follows:

- Equity attributable to the owners of the Company was 49,163 million baht, an increase of 1,794 million baht or 3.79 percent. This was mainly due to an increase in operating profit of the Company and its subsidiaries in the first six-month period of 2014 amounting to 2,559 million baht. At the same time, there were dividend payments paid for the performance in the second half of 2013 in the amount of 1,206 million baht.
- Non-controlling interests were 49,942 million baht, an increase of 1,871 million baht or 3.89 percent, mainly due to the operating results of subsidiary companies.

Non-performing Loans: NPLs

	TBANK		TCAP (Consol.)	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
NPL-gross (Million Baht)	25,552	24,394	38,402	37,540
Total Allowance* (Million Baht)	21,896	21,755	31,335	31,013
NPL-gross to Total Loans (%)	3.22	3.07	4.61	4.49
NPL-net to Total Loans (%)	1.77	1.69	2.32	2.30
Reserve to Required Reserve (%)	136.47	138.38	133.46	127.36
Coverage Ratio (%)	85.69	89.18	81.60	82.61

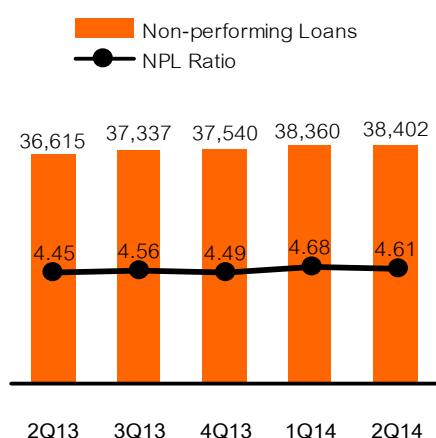
* Including revaluation allowance for debt restructuring

As of 30 June 2014, NPLs amounted to 38,402 million baht, an increase of 42 million baht or 0.11 percent from the previous quarter and an increase of 862 million baht or 2.30 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.

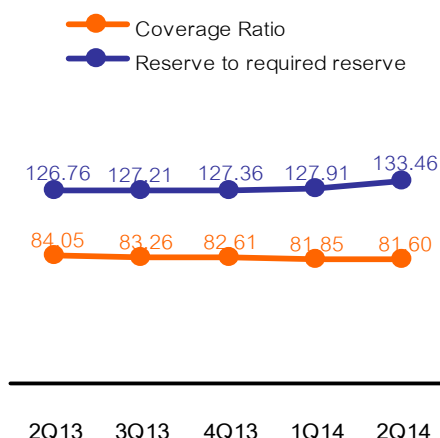
Non-performing loans to total loans to customers (NPL ratio) was at 4.61 percent, a decrease from 4.68 percent at the end of the previous quarter and an increase from 4.49 percent at the end of 2013. Non-performing loans after deducting reserve (NPL-net) amounted to 18,893 million baht while the ratio of NPL-net to total loans was at 2.32 percent.

Coverage ratio at the end of June 2014 was at 81.60 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 133.46 percent at the end of June 2014, an increase from 127.36 percent from the end of December 2013. Excess reserve was 7,857 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)			
		2Q14	1Q14	6M14	6M13
Thanachart Bank Plc.					
Consolidated Financial Statements		2,347	2,555	4,902	10,222
Thanachart Securities Plc.	50.96%	102	80	182	531
Thanachart Fund Management Company Limited	38.22%	77	74	151	143
Thanachart Insurance Plc.	50.96%	303	248	551	461
TS AMC Company Limited	50.96%	55	55	110	(135)
Ratchthani Leasing Plc.	33.22%	167	201	368	398
NFS AMC Company Limited	100.00%	9	8	18	121
MAX AMC Company Limited	83.44%	94	26	120	41

Thanachart Bank Public Company Limited and Its Subsidiaries

Total assets of the Bank and its subsidiaries as of 30 June 2014 were 997,444 million baht, decreased by 40,905 million baht or 3.94 percent from the end of last year. This was mainly due to

liquidity management to be in line with the cautious lending as the economic and political crisis has started to ease up. Total loans were 781,882 million baht, decreased by 8,136 million baht or 1.03 percent. This was mainly due to a decrease in hire purchase loans, following the automotive market condition. Consequently, hire purchase loan portion reduced from 55.69 at the end of the previous year to 54.56 percent. Corporate and housing loans on the other hand experienced consistent growth. Furthermore, asset size has reduced due to sale of investment in a subsidiary company.

Total liabilities were 897,157 million baht, a decrease of 43,953 million baht or 4.67 percent from the end of last year, due to liquidity management in line with the loan volume. Deposits and borrowings totaled to 797,173 million baht, a decrease of 14,135 million baht or 1.74 percent. Furthermore, liabilities have also reduced from sale of investment in a subsidiary company.

Shareholders' equity of the Bank and its subsidiaries (excluding non-controlling interest) was 99,209 million baht, an increase of 2,991 million baht or 3.11 percent from the end of last year. This was mainly due to profit contribution from the Bank and its subsidiaries and dividend payments in the second quarter of the year.

