



Management Discussion and Analysis

For the third quarter and the nine-month period ended 30 September 2014
(Reviewed Financial Statements)

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Thanachart Capital Public Company Limited and Its Subsidiaries

Management Discussion and Analysis (Reviewed Financial Statements)

Economics Outlook and Competition in Banking Industry

From a recovering political situation in Thailand, Thai economy in the third quarter of 2014 has a positive outlook for sign of improvement as evident in an increase in Consumer Confidence Index. However, the true economic indicators have not shown a clear sign of improvement with private consumption, private investment and export sectors continued to contract. Fiscal spending has been slow and tourism will need time to regain the confidence of tourists. Agricultural prices were still low. Headline inflation declined to 2.00 percent from the previous quarter, following food, energy, liquefied petroleum gas, and processed food prices. Core inflation increased slightly from the previous quarter to 1.79 percent. Monetary Policy Committee, the Bank of Thailand, estimated Thai economic growth in 2014 to be at 1.50 percent.

Loans in commercial bank system grew at a slower rate, partially due to an unclear sign of economic improvement. Financial institutions continued to maintain strict credit policy while more business sectors have turned to raise funds via other channels. Competition in acquiring deposits has been subdued following slow growth in loans. With an outlook that Thai economy will continue its slow recovery, the Monetary Policy Committee, the Bank of Thailand, had a resolution to maintain the policy rate at 2.00 percent per annum in order to enhance economic recovery and stability.

Major Events

On 22 September 2014, the Board of Directors of Thanachart Capital Public Company Limited had a resolution to approve the payment of interim dividend for the first half of 2014 at a rate of 0.60 baht per share which amounted to 723,887,821.80 baht in total, to all shareholders of the Company, totaling to 1,206,479,703¹ shares. The determination of the name of shareholders eligible for interim dividend payment was set on 6 October 2014 and the registration book was set to be closed for suspension of share transfer on 7 October 2014. The payment is scheduled to be made on 17 October 2014.

¹ The total shares eligible for dividend payment are the total ordinary shares and preferred shares of the Company deducted by the ordinary shares the Company repurchased and not yet resold amounting to 71,350,000 shares.

Financial Highlights

| Reviewed Financial Statements | For the 3 months ended | | | For the 9 months ended | | |
|--|------------------------|-----------|-----------|------------------------|-----------|----------------------------|
| | 30-Sep-14 | 30-Jun-14 | 30-Sep-13 | 30-Sep-14 | 30-Sep-13 | 30-Sep-13 |
| Operating Performance (Million Baht) | | | | | | Excluding Extra Items** |
| Interest Income | 13,177 | 13,252 | 13,626 | 40,001 | 40,109 | 40,109 |
| Interest Expenses | 6,284 | 6,212 | 6,966 | 19,311 | 20,604 | 20,604 |
| Net Interest Income | 6,893 | 7,040 | 6,660 | 20,690 | 19,505 | 19,505 |
| Non-interest Income | 3,022 | 2,998 | 3,686 | 9,049 | 22,940 | 10,659 |
| Net Operating Income ⁽¹⁾ | 9,915 | 10,038 | 10,346 | 29,739 | 42,445 | 30,164 |
| Other Operating Expenses | 5,014 | 4,810 | 5,036 | 14,616 | 15,516 | 15,516 |
| Impairment Loss of Loans and Debt Securities | 1,791 | 2,060 | 1,660 | 5,508 | 9,544 | 4,164 |
| Profit before Tax | 3,110 | 3,168 | 3,650 | 9,615 | 17,385 | 10,484 |
| Income Tax | 553 | 677 | 682 | 1,901 | 3,581 | 2,031 |
| Net Profit After Tax | 2,557 | 2,491 | 2,968 | 7,714 | 13,804 | 8,453 |
| Profit for the period from discontinued operations* | - | - | - | - | 354 | 354 |
| Profit for the period | 2,557 | 2,491 | 2,968 | 7,714 | 14,158 | 8,807 |
| Net Profit Attributable to the Company | 1,202 | 1,235 | 1,661 | 3,761 | 7,693 | 4,926 |
| Net Profit Attributable to Non-controlling interests | 1,355 | 1,256 | 1,307 | 3,953 | 6,465 | 3,881 |
| Operating Performance Ratios | | | | | | |
| Basic Earnings per Share (Baht) | 1.00 | 1.02 | 1.38 | 3.12 | 6.20 | 3.97 |
| ROAA (%) | 1.00 | 0.97 | 1.16 | 1.00 | 1.84 | 1.14 |
| ROAE (%) | 9.70 | 10.14 | 14.63 | 10.28 | 22.85 | 14.63 |
| Interest Spread ⁽²⁾ (%) | 2.59 | 2.64 | 2.49 | 2.56 | 2.52 | 2.52 |
| Credit Cost (%) | 0.88 | 0.99 | 0.81 | 0.91 | 1.55 | 0.67 |
| Non-interest Income Ratio ⁽³⁾ (%) | 30.48 | 29.86 | 35.62 | 30.43 | 54.43 | 36.09 |
| Cost to Income Ratio ⁽⁴⁾ (%) | 50.57 | 47.91 | 48.68 | 49.15 | 36.25 | 50.84 |
| Financial Position (Million Baht) | 30-Sep-14 | 30-Jun-14 | 31-Dec-13 | | | |
| Loans | 771,924 | 783,235 | 791,174 | | | |
| Total Assets | 1,012,132 | 1,021,547 | 1,050,914 | | | |
| Deposits and Debt Issued and Borrowings | 808,938 | 811,956 | 825,221 | | | |
| Total Liabilities | 911,074 | 922,442 | 955,474 | | | |
| Equity ⁽⁵⁾ | 49,752 | 49,163 | 47,369 | | | |
| Financial Position Quality | | | | | | |
| Loans to Deposits and Debt Issued and Borrowings (%) | 95.42 | 96.46 | 95.87 | | | |
| Non-performing Loans (Million Baht) | 37,470 | 38,402 | 37,540 | | | |
| NPL Ratio (%) | 4.66 | 4.61 | 4.49 | | | |
| Coverage Ratio (%) | 81.70 | 81.60 | 82.61 | | | |
| Reserve to Required Reserve (%) | 130.34 | 133.46 | 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 Third Quarter and the Nine-month of 2014

