



Management Discussion and Analysis

For the Year ended 31 December 2014

(Audited Financial Statements)

Thanachart Bank Public Company Limited

Tel: 0 2217 8000, 0 2217 8444

Fax: 0 2217 8451

Website: www.thanachartbank.co.th

Thanachart Bank Public Company Limited and Its Subsidiaries

Management Discussion and Analysis (Audited Financial Statements)

Economics Outlook and Competition in Banking Industry

In the first half of 2014, Thai economy faced unfavorable impacts from global economic slowdown, domestic political instability, high household debt, and irresolute issues in government expenditure budget. However, Thai economy in the second half of the year improved from expanded investments and private consumption although export decreased at a slower pace. As a result, Thai economy in 2014 slightly grew by 0.70 percent, a decrease from 2.90 percent in 2013. Private consumption grew by 0.30 percent while private investment declined by 1.90 percent, due to a delay investment from investors for a clearer political climate and direction. Exports also declined by 0.30 percent as trade value of agricultural products regressed from an unclear sign of economic recovery of trade partners. Headline inflation slowed down from last year to end at 1.89 percent as the retail oil price in Thailand has been on a consistent decline following the crude oil price in the global market. Core inflation was at 1.59 percent. However, the fluctuation of key economic drivers and the low inflation rate resulted in a resolution from the Monetary Policy Committee to reduce a policy rate by 0.25 percent, from 2.25 percent to 2.00 percent during the first quarter of 2014, and thereafter maintain at 2.00 percent to help stimulate the recovery of Thai economy.

Loans in the commercial banking system grew at a slower rate in 2014 as compared to last year. Diminished growth was present to corporate and consumer loans. This was a direct result of slow growth of Thai economy, political uncertainties, high household debts, and stricter credit policies implemented by commercial banks. Competition in deposit in 2014 however has subsided due to a slowdown in loan growth in the first half of the year. In the second half though, deposit acquisition has intensified to meet with recovered loan growth.

Key Events in 2014

1. On 3 April 2014, the Annual General Meeting of Shareholders of 2014 issued a resolution to approve dividend payments for shareholders of Thanachart Bank Public Company Limited at 0.45 baht per share, equivalent to 2,481 million baht or 17.58 percent of year 2013 net profit in the bank only financial statements (if exclude the extraordinary items of 2013, dividend payment equals 32.17 percent of net profit). On a consolidated financial statements, dividend payment equals 16.13 percent of year 2013 net profit (24.56 percent if exclude extraordinary items). This is in accordance with the dividend payout policy and dividends were paid on 23 April 2014.
2. Thanachart Bank Public Company Limited ("Bank") has sold Siam City Life Insurance Public Company Limited ("SCILIFE") to Thanachart Capital Public Company Limited ("Company") and MBK Public Company Limited ("MBK") in the amount of 900 million baht with consent by the Bank of Thailand. The Company and MBK have paid for and received ordinary shares of SCILIFE on 2 June 2014.
3. On 19 June 2014, the Bank issued 13,000 million units of Basel III compliance Tier II capital subordinated unsecured instruments. The instruments have fixed rate of 6.00 percent per annum and mature in 2024. and the Bank has a call option to early redeem these instruments. The instruments were rated "A" by TRIS Rating. The Bank of Thailand has granted the approval to count the instruments as Tier II capital. This instrument reinforces the financial stability and prepares the Bank for a strong future expansion.

Statements of Comprehensive Income (Consolidated Financial Statements)

