



Management Discussion and Analysis

For the three-month period ended 31 March 2015

(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

In the first quarter of 2015, economic indicators in Thailand showed signs of weak recovery. Private investment and private consumption tended to decline. Furthermore, export is also expected to contract following the economic slowdowns of counterparty countries, particularly China and ASEAN countries. Tourism, however, grew consistently from Chinese and Malaysian tourists. As a result, the Bank of Thailand (“BOT”) has adjusted down the economic growth rate projection for the year 2015 from 4.00 percent to 3.80 percent. From the lower pressure on the inflation which was the result of the continuous decline in oil price as well as the weak recovery of Thai economy, the Monetary Policy Committee of the BOT issued a resolution on 11 March 2015 to decrease a policy rate by 0.25 percent per annum to 1.75 percent in order to stimulate economic recovery.

Loans in commercial banks showed signs of decline in the first quarter of 2015 following the slowdown in private consumption and private investment. Financial institutions remained cautious and strict on the credit policy in all loan types. Consequently, the competition in deposit acquisition by banks subsided following loan volume.

Major Event in the First Quarter of 2015

On 2 April 2015, the Annual General Meeting of Shareholders for the year 2015 of Thanachart Capital Public Company Limited (“the Company”) had a resolution to pay dividend to shareholders at the rate of 1.00 baht per share, amounting to 1,206 million baht. Taking into account this round of dividend payment and the interim dividend payment worth 0.60 baht per share or 724 million baht, total dividend payment amounted to 1.60 baht per share or 1,930 million baht.

For clarification of information disclosure, Thanachart Group has submitted Management Discussion and Analysis of Thanachart BANK and its subsidiaries separately from this report.

Financial Highlights

Reviewed Financial Statements	For the 3 months ended		
	31-Mar-15	31-Mar-14	31-Dec-14
Operating Performance (Million Baht)			
Interest Income	12,595	13,572	12,939
Interest Expenses	5,723	6,814	6,164
Net Interest Income	6,872	6,758	6,775
Non-interest Income	3,258	3,028	3,394
Net Operating Income ⁽¹⁾	10,130	9,786	10,169
Other Operating Expenses	5,115	4,792	5,215
Impairment Loss of Loans and Debt Securities	1,647	1,657	1,575
Profit before Tax	3,368	3,337	3,379
Income Tax	688	671	657
Profit for the period	2,680	2,666	2,722
Operating Performance Ratios			
ROAA (%)	1.07	1.02	1.07
ROAE ⁽²⁾ (%)	10.25	11.00	10.75
Interest Spread ⁽³⁾ (%)	2.62	2.45	2.54
Loan Spread ⁽⁴⁾ (%)	3.22	2.93	3.08
Credit Cost (%)	0.85	0.81	0.80
Non-interest Income Ratio ⁽⁵⁾ (%)	32.17	30.95	33.38
Cost to Income Ratio ⁽⁶⁾ (%)	50.49	48.97	51.28
Financial Position (Million Baht)	31-Mar-15	31-Mar-14	31-Dec-14
Loans	731,038	790,604	755,656
Total Assets	990,377	1,031,317	1,025,630
Deposits and Debt Issued and Borrowings	765,788	788,358	795,367
Total Liabilities	883,457	932,807	921,354
Equity	106,920	98,510	104,276
Financial Position Quality			
Loans to Deposits and Debt Issued and Borrowings (%)	95.46	100.28	95.01
Non-performing Loans (Million Baht)	31,695	38,360	33,800
NPL Ratio (%)	4.07	4.68	4.21
Coverage Ratio ⁽⁷⁾ (%)	88.90	81.85	84.81
Reserve to Required Reserve ⁽⁸⁾ (%)	134.99	127.91	132.64