Performance Overview

In the third quarter of 2014, Thanachart Group had total **net profit** of **2,557 million baht**. **Profit attributable to the Company** amounted to **1,202 million baht**, a decrease of 33 million baht or 2.67 percent from the previous quarter. The profit attributable to the Company comprises of the operating results of 2 main business groups which are (1) banking business including the operating results of Thanachart Bank Public Company Limited and its subsidiaries and (2) distressed asset management business under the Company. The banking business has been growing from the previous quarter while distressed asset management declined in line with the unsupportive market condition.

(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 nine-month period of 2013 in comparison with the nine-month period of 2014.)

For the nine-month period of 2014, total **net profit** of Thanachart Group amounted to **7,714 million baht**. **Profit attributable to the Company** was **3,761 million baht**, a decrease of 1,165 million baht or 23.65 percent from the same period last year. However, pre-provision profit in this year improved from that of the previous year.

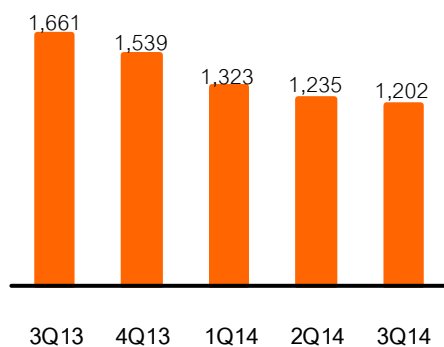
Summary of key operating results in the third quarter of 2014 comparing with the second quarter of 2014 is as follows:

- Assets decreased from loans contraction, especially the hire purchase loans. Corporate and mortgage loans increased
- Net interest income decreased from the declined loans volume resulting in a narrow spread
- Non-interest income increased, mainly from the improved capital market condition
- Operating expenses increased from an increase in variable costs varied with the securities business volume and accrued personnel expenses
- Provision declined from effective NPL management, led to a decrease in NPL

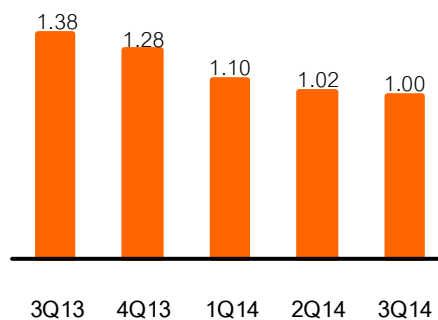
Earning per Share (EPS) in the third quarter of 2014 was at 1.00 baht, a decrease from 1.02 baht per share in the previous quarter. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 1.00 percent and 9.70 percent respectively.

For the nine-month period of 2014, Earning per Share (EPS) was at 3.12 baht, a decrease from 3.97 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 10.28 percent respectively.

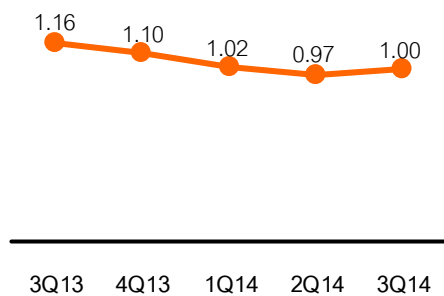
Net Profit of the Company (Million Baht)



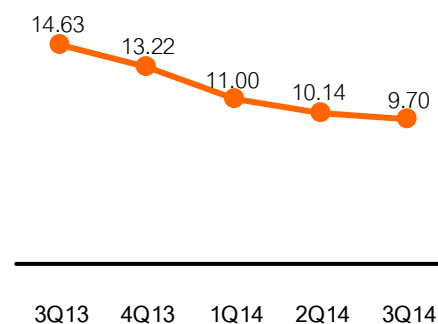
Earning per Share (Baht)



ROAA (%)



ROAE (%)



Net Interest Income

Unit: Million Baht

| Net Interest Income | 3Q14 | 2Q14 | Change % | 9M14 | 9M13 | Change % |
|------------------------------------|--------|--------|-------------|--------|--------|-------------|
| Interest Income | 13,177 | 13,252 | (0.57) | 40,001 | 40,109 | (0.27) |
| Interbank and Money Market Items | 525 | 430 | 22.09 | 1,462 | 1,382 | 5.79 |
| Investments for trading | 117 | 134 | (12.69) | 367 | 368 | (0.27) |
| Investments for debts securities | 961 | 1,082 | (11.18) | 3,181 | 2,977 | 6.85 |
| Loans | 5,189 | 5,045 | 2.85 | 15,331 | 15,683 | (2.24) |
| Hire Purchase and Financial Leases | 6,385 | 6,561 | (2.68) | 19,660 | 19,699 | (0.20) |
| Interest Expenses | 6,284 | 6,212 | 1.16 | 19,311 | 20,604 | (6.28) |
| Deposits | 4,022 | 3,951 | 1.80 | 12,272 | 13,305 | (7.76) |
| Interbank and Money Market Items | 200 | 342 | (41.52) | 878 | 1,153 | (23.85) |
| Fund Contributed to FIDF and DPA | 894 | 878 | 1.82 | 2,672 | 2,693 | (0.78) |
| Debts Issued | 1,164 | 1,038 | 12.14 | 3,480 | 3,449 | 0.90 |
| Borrowing Fee | 4 | 3 | 33.33 | 9 | 4 | 125.00 |
| Net Interest Income | 6,893 | 7,040 | (2.09) | 20,690 | 19,505 | 6.08 |

In the third quarter of 2014, the Company and its subsidiaries had 6,893 million baht of net interest income, a decrease of 147 million baht or 2.09 percent from the previous quarter. Interest income was 13,177 million baht, a decrease of 75 million baht or 0.57 percent. This was mainly due to the contraction of hire purchase loans from the previous quarter and the liquidity management the received lower yield. Interest expenses in the third quarter of 2014 amounted to 6,284 million baht, an increase of 72 million baht or 1.16 percent from the previous quarter. This was mainly due to the restructuring of deposits and borrowings in longer duration. As a result, interest spread was at 2.59 percent, a decrease from 2.64 percent in the previous quarter.