Loan Breakdown Table

(million baht)

Loans	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	Change from 31-Dec-13		Change from 30-Jun-13	
						Amount	%	Amount	%
Corporate	153,529	148,121	148,995	152,742	152,156	3,160	2.12%	(1,373)	-0.89%
SME	78,986	78,993	78,309	76,837	79,208	899	1.15%	222	0.28%
Retail	535,038	541,029	545,844	542,913	534,346	(11,497)	-2.11%	(692)	-0.13%
- Hire Purchase	431,398	436,686	439,984	436,862	426,624	(13,360)	-3.04%	(4,774)	-1.11%
- Housing	83,411	83,556	84,828	85,728	87,554	2,726	3.21%	4,143	4.97%
- Other	20,229	20,787	21,031	20,322	20,167	(864)	-4.11%	(62)	-0.30%
Other	19,520	18,376	16,869	16,785	16,172	(697)	-4.13%	(3,348)	-17.15%
Total Loans	787,073	786,519	790,017	789,277	781,882	(8,136)	-1.03%	(5,191)	-0.66%

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

Deposit and Borrowing Breakdown Table

(million baht)

Deposit	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	Change from 31-Dec-13		Change from 30-Jun-13	
						Amount	%	Amount	%
Current	9,685	9,020	8,768	7,970	8,120	(647)	-7.38%	(1,565)	-16.16%
Saving	243,141	236,851	239,231	235,801	231,919	(7,312)	-3.06%	(11,223)	-4.62%
Fixed	450,220	456,559	471,081	435,605	474,745	3,664	0.78%	24,525	5.45%
B/E	595	584	47	35	25	(22)	-46.81%	(570)	-95.80%
Total Deposits and B/E	703,642	703,014	719,126	679,412	714,809	(4,317)	-0.60%	11,167	1.59%
Subordinated & Other Debentures	98,571	92,456	92,182	94,985	82,364	(9,818)	-10.65%	(16,207)	-16.44%
Total Deposits and Borrowing	802,213	795,470	811,308	774,397	797,173	(14,135)	-1.74%	(5,040)	-0.63%

Operating results of the second quarter of 2014 and the first six-month period of 2014

The Bank and its subsidiaries had net profit attributable to the Bank in the second quarter of 2014 amounting to 2,347 million baht, a decrease of 208 million baht or 8.13 percent. Operating income (income before impairment loss of loans and debt securities, corporate income tax, and non-controlling interest) was 5,211 million baht, increased by 235 million baht or 4.72 percent, mainly due to an increase in net interest income and efficiently managed operating expenses.

For the first six-month period of 2014, net profit attributable to the Bank was 4,902 million baht, decreased by 5,320 million baht or 52.04 percent from the same period last year. Operating income was 10,187 million baht, a decrease of 10,934 million baht or 51.77 percent. This was due to extra gain from sale of investment in a subsidiary company and special provision in the first six-month period of last year. If such items are excluded, net profit in the first six-month period of 2014 decreased by 36 million baht or 0.73 percent from the same period last year. Operating income increased by 1,282 million baht or 14.40 percent. Key factors include the following:

1. **Interest spread increased in the second quarter of 2014.** Interest spread was 2.76 percent, an increase from 2.57 percent in the previous quarter. Yield on earning asset was 5.59 percent, similar with the previous quarter; while cost of fund was 2.83, a decrease from 3.03 percent in the previous quarter. This was due to the reduction in policy rate during the latter period in the previous quarter, capital restructuring and efficient funding management for suitable liquidity position.
2. **Non-interest income was maintained** from the previous quarter. Gains on investments, brokerage fees, and other income increased and compensate for decreases in fees income, gains on properties foreclose, gains on trading and foreign exchange transactions. Non-interest income ratio in the second quarter of 2014 was 28.60 percent, a decrease from 29.69 percent in the previous quarter. Non-interest income to average assets was 1.13 percent, similar to the previous quarter.
3. **Operating expenses reduced** from the ability to efficiently manage costs which was in line with the cost control policy. Cost to income ratio in the second quarter of 2014 was 47.58 percent, decreased from 48.78 percent in the previous quarter. Operating expenses to average assets was 1.88 percent, compared to 1.86 percent in the previous quarter.
4. **Impairment loss of loans and debt securities increased.** Credit cost in the second quarter of 2014 was 1.11 percent, an increase from 0.85 percent in the previous quarter. This was mainly due to NPLs in hire purchase and economic slowdown which affected debt restructuring. The Bank continued to supervise and manage NPL closely. This includes selling bad debts and writing off. As a result, NPL of the Bank and its subsidiaries as of 30 June 2014 amounted to 37,290 million baht, an increase of 80 million baht from the previous quarter. NPL to total loan was 4.77 percent, compared to 4.71 percent last

quarter. NPL ratio by the BOT regulation was 4.48 percent, a decrease from 4.55 percent in the previous quarter.