| | For the 3 months ended | | | For the year ended | | |
|--|------------------------|--------------|--------------|--------------------|----------------------------|---------------|
| | 4Q14 | 3Q14 | Change (%) | Y2014 | Y2013 | Change (%) |
| Audited Financial Statements | | | | | | |
| Operating Performance (Million Baht) | | | | | Excluding Extra Items** | |
| Interest Income | 12,773 | 13,029 | -1.97% | 52,445 | 53,879 | -2.66% |
| Interest Expenses | 6,050 | 6,119 | -1.13% | 24,884 | 27,290 | -8.82% |
| Net Interest Income | 6,723 | 6,910 | -2.71% | 27,561 | 26,589 | 3.66% |
| Non-interest Income | 3,315 | 2,804 | 18.21% | 11,750 | 12,731 | -7.71% |
| Net Operating Income ⁽¹⁾ | 10,038 | 9,714 | 3.33% | 39,311 | 39,320 | -0.02% |
| Other Operating Expenses | 5,111 | 4,935 | 3.57% | 19,515 | 20,408 | -4.37% |
| Pre-provision Operating Profit | 4,927 | 4,779 | 3.09% | 19,796 | 18,912 | 4.67% |
| Impairment Loss of Loans and Debt Securities | 1,613 | 1,789 | -9.85% | 7,122 | 6,117 | 16.43% |
| Profit before Tax | 3,314 | 2,991 | 10.82% | 12,674 | 12,796 | -0.95% |
| Income Tax | 722 | 563 | 28.24% | 2,752 | 2,695 | 2.12% |
| Profit for the Period | 2,592 | 2,428 | 6.78% | 9,922 | 10,101 | -1.77% |
| Operating Performance Ratios | | | | | | |
| ROAA (%) | 1.04 | 0.98 | 1.03 | 0.98 | 0.99 | 0.00 |
| ROAE (%) | 10.11 | 9.86 | 11.57 | 9.92 | 11.21 | 0.00 |
| Interest Spread ⁽²⁾ (%) | 2.65 | 2.71 | 2.60 | 2.68 | 2.62 | 0.00 |
| Loan Spread ⁽³⁾ (%) | | | | | | |
| Credit Cost (%) | 0.85 | 0.92 | 3.15 | 0.94 | 0.77 | 0.00 |
| Non-interest Income Ratio ⁽⁴⁾ (%) | 33.02 | 28.87 | 31.23 | 29.89 | 32.38 | 0.00 |
| Cost to Income Ratio ⁽⁵⁾ (%) | 50.92 | 50.80 | 49.27 | 49.64 | 51.90 | 0.00 |
| TRIS Rating | AA- (stable) | AA- (stable) | | AA- (stable) | AA- (stable) | |
| | 31-Dec-14 | 30-Sep-14 | 31-Dec-13 | | | |
| Financial Position (Million Baht) | | | | | | |
| Loans | 754,370 | 770,571 | 790,017 | | | |
| Total Assets | 1,008,890 | 987,864 | 1,038,349 | | | |
| Deposits and Debt Issued and Borrowings | 787,189 | 794,118 | 811,308 | | | |
| Total Liabilities | 902,725 | 884,996 | 941,109 | | | |
| Equity | 104,977 | 101,724 | 97,240 | | | |
| Financial Position Quality | | | | | | |
| Loan to Deposit and Borrowing (%) | 95.83 | 97.03 | 97.38 | | | |
| NPL (MB) | 32,761 | 36,371 | 36,377 | | | |
| NPL Ratio (%) | 4.09 | 4.53 | 4.36 | | | |
| Coverage Ratio ⁽⁶⁾ (%) | 85.52 | 82.32 | 83.36 | | | |
| Reserve to Required Reserve ⁽⁷⁾ (%) | 133.38 | 130.99 | 127.87 | | | |

(1) Net Operating Income = Net Interest Income + Non-interest Income. In 2014, net operating income includes profit from discontinued operations of 354 million baht

(2) Interest Spread = Yield - Cost of Fund

Yield = Interest Income / Average Earning Assets

Cost of Fund = Interest Expenses / Average Paying Liabilities

(3) Loan Spread = Yield on Loan - Cost of Fund

Yield on Loan = Interest Income on Loans / Average Earning Assets

(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)

(6) Coverage Ratio = Reserve / NPLs

(7) Reserve to Required Reserve = Reserve / Required Reserve by BOT

* 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 of the Year 2014

Operating Result Overview

During the second quarter of 2013 the Bank has sold Thanachart Life Assurance to Prudential Life Insurance and realized 12,216 million baht gains on sale. Also, the Bank has set aside 5,380 million baht in special provision. These 2 activities which occurred in the 2nd quarter of 2013 are considered key extraordinary items, and therefore, will be excluded in the operating results of 2013 for a fair and true comparison to the operating results of 2014.

During 2014 automotive loan market continued to contract and persists to negate the HP loan business. The Bank re-strategized and focused on growth in other loan types while effectively managed reserve and NPL. Cost of fund was efficiently managed while operating expenses were consistently controlled. As a result, **pre-provision operating profit (PPOP) of the Bank and its subsidiaries** in 2014 was 19,796 million baht, an increase of 884 million baht or 4.67 percent from last year, not including extra income as mentioned above.

With cost of fund being efficiently managed, **net interest income (NII)** increased by 3.66 percent from last year. On the other hand, **non-interest income (NIR)** decreased by 7.71 percent due to dividend income from Vayupak fund which was already matured last year. **Operating expenses (OPEX)** decreased by 4.37 percent.

Amid sluggish economy and depressive used car market in 2014, the Bank re-focused its effort on managing NPL which resulted in increases in reserve as compared to last year. The Bank and its subsidiaries were able to reduce its NPL with **NPL ratio** decreased to 4.09 percent while the NPL has been on the uptrend across the industry. Furthermore, **coverage ratio** increased to 85.52 percent. As a result, the Bank and its subsidiaries had a **net profit** of 9,922 million baht, a decrease of 179 million baht or 1.77 percent, not including extra items. Key factors affecting operating result were as follows.