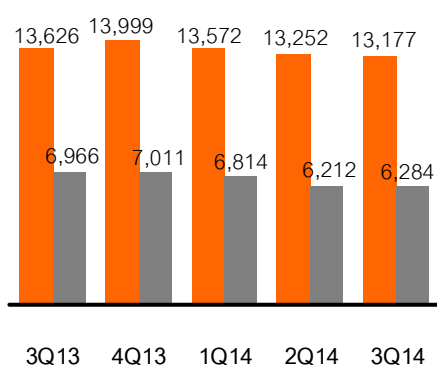
For the nine-month period of 2014, net interest income of the Company and its subsidiaries amounted to 20,690 million baht, an increase of 1,185 million baht or 6.08 percent from the same period last year. Interest spread was at 2.56 percent, increased from 2.52 percent in the same period last year. Interest income was 40,001 million baht, a decrease of 108 million baht or 0.27 percent from the same period last year, which was a result of a lower interest rate charged on loans in line with the decrease in policy rate of the Bank of Thailand. Interest expenses were 19,311 million baht, a decrease of 1,293 million baht or 6.28 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, the restructuring of funding, and the effective cost management for suitable liquidity level of the Bank.

Unit: Percent

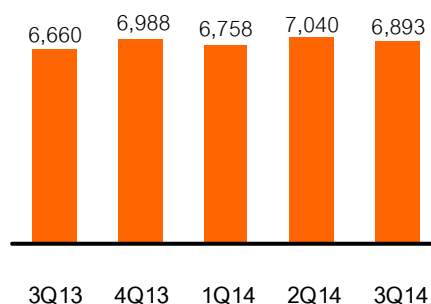
| | 3Q13 | 4Q13 | 1Q14 | 2Q14 | 3Q14 |
|------------------------------|------|------|------|------|------|
| Average Policy Interest Rate | 2.50 | 2.40 | 2.19 | 2.00 | 2.00 |
| Yield | 5.64 | 5.76 | 5.49 | 5.48 | 5.48 |
| Cost of Fund | 3.15 | 3.15 | 3.04 | 2.84 | 2.89 |
| Interest Spread | 2.49 | 2.61 | 2.45 | 2.64 | 2.59 |

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 | 3Q14 | 2Q14 | Change % | 9M14 | 9M13** | Change % |
|--|-------|-------|----------|-------|--------|----------|
| Net Fees and Service Income | 1,336 | 1,213 | 10.14 | 3,895 | 4,643 | (16.11) |
| Gains on Trading and Foreign Exchange Transactions | 332 | 165 | 101.21 | 843 | 261 | 222.99 |
| Gains on Investments | 214 | 410 | (47.80) | 926 | 521 | 77.74 |
| Share of Profit from Investments in Associated Companies | | | | | | |
| Accounted for under Equity Method | 63 | 59 | 6.78 | 184 | 752 | (75.53) |
| Gains on Properties Foreclose and Other Assets | 15 | 164 | (90.85) | 377 | 625 | (39.68) |
| Net Insurance Premium/ Life Insurance Premium Income* | 485 | 482 | 0.62 | 1,365 | 1,889 | (27.74) |
| Dividend Income | 164 | 108 | 51.85 | 309 | 574 | (46.17) |
| Other Income | 413 | 397 | 4.03 | 1,150 | 1,394 | (17.50) |
| Operating Income | 1,686 | 1,785 | (5.55) | 5,154 | 6,016 | (14.33) |
| Non-interest Income | 3,022 | 2,998 | 0.80 | 9,049 | 10,659 | (15.11) |

* Excluding Thanachart Life Assurance

** Excluding gain from selling Thanachart Life Assurance

Net Fees and Service Income

In the third quarter of 2014, the Company and its subsidiaries had 1,336 million baht in net fees and service income, an increase of 123 million baht or 10.14 percent

comparing to the previous quarter. This was mainly due to an increase in brokerage fees which was in line with the market condition.

For the nine-month period of 2014, net fees and service income amounted to 3,895 million baht, a decrease of 748 million baht or 16.11 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 third quarter of 2014, the Company and its subsidiaries' operating income amounted to 1,686 million baht, a decrease of 99 million baht or 5.55 percent from the previous quarter. The main reasons came from the gains on investments decreased from selling less investment and the gains on properties foreclose decreased from an unsupportive market environment.

For the nine-month period of 2014, operating income amounted to 5,154 million baht a decrease of 862 million baht or 14.33 percent from the same period last year. This was mainly attributable to a decrease in dividend income from liquidation of Vayupak Fund since the end of last year and a decrease in gains on properties foreclose from the economic slowdown. Also, in the nine-month period of 2013, there were extra gains realized from an associated company.

Non-interest income ratio in the third quarter of 2014 was at 30.48 percent, an increase from 29.86 percent in the previous quarter while non-interest income ratio for the nine-month period of 2014 was at 30.43 percent, a decrease from 36.09 percent in the same period last year.