(1) Net Operating Income = Net Interest Income + Non-interest Income

(2) ROAE is calculated from equity attributable to the Company's shareholders

(3) Interest Spread = Yield - Cost of Fund

Yield = Interest Income / Average Earning Assets

Cost of Fund = Interest Expenses / Average Paying Liabilities

(4) Loan Spread = Loan Yield - Cost of Fund

(5) Non-interest Income Ratio = Non-interest Income / Net Operating Income

(6) Cost to Income Ratio = Other Operating Expenses / Net Operating Income

(7) Coverage Ratio = Total Allowance / Non-performing Loans

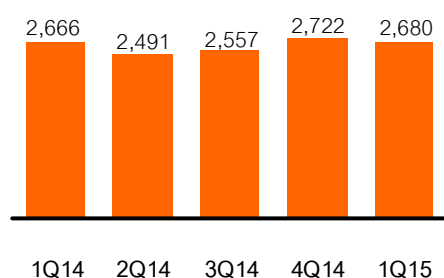
(8) Reserve to Required Reserve = Total Allowance / Reserve Required by the BOT

Operating Results for the First Quarter of 2015

Performance Overview

Thanachart Capital Public Company Limited (“the Company”) operates as the holding company and thus is the parent company of Thanachart Financial Business Conglomerate. The Company's performance is mainly from the performance of Thanachart Bank and its subsidiaries. The Company holds shares in Thanachart Bank 50.96 percent and Scotiabank holds 49.00 percent in Thanachart Bank. As a result, profit attributable to the Company is calculated from the proportion shareholding of the Company in each subsidiary company. In order to compare its operating results with other companies' in the industry, the financial information presented in this report is based on consolidated financial statements.

Net Profit (Million Baht)



As Thai economy continued facing a slow recovery and automotive market was still sluggish, total loans declined. Thanachart Group has then emphasized on NPL management systematically. Furthermore, Thanachart Group continued to manage its cost of fund in coherent with market condition, strengthen its non-interest income base, as well as efficiently control operating expenses and provision. Consequently, Thanachart Group's **net profit** amounted to **2,680 million baht** in the first quarter of 2015, an increase of 14 million baht or 0.53 percent from the same period of last year.

Summary of key operating results of Thanachart Group in the first quarter of 2015 comparing with the first quarter of 2014 is as follows:

- Net interest income increased by 1.69 percent from an effective management of funding costs. As a result, interest spread increased to 2.62 percent.
- Non-interest income increased by 7.60 percent, mainly from brokerage fees, gains on investments, and net insurance premium income.
- Operating expenses increased by 6.74 percent from setting aside more expenses.
- Provision was close to the same quarter last year.
- Assets decreased by 3.44 percent from the end of 2014, due to a decrease in loans from unsupportive market conditions.
- Non-performing loans decreased by 6.23 percent from the end of 2014, resulting in an improvement of coverage ratio. This reflects a stronger asset quality of the Company.

In the first quarter of 2015, **net profit attributable to the Company was 1,332 million baht, an increase of 9 million baht or 0.68 percent from the same period last year.**

Earning per share (EPS) for the first quarter of 2015 was 1.10 baht which was equal to that of the same period last year. Return on average assets (ROAA) and return on average equity (ROAE) of the Company's shareholders were at 1.07 percent and 10.25 percent respectively.

Reviewed Financial Statements	For the 3 months ended		
	31-Mar-15	31-Mar-14	31-Dec-14
Net Profit (Million Baht)			
Profit for the period	2,680	2,666	2,722
Net Profit Attributable to the Company	1,332	1,323	1,359
Net Profit Attributable to Non-controlling interests	1,348	1,343	1,363
Basic Earning per Share (Baht)	1.10	1.10	1.13

ROAA (%)



1Q14 2Q14 3Q14 4Q14 1Q15

ROAE* (%)