Net Interest Income

Unit: Million Baht

| Net Interest Income | 4Q14 | 3Q14 | Change % | 2014 | 2013 | Change % |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest Income | 12,773 | 13,029 | (1.97) | 52,445 | 53,879 | (2.66) |
| Interbank and Money Market Items | 462 | 503 | (8.17) | 1,894 | 1,870 | 1.29 |
| Investments for trading | 10 | 16 | (37.11) | 237 | 457 | (48.04) |
| Investments for debts securities | 1,040 | 942 | 10.39 | 4,106 | 3,861 | 6.36 |
| Loans | 5,034 | 5,183 | (2.87) | 20,320 | 21,239 | (4.33) |
| Hire Purchase and Financial Leases | 6,227 | 6,385 | (2.48) | 25,887 | 26,452 | (2.14) |
| Interest Expenses | 6,050 | 6,119 | (1.13) | 24,884 | 27,290 | (8.82) |
| Deposits | 3,899 | 4,034 | (3.35) | 16,225 | 17,861 | (9.16) |
| Interbank and Money Market Items | 213 | 200 | 6.50 | 1,092 | 1,520 | (28.16) |
| Fund Contributed to FIDF and DPA | 884 | 894 | (1.14) | 3,556 | 3,598 | (1.18) |
| Debts Issued | 1,053 | 987 | 6.69 | 4,002 | 4,302 | (6.96) |
| Borrowing Fee | 1 | 4 | (70.73) | 9 | 9 | 2.22 |
| Net Interest Income | 6,723 | 6,910 | (2.71) | 27,561 | 26,589 | 3.66 |

In 2014, the Bank and its subsidiaries' **net interest income was in the amount of 27,561 million baht, an increase of 972 million baht or 3.66 percent** compared to last year.

- Interest income decreased by 1,434 million baht or 2.66 percent from last year due to yield on earning assets which declined in line with trend of market rate.
- Interest expenses decreased by 2,406 million baht or 8.82 percent due to a strategy to manage liquidity and cost of fund appropriately and effectively.

Consequently, interest spread in 2014 was 2.68 percent, an increase from 2.62 percent. Details are shown in the table below.

Unit: Percent

| | 4Q13 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 2013 | 2014 |
|------------------------------|------|------|------|------|------|------|------|
| Average Policy Interest Rate | 2.40 | 2.19 | 2.00 | 2.00 | 2.00 | 2.58 | 2.05 |
| Yield | 5.76 | 5.63 | 5.62 | 5.55 | 5.48 | 5.79 | 5.57 |
| Cost of Fund | 3.15 | 3.05 | 2.83 | 2.85 | 2.83 | 3.17 | 2.89 |
| Interest Spread | 2.61 | 2.58 | 2.80 | 2.71 | 2.65 | 2.62 | 2.68 |

Non-interest Income

Unit: Million Baht

| Non-interest Income | 4Q14 | 3Q14 | Change % | 2014 | 2013** | Change % |
|--|-------|-------|-------------|--------|--------|-------------|
| Net Fees and Service Income | 2,028 | 1,339 | 51.41 | 5,927 | 6,115 | (3.08) |
| Gains on Trading and Foreign Exchange Transactions | 180 | 147 | 21.99 | 859 | 531 | 61.78 |
| Gains on Investments | 71 | 129 | (45.39) | 769 | 865 | (11.10) |
| Share of Profit from Investments in Associated Companies | | | | | | |
| Accounted for under Equity Method | 40 | 45 | (10.65) | 152 | 415 | (63.44) |
| Gains on Properties Foreclose and Other Assets | 1 | 14 | (92.18) | 240 | 79 | 202.78 |
| Net Insurance Premium/ Life Insurance Premium Income* | 606 | 587 | 3.30 | 2,091 | 2,282 | (8.41) |
| Dividend Income | 25 | 158 | (84.20) | 305 | 562 | (45.76) |
| Other Income | 364 | 384 | (5.15) | 1,408 | 1,882 | (25.16) |
| Operating Income | 1,287 | 1,465 | (12.14) | 5,823 | 6,616 | (11.99) |
| Non-interest Income | 3,315 | 2,804 | 18.21 | 11,750 | 12,731 | (7.71) |

* Excluding Thanachart Life Assurance

** Excluding gain from selling Thanachart Life Assurance

Non-interest income in 2014 was in the amount of 11,750 million baht, an increase of 981 million baht or 7.71 percent from last year. Although non-interest income from normal business activities showed sign of improvement, there were decreases in brokerage fee, share of profit from investments accounted for under equity method and dividend income.

- **Net fee and service income** in 2014 was in the amount of 5,927 million baht, a decrease of 188 million baht or 3.08 percent, mainly due to a decrease in brokerage fee which was in line with depressive stock market activities in the first half of the year.
- **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 properties foreclose and other assets, net insurance premium, dividend income and other income.