Other Operating Expenses

| Unit: Million Baht | | | | | | |
|---------------------------------------|--------------|--------------|-------------|---------------|---------------|---------------|
| Other Operating Expenses | 3Q14 | 2Q14 | Change % | 9M14 | 9M13 | Change % |
| Personnel Expenses | 2,829 | 2,647 | 6.88 | 8,209 | 8,085 | 1.53 |
| Premises and Equipment Expenses | 734 | 739 | (0.68) | 2,180 | 2,237 | (2.55) |
| Taxes and Duties | 215 | 210 | 2.38 | 638 | 668 | (4.49) |
| Directors' Remuneration | 9 | 48 | (81.25) | 65 | 57 | 14.04 |
| Other Expenses | 1,227 | 1,166 | 5.23 | 3,524 | 4,469 | (21.15) |
| Total Other Operating Expenses | 5,014 | 4,810 | 4.24 | 14,616 | 15,516 | (5.80) |

In the third quarter of 2014, operating expenses of the Company and its subsidiaries amounted to 5,014 million baht, an increase of 204 million baht or 4.24 percent from the previous quarter. This was mainly due to an increase in costs of securities business that varied in line with the capital market condition as well as the accrued personnel costs. In addition, advertising costs increase to support future business expansion. Cost to income ratio in the third quarter of 2014 was at 50.57 percent, an increase from the previous quarter of 47.91 percent.

For the nine-month period of 2014, operating expenses were 14,616 million baht, a decrease of 900 million baht or 5.80 percent from the same period last year. This was a result of an effective cost management as well as a decline in overall business volume which led to a decline in variable costs. Cost to income ratio in the nine-month of 2014 was 49.15 percent, a decrease from 50.84 percent in the same period last year.

Impairment Loss of Loans and Debt Securities

Unit: Million Baht

| Impairment Loss of Loans and Debt Securities | 3Q14 | 2Q14 | Change % | 9M14 | 9M13* | Change % |
|---|--------------|--------------|----------------|--------------|--------------|--------------|
| Impairment Loss of Loans | 1,776 | 2,058 | (13.70) | 5,489 | 4,139 | 32.62 |
| Loss from Debt Restructuring | 1 | 2 | (50.00) | 3 | 3 | - |
| Loss from impairment of debt securities | 14 | - | 100.00 | 16 | 22 | (27.27) |
| Total Impairment Loss of Loans and Debt Securities | 1,791 | 2,060 | (13.06) | 5,508 | 4,164 | 32.28 |
| Credit Cost (%) | 0.88 | 0.99 | (11.11) | 0.91 | 0.67 | 35.82 |

* Excluding extra provision of 5,380 million baht

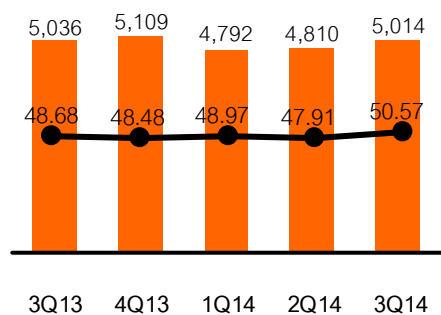
In the third quarter of 2014, the Company and its subsidiaries' impairment loss of loans and debt securities expenses were 1,791 million baht, a decrease of 269 million baht or 13.06 percent from the previous quarter. This was mainly due to the collection and management of non-performing loans more closely. As a result, credit cost in the third quarter of 2014 stayed at 0.88 percent, a decline from 0.99 percent in the previous quarter.

For the nine-month period of 2014, impairment loss of loans and debt securities expenses amounted to 5,508 million baht, an increase of 1,344 million baht or 32.28 percent. This had to deal with the economic condition. Credit cost in the nine-month period of 2014 was 0.91 percent, an increase from 0.67 percent in the same period last year.

Other Operating Expenses (Million Baht) and

Cost to Income Ratio (%)

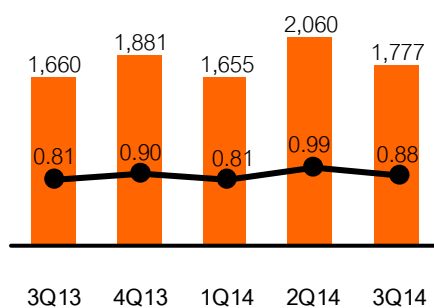
Other Operating Expenses
Cost to Income Ratio



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 September 2014 | | 31 December 2013 | | Change |
|---|-------------------|---------------|------------------|---------------|---------------|
| | Amount | % | Amount | % | % |
| Interbank and Money Market Items-net | 56,251 | 5.56 | 70,215 | 6.68 | (19.89) |
| Investment-net | 143,020 | 14.13 | 147,686 | 14.05 | (3.16) |
| Investment in Associated Company-net | 2,453 | 0.24 | 2,389 | 0.23 | 2.68 |
| Loans to Customers and Accrued Interest Receivables | 772,835 | 76.36 | 792,189 | 75.38 | (2.44) |
| Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring | (30,402) | (3.01) | (30,772) | (2.92) | (1.20) |
| Intangible Assets Acquired in a Business Combination-net | 2,091 | 0.21 | 2,445 | 0.23 | (14.48) |
| Goodwill | 16,908 | 1.67 | 16,726 | 1.59 | 1.09 |
| Other Assets | 48,976 | 4.84 | 50,036 | 4.76 | (2.12) |
| Total Assets | 1,012,132 | 100.00 | 1,050,914 | 100.00 | (3.69) |
| Deposits | 692,546 | 68.43 | 715,931 | 68.12 | (3.27) |
| Interbank and Money Market Items | 54,038 | 5.34 | 81,082 | 7.72 | (33.35) |
| Debt Issued and Borrowings | 116,392 | 11.50 | 109,290 | 10.40 | 6.50 |
| Other Liabilities | 48,098 | 4.75 | 49,171 | 4.68 | (2.18) |
| Total Liabilities | 911,074 | 90.02 | 955,474 | 90.92 | (4.65) |
| Company's Shareholders' Equity | 49,752 | 4.91 | 47,369 | 4.51 | 5.03 |
| Non-controlling Interests | 51,306 | 5.07 | 48,071 | 4.57 | 6.73 |
| Total Shareholders' Equity | 101,058 | 9.98 | 95,440 | 9.08 | 5.89 |
| Total Liabilities and Shareholders' Equity | 1,012,132 | 100.00 | 1,050,914 | 100.00 | (3.69) |
| Book Value per Share (Baht) | 41.24 | | 39.26 | | |