1Q14 2Q14 3Q14 4Q14 1Q15

*Equity attributable to the Company's shareholders

Net Interest Income

Unit: Million Baht

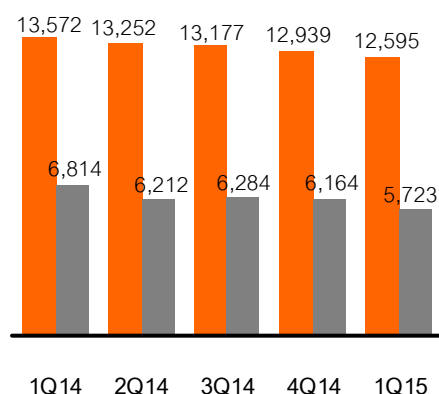
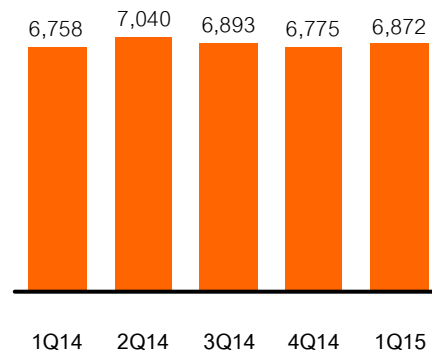
Net Interest Income	1Q15	1Q14	Change	
			+ / (-)	%
Interest Income	12,595	13,572	(977)	(7.20)
Interbank and Money Market Items	406	506	(100)	(19.76)
Investments for trading	106	117	(11)	(9.40)
Investments for debts securities	1,066	1,138	(72)	(6.33)
Loans	4,932	5,097	(165)	(3.24)
Hire Purchase and Financial Leases	6,085	6,714	(629)	(9.37)
Interest Expenses	5,723	6,814	(1,091)	(16.01)
Deposits	3,641	4,299	(658)	(15.31)
Interbank and Money Market Items	274	336	(62)	(18.45)
Fund Contributed to FIDF and DPA	857	899	(42)	(4.67)
Debts Issued	950	1,278	(328)	(25.67)
Borrowing Fee	1	2	(1)	(50.00)
Net Interest Income	6,872	6,758	114	1.69

In the first quarter of 2015, the Company and its subsidiaries had 6,872 million baht in net interest income, an increase of 114 million baht or 1.69 percent from the same period last year. Interest Spread was at 2.62 percent, an increase of 2.45 percent from the same period last year. Interest income was 12,595 million baht, a decrease of 977 million baht or 7.20 percent from the same period last year. This was mainly from loans contraction and lending rates decreased in line with the policy rate cut by the Bank of Thailand. Interest expenses were 5,723 million baht, a decrease of 1,091 million baht or 16.01 percent from the same period last year. This was due mainly to the restructuring of funding and the effective cost management for the Bank's liquidity management.

	1Q14	2Q14	3Q14	4Q14	1Q15
Average Policy Interest Rate	2.19	2.00	2.00	2.00	1.94
Yield	5.49	5.48	5.48	5.39	5.32
Cost of Fund	3.04	2.84	2.89	2.85	2.70
Interest Spread	2.45	2.64	2.59	2.54	2.62

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	1Q15	1Q14	Change	
			+ / (-)	%
Net Fees and Service Income	1,366	1,346	20	1.49
Gains on Trading and Foreign Exchange Transactions	256	347	(91)	(26.22)
Gains on Investments	678	302	376	124.50
Share of Profit from Investments in Associated Companies				
Accounted for under Equity Method	73	61	12	19.67
Gains on Property Foreclosed and Other Assets	4	197	(193)	(97.97)
Net Insurance / Life Insurance Income	495	397	98	24.69
Dividend Income	70	37	33	89.19
Other Income	316	341	(25)	(7.33)
Operating Income	1,892	1,682	210	12.49
Non-interest Income	3,258	3,028	230	7.60

Non-interest income in the first quarter of 2015 was in the amount of 3,258 million baht, an increase of 230 million baht or 7.60 percent from the same period last year. Non-interest income from normal business showed improving signs particularly in the brokerage fees income, gains on investments, and net insurance / life insurance income. At the same time, gains on properties foreclosed and other assets have declined.

■ **Net fees and service income**

In the first quarter of 2015, the Company and its subsidiaries had 1,366 million baht in net fees and service income, an increase of 20 million baht or 1.49 percent from the same period last year. This was mainly from an increase in brokerage fees in line with stock market activities that have picked up from the first quarter of 2014.