In 2014, operating income amounted to 5,823 million baht, a decrease of 793 million baht or 11.99 percent from last year. This was mainly due to a decrease of 258 million baht or 45.81 percent in dividend income as Vayupak fund expired last year, a decrease of 263 million baht or 63.45 percent in share of profit from investments accounted for under equity method, and a decrease of 474 million baht in other income due to profit from discontinued operation in 2013 (from sale of Thanachart Life Assurance).

As a result, non-interest income ratio was 29.89 percent, a decrease from last year at 32.38. Non-interest income to average asset was 1.17 percent, a decrease from last year at 1.25 percent.

Other Operating Expense

Unit: Million Baht

| Other Operating Expenses | 4Q14 | 3Q14 | Change % | 2014 | 2013 | Change % |
|---------------------------------------|--------------|--------------|-------------|---------------|---------------|---------------|
| Personnel Expenses | 2,689 | 2,781 | (3.31) | 10,780 | 10,466 | 3.00 |
| Premises and Equipment Expenses | 770 | 725 | 6.21 | 2,928 | 3,013 | (2.81) |
| Taxes and Duties | 221 | 210 | 5.47 | 849 | 889 | (4.43) |
| Directors' Remuneration | 7 | 6 | 23.18 | 43 | 38 | 14.24 |
| Other Expenses | 1,423 | 1,213 | 17.33 | 4,915 | 6,003 | (18.12) |
| Total Other Operating Expenses | 5,111 | 4,935 | 3.57 | 19,515 | 20,408 | (4.37) |

In 2014, **other operating expenses amounted to 893 million baht, a decrease of 893 million baht or 4.37 percent** from last year. Key factors include the following.

- Personnel expenses increased by 314 million baht or 3.00 percent following the increase in salaries.
- Premises and equipment expenses decreased by 85 million baht, as a result of policy to control cost and increase productivity in cost utilization. The Bank however continued to progress with information and technology system development in order to increase the work capability and efficiency, as well as, improving the service level of all branch network.
- Taxes and duties decreased by 40 million baht or 4.43 percent from special business tax which declined in line with a decrease in interest income from loans.
- Other expenses decreased by 1,088 million baht or 18.12 percent due to a decrease in sale promotion and marketing activities expenses following a decrease in business volume.

A success from strong company's policy and consistent effort to manage cost and utilize expenses efficiently resulted in cost to income ratio in 2014 to be 49.64 percent, a decrease from 51.90 percent. Operating expenses to average asset was at 1.94 percent, a decrease from 2.00 percent last year.

Impairment Loss of Loans and Debt Securities

Unit: Million Baht

| Impairment Loss of Loans and Debt Securities | 4Q14 | 3Q14 | Change % | 2014 | 2013* | Change % |
|---|--------------|--------------|---------------|--------------|--------------|--------------|
| Impairment Loss of Loans | 1,604 | 1,788 | (10.33) | 7,110 | 6,113 | 16.31 |
| Loss from Debt Restructuring | 9 | 1 | 1,251.63 | 12 | 4 | 190.67 |
| Loss from impairment of debt securities | - | - | - | (0) | (0) | (95.54) |
| Total Impairment Loss of Loans and Debt Securities | 1,613 | 1,789 | (9.85) | 7,122 | 6,117 | 16.43 |
| Credit Cost (%) | 0.85 | 0.92 | (7.91) | 0.94 | 0.77 | 21.93 |

* Excluding extra provision of 5,380 million baht

Amid sluggish economy and depressive used car market in 2014, the Bank re-focused its effort on managing NPL which resulted in **1,005 million baht increase in impairment loss of loans and debt securities to the amount of 7,122 million baht**. Credit cost in 2014 was at 0.94 percent, an increase from 0.77 last year. However, NPL ratio decreased from the previous year. Details are shown in the NPL section.

Net Profit Attributable to the Bank

In 2014, **net profit attributable to the Bank amounts to 9,922 million baht, a decrease of 179 million baht or 1.77 percent**. Earning per share (EPS) for the year 2014 was 1.80 baht, a decrease from 1.83 baht last year. ROAA and ROAE are at 0.98 percent and 9.92 percent respectively.

| Audited Financial Statements | For the 3 months ended | | | For the year ended | | |
|--|------------------------|--------------|------------|----------------------------|---------------|--------------|
| | 4Q14 | 3Q14 | Change (%) | Y2014 | Y2013 | Change (%) |
| Operating Performance (Million Baht) | | | | Excluding Extra Items** | | |
| Profit for the period | 2,636 | 2,510 | 5.1 | 10,195 | 10,317 | (1.2) |
| Net Profit Attributable to the Bank | 2,592 | 2,428 | 6.8 | 9,922 | 10,101 | (1.8) |
| Net Profit Attributable to Non-controlling interests | 44 | 82 | (46.1) | 273 | 216 | 26.4 |
| Earning per Share (Baht) | 0.47 | 0.44 | | 1.80 | 1.83 | |
| ROAA (%) | 1.04 | 0.98 | | 0.98 | 0.99 | |
| ROAE (%) | 10.11 | 9.86 | | 9.92 | 11.21 | |