Assets

As at 30 September 2014, Thanachart Group's total assets amounted to 1,012,132 million baht, representing a decrease of 38,782 million baht or 3.69 percent from the end of 2013. The key contributing factors were as follows:

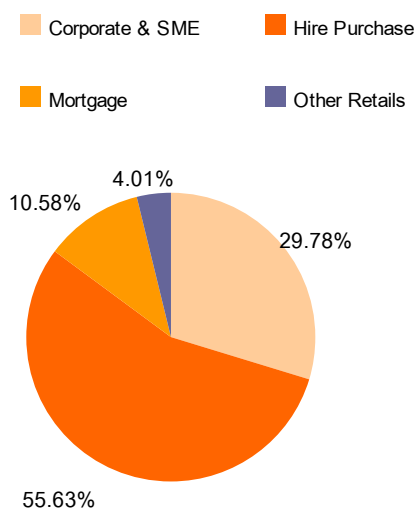
- Net interbank and money market items amounted to 56,251 million baht, a decrease of 13,964 million baht or 19.89 percent from the end of last year, due to the liquidity management.
- Investment-net was 143,020 million baht, a decrease of 4,666 million baht or 3.16 percent from the end of previous year, due mostly to the divestment of government and state enterprise's bonds.
- Loans and accrued interest receivables were 772,835 million baht, a decrease of 19,354 million baht or 2.44 percent from the end of last year. This was mainly due to a

decline of 5.99 percent in hire purchase loans following the slowdown in car market. At the same time, corporate, SME, and housing loans increased by 2.03 percent from its attempt to diversify to other types of loan. Portion of retail loans to corporate and SME loans was 69 percent to 31 percent.

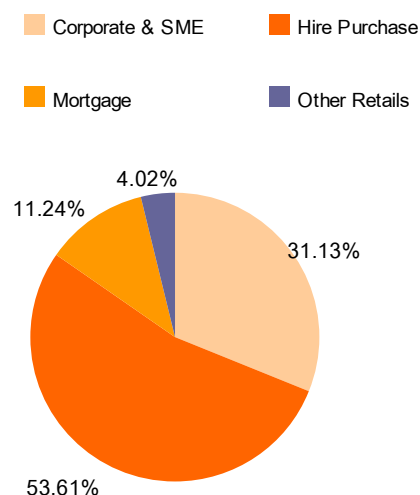
Details of the loan breakdown were as follows:

Loan Breakdown (Percent)

31 December 2013



30 September 2014



Liabilities

Total liabilities of Thanachart Group as of 30 September 2014 were 911,074 million baht, a decrease of 44,400 million baht or 4.65 percent from the end of 2013. The key items were as follows:

| | 30 September 2014 | | 31 December 2013 | | Change |
|--|-------------------|---------------|------------------|---------------|---------------|
| | Amount | % | Amount | % | % |
| Deposits and Debt Issued and Borrowings | | | | | |
| Current | 7,564 | 0.93 | 8,759 | 1.06 | (13.64) |
| Savings | 233,537 | 28.87 | 239,189 | 28.99 | (2.36) |
| Fixed Deposits | | | | | |
| Less than 6 Months | 48,604 | 6.01 | 99,454 | 12.05 | (51.13) |
| 6 Months and up to 1 Year | 28,682 | 3.55 | 167,756 | 20.33 | (82.90) |
| Over 1 Year | 174,726 | 21.60 | 197,532 | 23.94 | (11.55) |
| Debt Issued and Borrowings | 116,392 | 14.39 | 109,290 | 13.24 | 6.50 |
| Certificate of Deposit | 199,433 | 24.65 | 3,241 | 0.39 | 6,053.44 |
| Total Deposits and Debt Issued and Borrowings | 808,938 | 100.00 | 825,221 | 100.00 | (1.97) |

Unit: Million Baht

- Deposits and debts issued and borrowings were 808,938 million baht, a decrease of 16,283 million baht or 1.97 percent from the end of last year. This was due the deposit restructure and cost of fund management to be in line with the decline of loans.

The ratio of current and savings accounts to total deposits and debt issued and borrowings (CASA ratio) was at 29.80 percent, a decrease from 30.05 percent at the end of the previous year.

- Interbank and money market items were 54,038 million baht, a decrease of 27,044 million baht or 33.35 percent from the liquidity management.

Shareholders' Equity

Shareholders' equity as of 30 September 2014 was 101,058 million baht, an increase of 5,618 million baht or 5.89 percent from the end of 2013. This can be broken down as follows:

- Equity attributable to the owners of the Company was 49,752 million baht, an increase of 2,383 million baht or 5.03 percent. This was mainly due to the increase in operating profit of the Company and its subsidiaries in the nine-month period of 2014 amounting to 3,761 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 and interim dividend payment of 724 million baht paid for the first six-month of 2014.
- Non-controlling interests were 51,306 million baht, an increase of 3,235 million baht or 6.73 percent, mainly due to the operating results of subsidiary companies.