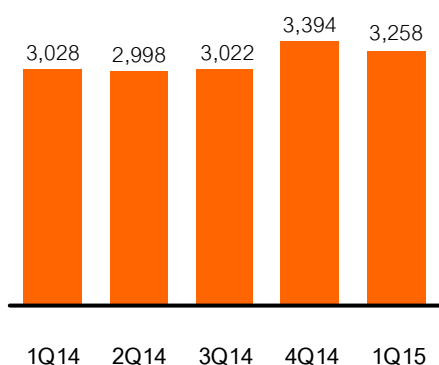
■ Operating income

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

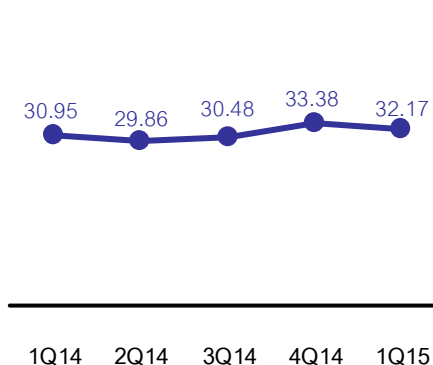
In the first quarter of 2015, the Company and its subsidiaries's operating income amounted to 1,892 million baht, an increase of 210 million baht or 12.49 percent from the same period last year. This was mainly due to an increase of 376 million baht or 124.50 percent in gains on investments which was mostly from sale of government bonds and debentures and an increase of 98 million baht or 24.69 percent in net insurance premium income. At the same time, gains on property foreclosed have declined as a result of unsupportive market condition.

Consequently, non-interest income ratio in the first quarter of 2015 was 32.17 percent, an increase from the same period last year of 30.95 percent.

Non-interest Income (Million Baht)



Non-interest Income Ratio (%)



Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	1Q15	1Q14	Change	
			+ / (-)	%
Employee's Expenses	2,798	2,733	65	2.38
Premises and Equipment Expenses	711	707	4	0.57
Taxes and Duties	222	212	10	4.72
Directors' Remuneration	9	8	1	12.50
Other Expenses	1,375	1,132	243	21.47
Total Other Operating Expenses	5,115	4,792	323	6.74

In the first quarter of 2015, **other operating expenses of the Company and its subsidiaries amounted to 5,115 million baht, an increase of 323 million baht or 6.74 percent** from the same period last year. Key factors include the following.

- Personnel expenses increased by 65 million baht or 2.38 percent following the increase in salaries.
- Other expenses increased by 243 million baht or 21.47 percent due to a provision set aside for litigation for future liabilities.

As a result, cost to income ratio in the first quarter of 2015 was 50.49 percent, an increase from the same period last year of 48.97 percent.



Impairment Loss of Loans and Debt Securities

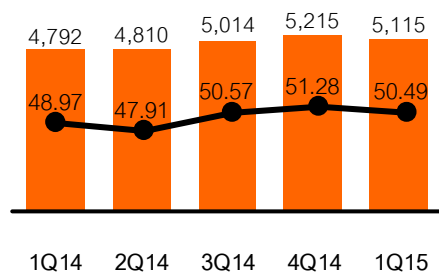
Unit: Million Baht



Impairment Loss of Loans and Debt Securities	1Q15	1Q14	Change	
			+ / (-)	%
Impairment Loss of Loans	1,647	1,655	(8)	(0.48)
Loss from impairment of debt securities	-	2	(2)	(100.00)
Total Impairment Loss of Loans and Debt Securities	1,647	1,657	(10)	(0.60)
Credit Cost (%)	0.85	0.81	0.04	4.94

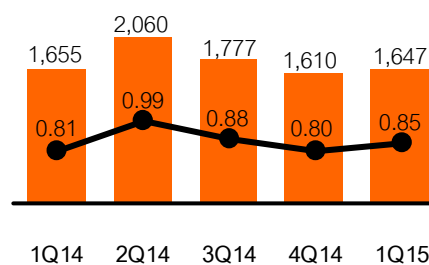
Amid sluggish economy and depressive used car market continuing from 2014, Thanachart Group refocused its effort on managing NPL and proper provisioning. As a result, **impairment loss of loans and debt securities amounted to 1,647 million baht, a decrease of 10 million baht or 0.60 percent**. As a result of loans outstanding declined, credit cost in the first quarter of 2015 was 0.85 percent, an increase from the same period last year of 0.81 percent. However, NPL ratio decreased from the end of last year from its attempt to manage NPL. Details are shown in the NPL section.