Financial Position

Unit: Million Baht

| Consolidated Statements of Financial Position | 31 December 2014 | | 31 December 2013 | | Change |
|---|------------------|---------------|------------------|---------------|---------------|
| | Amount | % | Amount | % | % |
| Interbank and Money Market Items-net | 65,433 | 6.49 | 69,697 | 6.71 | (6.12) |
| Investment-net | 149,609 | 14.83 | 138,825 | 13.37 | 7.77 |
| Investment in Associated Company-net | 1,919 | 0.19 | 1,835 | 0.18 | 4.57 |
| Loans to Customers and Accrued Interest Receivables | 755,150 | 74.85 | 791,026 | 76.18 | (4.54) |
| Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring | (27,800) | (2.77) | (30,083) | (2.90) | (7.59) |
| Intangible Assets Acquired in a Business Combination | 3,417 | 0.34 | 3,843 | 0.37 | (11.09) |
| Goodwill | 17,951 | 1.78 | 17,951 | 1.73 | - |
| Other Assets | 26,606 | 2.64 | 27,315 | 2.63 | (2.59) |
| Total Assets | 1,008,890 | 100.00 | 1,038,349 | 100.00 | (2.84) |
| Deposits | 696,992 | 69.10 | 719,079 | 69.25 | (3.07) |
| Interbank and Money Market Items | 80,270 | 7.96 | 81,082 | 7.81 | (1.00) |
| Debt Issued and Borrowings | 90,198 | 8.94 | 92,229 | 8.88 | (2.20) |
| Other Liabilities | 35,267 | 3.50 | 48,719 | 4.69 | (27.61) |
| Total Liabilities | 902,726 | 89.48 | 941,109 | 90.64 | (4.08) |
| Bank's Shareholders' Equity | 104,977 | 10.40 | 96,218 | 9.27 | 9.10 |
| Non-controlling Interests | 1,187 | 0.12 | 1,022 | 0.10 | 16.22 |
| Total Shareholders' Equity | 106,164 | 10.52 | 97,240 | 9.36 | 9.18 |
| Total Liabilities and Shareholders' Equity | 1,008,890 | 100.00 | 1,038,349 | 100.00 | (2.84) |
| Book Value per Share (Baht) | 19.25 | | 17.64 | | |

Assets

As of 31 December 2014 **total assets of the Bank and its subsidiaries amounted to 1,008,890 million baht, a decrease of 29,459 million baht or 2.84 percent** from last year. Key factors are as follows:

- Net interbank and money market amounted to 65,433 million baht, a decrease of 4,264 million baht or 6.12 percent from last year due to liquidity management.
- Net investments amounted to 149,609 million baht, an increase of 10,784 million baht or 7.77 percent from investment in private debt securities.
- Loans and accrued interest receivables amounted to 755,150 million baht, a decrease of 35,877 million baht or 4.54 percent. This was due to a decrease of hire purchase loan, a result of slowdown in automotive market. Hire purchase loans decreased by

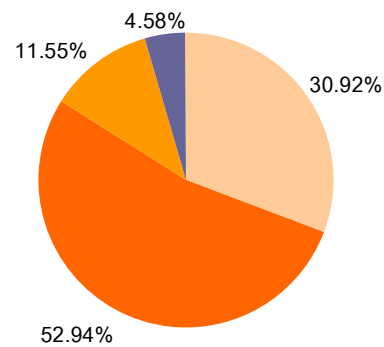
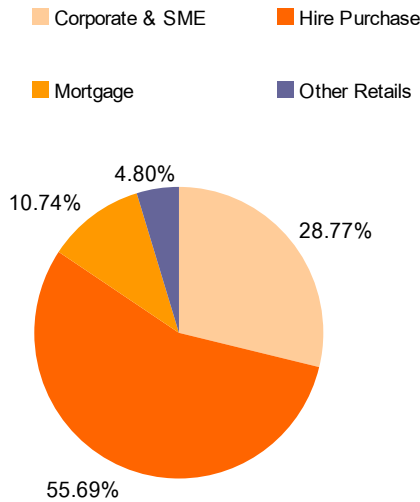
9.27 percent while corporate, SME and housing loans increased by 2.66 percent, as a result of loan portfolio diversification. Furthermore, NPL reduced due to consistent effort to improve asset quality. Portion of retail loans to corporate and SME loans is 69 to 31.