Non-performing Loans: NPLs

| | TBANK | | TCAP (Consol.) | |
|---------------------------------|-----------|-----------|----------------|-----------|
| | 30-Sep-14 | 31-Dec-13 | 30-Sep-14 | 31-Dec-13 |
| NPL-gross (Million Baht) | 24,793 | 24,394 | 37,470 | 37,540 |
| Total Allowance* (Million Baht) | 21,687 | 21,755 | 30,613 | 31,013 |
| NPL-gross to Total Loans (%) | 3.24 | 3.07 | 4.66 | 4.49 |
| NPL-net to Total Loans (%) | 1.78 | 1.69 | 2.31 | 2.30 |
| Reserve to Required Reserve (%) | 135.19 | 138.38 | 130.34 | 127.36 |
| Coverage Ratio (%) | 87.47 | 89.18 | 81.70 | 82.61 |

* Including revaluation allowance for debt restructuring

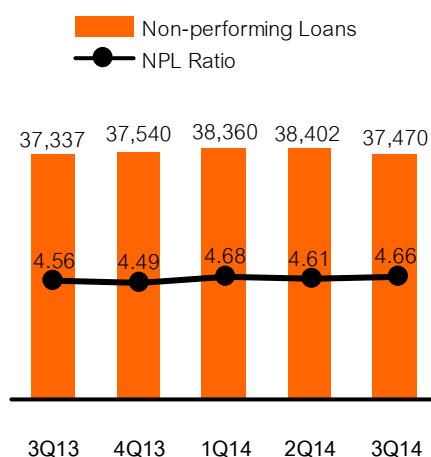
As of 30 September 2014, NPLs amounted to 37,470 million baht, a decrease of 932 million baht or 2.43 percent from the previous quarter and a decrease of 70 million baht or 0.19 percent from the end of last year. This was due to the more effective NPL management amidst the unsupportive market condition and the economic slowdown.

Non-performing loans to total loans to customers (NPL ratio) was at 4.66 percent, an increase from 4.61 percent at the end of the previous quarter and an increase from 4.49 percent at the end of 2013. The increase in NPL ratio was due to the contraction of loans. Non-performing loans after deducting reserve (NPL-net) amounted to 18,182 million baht while the ratio of NPL-net to total loans was at 2.31 percent.

Coverage ratio at the end of September 2014 was at 81.70 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 130.34 percent at the end of September 2014, an increase from 127.36 percent from the end of December 2013. Excess reserve was 7,126 million baht.

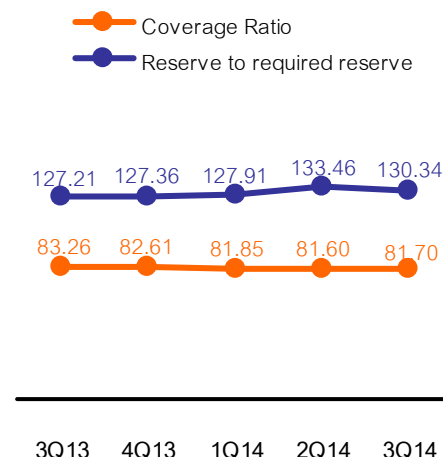
Non-performing Loans (Million Baht) and

NPL Ratio (%)



Coverage Ratio (%) and Reserve to Required

Reserve (%)



Operating Results of Subsidiaries

Unit: Million Baht

| Subsidiaries | % holding Direct/Indirect | Net Profit (Loss) | | | |
|--|------------------------------|-------------------|-------|-------|--------|
| | | 3Q14 | 2Q14 | 9M14 | 9M13 |
| Thanachart Bank Plc. | | | | | |
| Consolidated Financial Statements | | 2,428 | 2,347 | 7,330 | 7,460* |
| Thanachart Securities Plc. | 50.96% | 154 | 102 | 336 | 697 |
| Thanachart Fund Management Company Limited | 38.22% | 74 | 77 | 225 | 220 |
| Thanachart Insurance Plc. | 50.96% | 257 | 303 | 808 | 708 |
| TS AMC Company Limited | 50.96% | 137 | 55 | 247 | (31) |
| Ratchthani Leasing Plc. | 33.22% | 193 | 167 | 561 | 610 |
| NFS AMC Company Limited | 100.00% | (2) | 9 | 16 | 228 |
| MAX AMC Company Limited | 83.44% | 11 | 94 | 130 | 61 |

* Excluding gain from selling Thanachart Life Assurance and extra provision

Thanachart Bank Public Company Limited and Its Subsidiaries

Total assets of the Bank and its subsidiaries as of 30 September 2014 were 987,864 million baht, decreased by 50,485 million baht or 4.86 percent from the end of last year. 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 percent at the end of the previous year to 53.71 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 884,996 million baht, a decrease of 56,113 million baht or 5.96 percent from the end of last year, due to liquidity management in line with the loan volume. Deposit and borrowings totaled 787,604 million baht, a decrease of 23,704 million baht or 2.92 percent. Furthermore, liabilities have reduced from sale of investment in a subsidiary company.