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	31 March 2015		31 December 2014		Change	
	Amount	%	Amount	%	+ / (-)	%
Interbank and Money Market Items-net	69,459	7.01	66,038	6.44	3,421	5.18
Investment-net	151,282	15.28	162,318	15.83	(11,036)	(6.80)
Investment in Associated Company-net	2,378	0.24	2,417	0.24	(39)	(1.61)
Loans to Customers and Accrued Interest Receivables	731,735	73.88	756,444	73.75	(24,709)	(3.27)
Allowance for Doubtful Accounts and						
Revaluation Allowance for Debt Restructuring	(27,983)	(2.83)	(28,450)	(2.77)	467	(1.64)
Intangible Assets Acquired in a Business Combination-net	1,857	0.19	1,973	0.19	(116)	(5.88)
Goodwill	17,028	1.72	16,969	1.65	59	0.35
Other Assets	44,621	4.51	47,921	4.67	(3,300)	(6.89)
Total Assets	990,377	100.00	1,025,630	100.00	(35,253)	(3.44)
Deposits	673,752	68.03	696,949	67.95	(23,197)	(3.33)
Interbank and Money Market Items	68,408	6.91	80,139	7.81	(11,731)	(14.64)
Debt Issued and Borrowings	92,036	9.29	98,418	9.60	(6,382)	(6.48)
Other Liabilities	49,261	4.97	45,848	4.47	3,413	7.44
Total Liabilities	883,457	89.20	921,354	89.83	(37,897)	(4.11)
Company's Shareholders' Equity	52,638	5.32	51,353	5.01	1,285	2.50
Non-controlling Interests	54,282	5.48	52,923	5.16	1,359	2.57
Total Shareholders' Equity	106,920	10.80	104,276	10.17	2,644	2.54
Total Liabilities and Shareholders' Equity	990,377	100.00	1,025,630	100.00	(35,253)	(3.44)
Book Value per Share (Baht)	43.65		42.56			

Assets

As of 31 March 2015, **Thanachart Group's total assets amounted to 990,377 million baht, a decrease of 35,253 million baht or 3.44 percent** from the end of 2014. Key factors are as follows:

- Net interbank and money market amounted to 69,459 million baht, an increase of 3,421 million baht or 5.18 percent from the end of the previous year due to liquidity management.
- Net investment amounted to 151,282 million baht, a decrease of 11,036 million baht or 6.80 percent from the end of last year. This was mainly from sale and expiration of debentures.
- Loans and accrued interest receivables amounted to 731,735 million baht, a decrease of 24,709 million baht or 3.27 percent from the end of last year. This was due to a decrease of hire purchase loans as a result of slowdown in automotive market as well as an effective NPL management led to a decrease in NPL. Portion of retail loans to corporate and SME loans was 69 percent to 31 percent.

Liabilities

Total liabilities of Thanachart Group as of 31 March 2015 were 883,457 million baht, a decrease of 37,897 million baht or 4.11 percent from the end of 2014. The key items were as follows:

Unit: Million Baht

Deposits and Debt Issued and Borrowings	31 March 2015		31 December 2014		Change	
	Amount	%	Amount	%	+ / (-)	%
Current	8,579	1.12	8,667	1.09	(88)	(1.02)
Savings	240,707	31.43	240,554	30.25	153	0.06
Fixed Deposits						
Less than 6 Months	48,713	6.36	64,122	8.06	(15,409)	(24.03)
6 Months and up to 1 Year	21,713	2.84	22,583	2.84	(870)	(3.85)
Over 1 Year	145,609	19.01	132,369	16.64	13,240	10.00
Certificate of Deposit	208,431	27.22	228,654	28.75	(20,223)	(8.84)
Debt Issued and Borrowings	92,036	12.02	98,418	12.37	(6,382)	(6.48)
Total Deposits and Debt Issued and Borrowings	765,788	100.00	795,367	100.00	(29,579)	(3.72)

- Deposits and debt issued and borrowings were 765,788 million baht, a decrease of 29,579 million baht or 3.72 percent from the end of last year. This was mainly from deposit restructuring and cost of fund management to be in line with the slowdown of loans.

The ratio of current and saving account to total deposits and debt issued and borrowings (CASA) was 32.55 percent, an increase from 31.34 percent at the end of last year.