Details of the loan breakdown were as follows:

Loan Breakdown (Percent)

31 December 2013

30 December 2014



Liabilities

Total liabilities of the Bank and its subsidiaries as of 31 December 2014 amounted to 902,726 million baht, a decrease of 38,383 million baht or 4.08 percent from last year. Details are as follows.

Unit: Million Baht

| | 31 December 2014 | | 31 December 2013 | | Change |
|--|------------------|---------------|------------------|---------------|---------------|
| | Amount | % | Amount | % | % |
| Deposits and Debt Issued and Borrowings | | | | | |
| Current | 8,673 | 1.10 | 8,768 | 1.08 | (1.08) |
| Savings | 240,592 | 30.56 | 239,231 | 29.49 | 0.57 |
| Fixed Deposits | | | | | |
| Less than 6 Months | 64,573 | 8.20 | 99,551 | 12.27 | (35.14) |
| 6 Months and up to 1 Year | 13,696 | 1.74 | 167,756 | 20.68 | (91.84) |
| Over 1 Year | 140,804 | 17.89 | 197,532 | 24.35 | (28.72) |
| Certificate of Deposit | 228,654 | 29.05 | 6,241 | 0.77 | 3,563.73 |
| Debt Issued and Borrowings | 90,198 | 11.46 | 92,229 | 11.37 | (2.20) |
| Total Deposits and Debt Issued and Borrowings | 787,189 | 100.00 | 811,308 | 100.00 | (2.97) |

- Deposits and borrowings amounted to 787,189 million baht, a decrease of 24,119 million baht or 2.97 percent from last year as a result of deposit restructuring and liquidity management strategy.

CASA to total deposits portion was 35.76 percent, an increase from 34.49 percent.

- Interbank and money market items amounted to 80,270 million baht, a decrease of 812 million baht or 1.00 percent, due to liquidity management.

Shareholders' Equity

Total shareholders' equity as of 31 December 2014 was at the amount of 106,164 million baht, an increase of 8,924 million baht or 9.18 percent from 2013 which comprised of the following:

- The Bank's shareholders' equity amounted to 104,977 million baht, an increase of 8,759 million baht or 9.10 percent. This was due to 9,922 million baht net profit from the Bank and its subsidiaries' operations in 2014, 4,481 million baht dividend payment from 2013 operating results and 1,318 million baht from revaluation on investments.
- Equity attributable to non-controlling interest amounted to 1,187 million baht, an increase of 166 million baht or 16.22 percent as a result of profitable operating results of subsidiaries.

NPL

| | TBANK | | TBANK Consol | |
|---------------------------------|-----------|-----------|--------------|-----------|
| | 31-Dec-14 | 31-Dec-13 | 31-Dec-14 | 31-Dec-13 |
| NPL-gross (Million Baht) | 22,595 | 24,394 | 32,761 | 36,377 |
| Total Allowance* (Million Baht) | 20,480 | 21,755 | 28,017 | 30,323 |
| NPL-gross to Total Loans (%) | 2.97 | 3.07 | 4.09 | 4.36 |
| NPL-net to Total Loans (%) | 1.59 | 1.66 | 2.07 | 2.25 |
| Reserve to Required Reserve (%) | 138.16 | 138.38 | 133.38 | 127.87 |
| Coverage Ratio (%) | 90.64 | 89.18 | 85.52 | 83.36 |

* Including revaluation allowance for debt restructuring

Although market and economic conditions slowed down and NPL was on the uptrend across the industry, the Bank and its subsidiaries managed to reduce NPL through systematic and effective control. Consequently, **NPL as of 31 December 2014 was at 32,761 million baht, a decrease of 3,616 million baht or 9.94 percent** from last year.

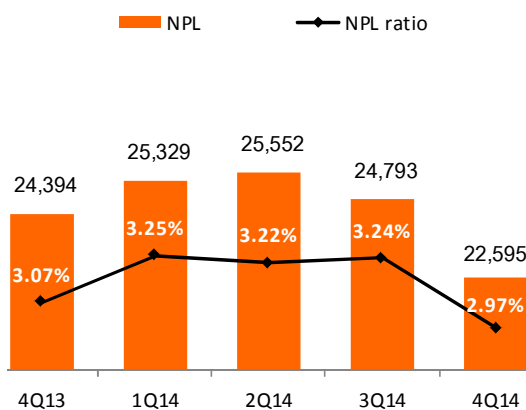
The Bank's NPL ratio was at 2.97 percent, a decrease from 3.07 percent due to management effort amidst decrease in loan volume. The Bank and its subsidiaries' NPL ratio was at 4.09 percent, a decrease from 4.36 percent last year.

Coverage ratio of the Bank as of the end of December 2014 was at 90.64 percent, an increase from 89.18 percent as at the end of December 2013. Excess to required reserve was in the amount of 5,657 million baht, reserve to required reserve was 138.16 percent similar to 138.38 percent last year.