Shareholders' equity of the Bank and its subsidiaries (excluding minority interest) was 101,724 million baht, an increase of 5,506 million baht or 5.72 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 | 30-Sep-13 | 31-Dec-13 | 31-Mar-14 | 30-Jun-14 | 30-Sep-14 | Change from 31-Dec-13 | | Change from 30-Sep-13 | |
|--------------------|----------------|----------------|----------------|----------------|----------------|-----------------------|---------------|-----------------------|---------------|
| | | | | | | Amount | % | Amount | % |
| Corporate | 148,121 | 148,995 | 152,742 | 152,156 | 155,150 | 6,155 | 4.13% | 7,029 | 4.75% |
| SME | 78,993 | 78,309 | 76,837 | 79,208 | 77,183 | (1,126) | -1.44% | (1,810) | -2.29% |
| Retail | 541,029 | 545,844 | 542,913 | 534,346 | 521,672 | (24,172) | -4.43% | (19,357) | -3.58% |
| - Hire Purchase | 436,686 | 439,984 | 436,862 | 426,624 | 413,856 | (26,128) | -5.94% | (22,830) | -5.23% |
| - Housing | 83,556 | 84,828 | 85,728 | 87,554 | 88,063 | 3,235 | 3.81% | 4,507 | 5.39% |
| - Other | 20,787 | 21,032 | 20,322 | 20,167 | 19,753 | (1,279) | -6.08% | (1,034) | -4.97% |
| Other* | 18,376 | 16,869 | 16,785 | 16,172 | 16,566 | (303) | -1.80% | (1,810) | -9.85% |
| Total Loans | 786,519 | 790,017 | 789,277 | 781,882 | 770,571 | (19,446) | -2.46% | (15,948) | -2.03% |

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

Deposit and Borrowing Breakdown Table

(million baht)

| Deposit | 30-Sep-13 | 31-Dec-13 | 31-Mar-14 | 30-Jun-14 | 30-Sep-14 | Change from 31-Dec-13 | | Change from 30-Sep-13 | |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------------|---------------|-----------------------|---------------|
| | | | | | | Amount | % | Amount | % |
| Current | 9,020 | 8,768 | 7,970 | 8,120 | 7,570 | (1,198) | -13.66% | (1,450) | -16.08% |
| Saving | 236,851 | 239,231 | 235,801 | 231,919 | 233,575 | (5,656) | -2.36% | (3,276) | -1.38% |
| Fixed | 456,559 | 471,081 | 435,605 | 474,745 | 453,245 | (17,836) | -3.79% | (3,314) | -0.73% |
| B/E | 584 | 47 | 35 | 25 | 16 | (31) | -65.96% | (568) | -97.26% |
| Total Deposits and B/E | 703,014 | 719,127 | 679,412 | 714,809 | 694,406 | (24,721) | -3.44% | (8,608) | -1.22% |
| Subordinated & Other Debentures | 92,456 | 92,181 | 94,985 | 82,364 | 93,198 | 1,017 | 1.10% | 742 | 0.80% |
| Total Deposits and Borrowing | 795,470 | 811,308 | 774,397 | 797,173 | 787,604 | (23,704) | -2.92% | (7,866) | -0.99% |

Operating results of the third quarter of 2014 and the nine-month period of 2014

Despite a decrease in loan portfolio from hire purchase loan and sluggish automotive market, the Bank has focused on growth in other loan type, prudent reserve management, increase in fee and efficient operating expense management. **The Bank and its subsidiaries had a net profit** attributable to the Bank in the amount of 2,428 million baht in the third quarter, an increase of 81 million baht or 3.45 percent from the previous quarter.

For the nine-month period of 2014, the **Bank and its subsidiaries had 14,869 million baht in operating profit before provision, an increase of 1,111 million baht** or 8.08 percent from the same period last year. **Net profit was 7,330 million baht, a decrease of 130 million baht** or 1.74 percent, a result of impairment loss on loans and debt securities increased which increased from used car market. With the extra gain from sale of investment in a subsidiary company and special provision in the nine-month period last year, net profit in this period would decrease by 5,414 million baht or 42.49 percent. Key changing factors (excluding extra gain from sale of investment in a subsidiary company and special provision) include the following:

1. **Interest spread in the third quarter of 2014** decreased to 2.64 percent from 2.76 percent in the last quarter. Yield on earning asset was 5.49 percent, a decrease from 5.59 percent in the previous quarter, mainly due to liquidity management which results in a decline in investment yield. Cost of fund was 2.85 percent, maintained from 2.83 percent in the last quarter. Loan spread was 3.12 percent, maintained from 3.15 percent in the previous quarter.

For the nine-month period of 2014, interest spread was 2.65 percent, an increase from 2.56 percent in the same period last year. Yield on earning asset was 5.55 percent, a decrease from 5.73 percent in the same period last year. Cost of fund was 2.90 percent, a decrease from 3.18 percent. This was mainly due to the decrease in the policy rate since the end of last year, together with funding restructuring, cost and liquidity management.

2. **Non-interest income** increased in the third quarter of 2014 as a result of an increase in dividend income, gain on investment, and brokerage fee which was partially offset by decreases in other fee income. Non-interest income ratio in the third quarter of 2014 was at 28.87 percent, an increase from 27.92 percent in the previous quarter. Non-interest income to average asset was at 1.12 percent, increased from 1.09 percent in the previous quarter.

For the nine-month period of 2014, non-interest income ratio was at 28.81 percent, a decrease from 32.87 percent. This was due to a decrease in brokerage income, following the market condition together with dividend income from Vayupak fund which has already expired last year.

3. **Operating expense increased** in the third quarter of 2014 as compared to the previous quarter due to an increase in expenses variable to brokerage business which started to pick up, together with accrual personal expense. Cost to income ratio in the third quarter 2014 was 50.80 percent, an increase from 48.07 percent. Operating expense to average asset was 1.97 percent, as compared to 1.88 percent in the previous quarter. The Bank continues to consistently operate under a policy of prudent and efficient cost management.

For the nine-month period of 2014, operating expense decreased from the same period last year as a result of efficient cost optimization. Cost to income ratio was 49.21 percent, a decrease from 52.67 percent last year. Operating expense to average asset was 1.91 percent, a decrease from 2.01 percent the same period last year.

4. **Impairment loss on loans and debt securities decreased.** Credit cost in the third quarter of 2014 was 0.92 percent, a decrease from 1.06 percent in the previous quarter. This was a result of debt collection effort, NPL management, debt sale policy and NPL write-off. Consequently, NPL as of 30 September 2014 was at 36,371 million baht, a decrease of 919 million baht since the end of the previous quarter. NPL ratio according to the BOT regulation was 4.53 percent, an increase from 4.48 percent. In comparison to the end of 2013, NPL decreased 5 million baht from efficient NPL management.