- Interbank and money market items were 68,408 million baht, a decrease of 11,731 million baht or 14.64 percent from the end of last year. This was due to liquidity management.

Shareholders' Equity

Total shareholders' equity as of 31 March 2015 **was 106,920 million baht, an increase of 2,644 million baht or 2.54 percent** from the end of 2014 which comprised of the following:

- Equity attributable to the owners of the Company was 52,638 million baht, an increase of 1,285 million baht or 2.50 percent. This was mainly from an increase in operating profit of the Company and its subsidiaries in the first quarter of 2015 amounting to 1,332 million baht.
- Equity attributable to non-controlling interest amounted to 54,282 million baht, an increase of 1,359 million baht or 2.57 percent, mainly from profitable operating results of subsidiaries companies.

Non-performing Loans: NPLs

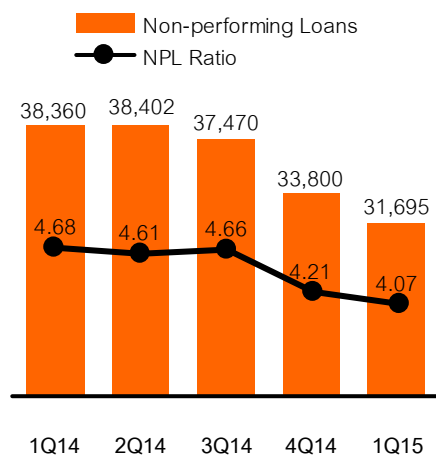
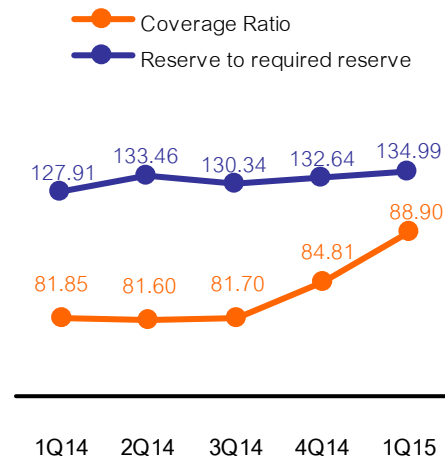
	TCAP (Consol.)	
	31-Mar-15	31-Dec-14
NPL-gross (Million Baht)	31,695	33,800
Total Allowance* (Million Baht)	28,176	28,667
NPL-gross to Total Loans (%)	4.07	4.21
NPL-net to Total Loans (%)	1.97	2.07
Reserve to Required Reserve (%)	134.99	132.64
Coverage Ratio (%)	88.90	84.81

* Including revaluation allowance for debt restructuring

Although market and economic conditions slowed down and NPL was on the uptrend across the industry, the Company and its subsidiaries managed to reduce NPL through systematic and effective control. As a result, **NPL** as of 31 March 2015 **amounted to 31,695 million baht, a decrease of 2,105 million baht or 6.23 percent** from the end of last year.

Non-performing loans to total loans to customers (NPL Ratio) was at **4.07 percent, a decrease from 4.21 percent at the end of previous year**. Despite loans contraction NPL ratio decreased from the effective NPL management. Non-performing loans after deducting reserve (NPL-net) amounted to 15,046 million baht while the ratio of NPL-net to total loans was at 1.97 percent.

Coverage ratio at the end of March 2015 was at 88.90 percent, an increase from 84.81 percent at the end of December 2014. The ratio of reserve to required reserve under the BOT's regulation was at 134.99 percent at the end of March 2015, an increase from 132.64 percent from the end of December 2014. Excess reserve was 7,304 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)		
		1Q15	1Q14	4Q14
Thanachart Bank Plc.				
Consolidated Financial Statements		2,561	2,555	2,592
Thanachart Securities Plc.	50.96%	183	80	225
Thanachart Fund Management Company Limited	38.22%	84	74	65
Thanachart Insurance Plc.	50.96%	304	248	240
TS AMC Company Limited	50.96%	(104)	55	74
Ratchthani Leasing Plc.	33.22%	174	201	143
NFS AMC Company Limited	100.00%	25	8	42
MAX AMC Company Limited	83.44%	(5)	26	(0)

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. 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.