Coverage ratio of the Bank and its subsidiaries as of the end of December 2014 was at 85.52 percent, an increase from 83.36 percent as at the end of December 2013. Excess to required reserve was in the amount of 7,012 million baht, reserve to required reserve was 133.38 percent, an increase from 127.87 percent as at the end of December 2013.

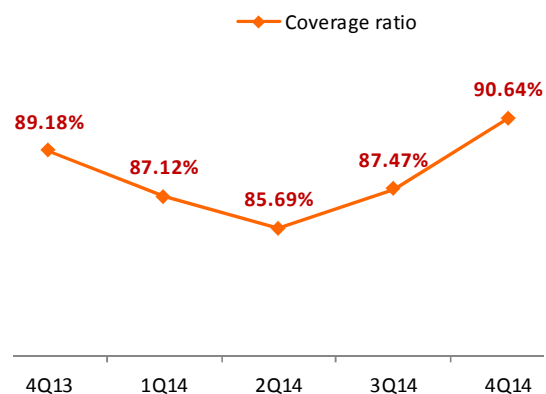
NPL (MB) and NPL Ratio (%)

Bank Only



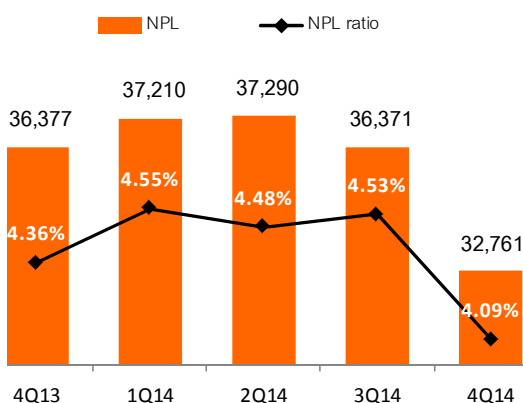
Coverage Ratio (%)

Bank Only



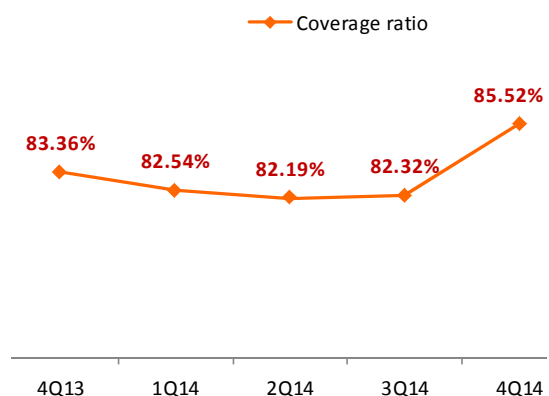
NPL (MB) and NPL Ratio (%)

Bank and Its Subsidiaries



Coverage Ratio (%)

Bank and Its Subsidiaries



Capital Adequacy

The Bank has capitals according to Basel III regulation was in the amount of 114,636 million baht as of 31 December 2014, of which 77,510 million baht was Tier I capital (including common equity Tier 1 and additional Tier I), and 37,126 million baht was Tier II capital. BIS ratio was at 15.83 percent, of which 10.70 percent was Tier I capital and 5.13 percent was Tier II capital, as compared to BIS ratio of 14.80 percent in 2013. In 2014 the Bank has redeemed 17,000 million baht in subordinated debentures and issued 13,000 million baht of a new Basel III compliance Tier II capital subordinated unsecured instruments with 6.00 percent per annum and maturity of 10.5 years.

Unit: Percent

| TBANK's Capital Adequacy | TBANK's Capital Ratio | | | Minimum required by BOT |
|--|-----------------------|-------|-------|----------------------------|
| | 4Q14 | 3Q14 | 4Q13 | |
| Total Tier I to Risk-weighted Assets | 10.70 | 10.37 | 9.47 | 6.00 |
| Total Common Equity Tier I to Risk-weighted Assets | 9.92 | 9.60 | 8.61 | 4.50 |
| Total Tier II to Risk-weighted Assets | 5.13 | 4.98 | 5.33 | 2.50 |
| Total Capital to Risk-weighted Assets | 15.83 | 15.35 | 14.80 | 8.50 |

Operating Results of Subsidiary Companies

Unit: Million Baht

| Subsidiaries | % holding Direct/Indirect | Net Profit (Loss) | | | | |
|--|------------------------------|-------------------|-------|-------|--------|--------|
| | | 4Q14 | 3Q14 | 2014 | 2013 | 2013* |
| Consolidated Financial Statements | | 2,592 | 2,428 | 9,922 | 15,385 | 10,101 |
| Thanachart Bank Plc. | | 1,943 | 1,103 | 7,918 | 14,113 | 7,713 |
| Thanachart Securities Plc. | 100.00% | 225 | 154 | 561 | 801 | 801 |
| Thanachart Fund Management Company Limited | 75.00% | 65 | 74 | 290 | 285 | 285 |
| Thanachart Insurance Plc. | 100.00% | 240 | 257 | 1,047 | 953 | 953 |
| TS AMC Company Limited | 100.00% | 64 | 699 | 320 | 404 | 404 |
| Ratchthani Leasing Plc. | 65.18% | 143 | 193 | 704 | 754 | 754 |