Capital Adequacy: The Bank's total capital according to Basel III regulation was 114,576 million baht as of 30 September 2014, of which 77,371 million baht was Tier 1 (common equity Tier 1 and additional Tier 1) and 37,205 million baht was Tier 2. BIS ratio was 15.35 percent, with 10.37 percent Tier 1 and 4.98 percent Tier 2, as compared to 14.80 percent BIS ratio at the end of 2013. During this quarter, the bank has early redeemed 5,000 million baht of subordinated debentures. For the nine month period of 2014, the Bank has redeemed a total of 17,000 million baht of subordinated debentures and has issued new subordinated instruments in the amount of 13,000 million baht at the rate of 6.00 percent and 10.5 year tenure.

Thanachart Securities Public Company Limited

Average daily trading volume of Thanachart Securities in the third quarter of 2014 was 4,446 million baht, an increase from 3,056 million baht per day in the second quarter this year. Market share was 4.43 percent in this quarter. The increase in average daily trading was in line with the picking-up overall stock market condition. The trading volume could be divided into 69.85 percent of retails, 16.13 percent of institutions, and 14.02 percent of foreign investors.

When comparing the third and the second quarters of 2014, the company's net profit in the third quarter increased by 51.22 percent from the second quarter. Net profit in the third quarter was 154 million baht. Total income amounted to 574 million baht including 491 million baht of brokerage income, 9 million baht of fees and service income, 47 million baht of interest income from margin loans. Financial costs and operating expenses were 381 million baht.

Net profit for the nine-month period ending 30 September 2014 was 336 million baht, a decrease of 697 million baht or 51.78 percent from the same period last year. Total income was 1,364 million baht, a decrease of 30.21 percent. Main sources of income comprised of 1,068 million baht in brokerage income, 44 million baht in fees and service income, and 141 million baht in interest income on margin loans. Financial costs and operating expenses were 947 million baht, a decrease from the same period last year in line with the decrease in business volume and revenue.

As of 30 September 2014, Thanachart Securities maintained its liquidity ratio at 52.88 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 third quarter of 2014, Thanachart Fund Management had asset under management of 162,036 million baht, an increase of 27,633 million baht or 20.56 percent from the end of 2013. The increase was mainly from money market funds and fixed income funds. Assets under management comprised of 84.78 percent mutual fund, 8.15 percent private fund, and 7.07 percent provident fund. At the end of the third quarter of 2014, the company ranked 8 with market share of 3.64 percent in mutual fund business, ranked 10 with market share of 2.85 percent in private fund business, and ranked 14 with market share of 1.37 percent in provident fund business.

For operating results in the third quarter of 2014, the company had a net profit of 74 million baht, a decrease of 3 million baht or 3.90 percent from the previous quarter. This was due to an increase in fees and service expenses of 19 million baht or 45 percent from the previous quarter. For the operating results of the nine-month period of 2014, the company's net profit was 225 million baht, an increase of 5 million baht or 2.27 percent from the same period last year.

Thanachart Insurance Public Company Limited

Thanachart Insurance had a net profit of 257 million baht in the third quarter of 2014, a decrease of 46 million baht or 15.18 percent from the second quarter of 2014. The net profit for the nine-month period of 2014 amounted to 808 million baht, an increase of 100 million baht or 14.12 percent from the same period last year. The key factors were given to a focus on profitable products, claims management, and an effective cost management.

TS AMC Company Limited

TS AMC has been restructuring debts in accordance with the policy and business plan of Thanachart Group. As of 30 September 2014, the company's the total assets were 8,343 million baht. For the operating result of the third quarter of 2014, its net profit amounted to 137 million baht, an increase of 149.09 percent from the previous quarter. Income from debt settlement amounted to 189 million baht and interest expenses were 29 million baht. The company has restructured 44 loan accounts and had income from debt restructuring of 166 million baht.

For the nine-month period of 2014, the company had a net profit of 247 million baht. Income from debt settlement was 427 million baht while interest expenses were 93 million baht. It was able to restructure 156 loan accounts worth 572 million baht with income from debt restructuring amounting to 377 million baht.

Ratchthani Leasing Public Company Limited

As of 30 September 2014, Ratchthani Leasing Public Company Limited still had a strong financial structure during the economic slowdown. Its total assets amounted to 27,952 million baht, an increase of 659 million baht or 2.41 percent from the end of last year. The company had hire purchase loans of 27,196 million baht or accounting for 97.29 of total assets. Total liabilities and shareholders' equity were 24,216 million baht and 3,736 million baht respectively.

The company's net profit for the third quarter of 2014 was 193 million baht, an increase of 26 million baht or 12.72 percent from the previous quarter. Total income was 693 million baht, a slightly increase of 4 million baht or 0.65 percent, due to a slowdown in its lending. Interest expenses were 270 million baht, close to that of the previous quarter, which was a result of acquiring funds to match with the slowdown in loans. Provision expenses in the third quarter of 2014 were 87 million baht, a decrease of 41 million baht or 53.15 percent from the previous quarter. The decrease was from its debt collection that has been monitoring closely.

Net profit for the nine-month period of 2014 was 561 million baht, a decrease of 49 million baht or 12.27 percent from the same period last year. Total income in this period was 2,064 million baht, an increase of 331 million baht or 30.02 percent from the company's hire purchase loans expansion during 2013. Interest expenses were 804 million baht, an increase of 155 million baht or 38.05 percent from the additional source of funds provided to support loan growth in 2013. Provision expenses were 292 million baht, an increase of 146 million baht or 192.48 percent, as a result of the economic slowdown which led to a delayed repayment from some debtors.

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.