Capital Adequacy: As of 30 June 2014, the Bank's total capital according to Basel III regulation was 115,710 million baht, of which 73,704 million baht was Tier 1 (both common equity Tier 1 and additional Tier 1) and 42,006 million baht was Tier 2. BIS ratio was 15.59 percent, with 9.93 percent Tier 1 and 5.66 percent Tier 2, as compared to 14.80 percent BIS ratio at the end of 2013. During this quarter, the bank has early redeemed 2,000 million baht and 10,000 million baht of subordinated debentures respectively. New subordinated debentures were issued in the amount of 13,000 million baht at the fixed rate of 6.00 percent and 10.5 year tenure.

Thanachart Securities Public Company Limited

Average daily trading volume of Thanachart Securities in the second quarter of 2014 was 3,056 million baht, an increase from 2,031 million baht per day in the first quarter this year. Market share was 4.14 percent. The increase in average daily trading was in line with the picking-up overall stock market condition. The trading volume could be divided into 67.36 percent of retails, 18.54 percent of institutions, and 14.10 percent of foreign investors.

When comparing the second and the first quarter of 2014, the company's net profit in the second quarter increased by 27.90 percent from the first quarter. Net profit in the second quarter was 102 million baht. Total income amounted to 425 million baht including 331 million baht of brokerage income, 24 million baht of fees and service income, 44 million baht of interest income from margin loans. Financial costs and operating expenses were 298 million baht.

Net profit for a six-month period ending 30 June 2014 was 182 million baht, a decrease of 531 million baht or 65.73 percent from the same period last year. Total income was 790 million baht, a decrease of 44.52 percent. Main sources of income comprised of 578 million baht in brokerage income, 35 million baht in fees and service income, and 94 million baht in interest income on margin loans. Financial costs and operating expenses were 566 million baht, a decrease from the same period last year in line with the decrease in business volume and revenue.

As of 30 June 2014, Thanachart Securities maintained its liquidity ratio at 64.92 percent, higher than the minimum requirement of 7.00 percent regulated by the Securities and Exchange Commissions (SEC).

Thanachart Fund Management Company Limited

At the end of the second quarter of 2014, Thanachart Fund Management had asset under management of 156,613 million baht, an increase of 22,210 million baht or 16.53 percent from the end of 2013. The increase was mainly from money market funds and fixed income funds. Assets under management comprised of 84.91 percent mutual fund, 8.14 percent private fund, and 6.95 percent provident fund. At the end of the second quarter of 2014, the company ranked 8 with

market share of 3.82 percent in mutual fund business, ranked 9 with market share of 2.87 percent in private fund business, and ranked 14 with market share of 1.36 percent in provident fund business.

For operating results in the second quarter of 2014, the company had a net profit of 77 million baht, an increase of 3 million baht or 4.06 percent from the previous quarter. This was the result of offering more money market funds and fixed income funds to clients comparing to the previous quarter. For the operating results of the six-month period of 2014, the company's net profit was 151 million baht, an increase of 8 million baht or 5.38 percent from the same period last year.

Thanachart Insurance Public Company Limited

Thanachart Insurance had a net profit of 303 million baht in the second quarter of 2014, an increase of 55 million baht or 22.17 percent from the previous quarter. The net profit for the six-month period of 2014 amounted to 551 million baht, an increase of 90 million baht or 19.48 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 30 June 2014, the company's the total assets were 8,588 million baht. For the operating result of the second quarter of 2014, its net profit amounted to 55 million baht, equal to the net profit of the first quarter of 2014.

For the first six-month period of 2014, the company had a net profit of 110 million baht. It was able to restructure 112 loan accounts worth 317 million baht with income from debt restructuring amounting to 215 million baht.

Ratchthani Leasing Public Company Limited

At the end of second quarter of 2014, Ratchthani Leasing Public Company Limited had 28,094 million baht in total assets, an increase of 801 million baht or 2.93 percent from the end of last year. The company had hire purchase loans of 27,363 million baht, an increase of 771 million baht or 2.90 percent. Total liabilities and shareholders' equity were 24,551 million baht and 3,543 million baht respectively.

In the second quarter of 2014, the company's net profit was 167 million baht, a decrease of 33 million baht or 16.62 percent from previous quarter. Total income was 688 million baht, a slightly increase of 5 million baht or 0.73 percent, due to hire purchase lending. Interest expenses were 269 million baht, an increase of 5 million baht or 1.73 percent, which was a result of acquiring funds for supporting loan growth. In the second quarter, repayments from debtors were relatively low, due to the economic slowdown and domestic political situation as well as more national holidays. As a result, the repayments received were delayed which led to an increase in provision expenses in the

second quarter of 2014 to 128 million baht, a 50 million baht or 64.13 percent higher than the first quarter of 2014. The company also considered to provide an additional provision of 20 million baht.

Net profit for the first six-month period of 2014 was 368 million baht, a decrease of 30 million baht or 7.46 percent from the same period last year. Total income in this period was 1,372 million baht, an increase of 270 million baht or 24.49 percent from the same period last year. Interest expenses were 534 million baht, an increase of 127 million baht or 31.28 percent from the same period last year. The increase was due to an increase in borrowings to support loan growth. Provision expenses were 206 million baht, an increase of 130 million baht or 172.15 percent from the same period last year, as a result of the additional provision and delayed repayments from the economic slowdown and domestic political situation as mentioned.

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.