* Excluding gain from selling Thanachart Life Assurance and extra provision

Thanachart Securities Public Company Limited

Average daily trading volume of Thanachart Securities in 2014 was 3,745 million baht, a decrease from 4,074 million baht per day in 2013. Market share in this year was 4.51 percent. The decrease in daily trading was in line with the slowdown in overall stock market condition. The trading volume could be divided into 72.38 percent of retails, 15.25 percent of institutions, and 12.37 percent of foreign investors.

Net profit for the year 2014 was 561 million baht, a decrease of 240 million baht or 29.95 percent from the previous year. Total income was 2,047 million baht, a decrease of 14.81 percent. Main sources of income comprised of 1,574 million baht in brokerage income, 110 million baht in

fees and service income, and 187 million baht in interest income on margin loans. Financial costs and operating expenses were 1,354 million baht, a decrease from the previous year in line with the decrease in business volume and revenue.

As of 31 December 2014, Thanachart Securities maintained its liquidity ratio at 64.79 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 2014, Thanachart Fund Management had asset under management of 164,128 million baht, an increase of 29,725 million baht or 22.12 percent from the end of 2013. The increase was mainly from money market funds and fixed income funds. Assets under management comprised of 83.13 percent mutual fund, 9.69 percent private fund, and 7.18 percent provident fund. At the end of 2014, mutual fund business of the company ranked 8 with market share of 3.58 percent, an increase from the end of 2013, due to an increase in the AUM of fixed income fund. Private fund business ranked 10 with market share of 2.76 percent while provident fund business ranked 13 with market share of 1.40 percent.

For operating results of 2014, the company had a **net profit of 290 million baht, an increase of 5 million baht or 1.69 percent** from the previous year. This was due to an increase in fees and service income of 33 million baht or 4.15 percent.

Thanachart Insurance Public Company Limited

Thanachart Insurance Public Company Limited had a **net profit of 1,047 million baht in 2014, a decrease of 94 million baht or 9.86 percent** from the previous year. The key factors were given to insurance premium income, which amounted to 5,641 million baht, an increase of 61 million baht or 1.11 percent. This was due to a focus on products that meet the needs of target customers such as 2 plus insurance and personal accident insurance. Moreover, in 2014, the company had income from investment amounting to 414 million baht, an increase of 42 million baht or 11.29 percent from the previous year. Claims and were 2,775 million baht, an increase of 19 million baht or 0.65 percent while operating expenses were 654 million baht, an increase of 41 million baht or 6.68 percent.

TS AMC Company Limited

TS AMC has been restructuring debts in accordance with the policy and business plan of Thanachart Group. As of 31 December 2014, the company's the total assets were 7,649 million baht, a decrease of 1,409 million baht or 15.56 percent from the end of previous year. This was a result of its effective management of non-performing loans and properties foreclosed. For the operating result of the year 2014, its **net profit amounted to 320 million baht**. Income from debt settlement amounted to 558 million baht and interest expenses were 118 million baht. At the same time, gains on properties foreclosed and other income amounted to 144 million baht while operating

expenses and impairment loss of properties foreclosed were 164 million baht and 22 million baht, respectively. The company has restructured 175 loan accounts and had income from debt restructuring of 505 million baht.

Ratchthani Leasing Public Company Limited

As of 31 December 2014, Ratchthani Leasing Public Company Limited still had a strong financial structure during the economic slowdown. Its total assets amounted to 27,864 million baht, an increase of 571 million baht or 2.09 percent from the end of previous year. The company had hire purchase loans of 27,026 million baht or accounting for 96.99 percent of total assets. Total liabilities and shareholders' equity were 23,985 million baht and 3,879 million baht, respectively.

The company's **net profit for the year 2014 was 704 million baht, a decrease of 50 million baht or 6.65 percent** from the previous year. Total income in 2014 was 2,754 million baht, an increase of 357 million baht or 14.88 percent, due to the fact that the company was trying to maintain its hire purchase loans base. Interest expenses were 1,072 million baht, an increase of 155 million baht or 16.86 percent from acquiring more funds to support loan growth in 2014. Provision expenses were 432 million baht, an increase of 163 million baht or 60.66 percent. Part of those provision expenses was additionally provided to protect against the economic slowdown.

Risk Management and Risk Factors

As of 31 December 2014 TBANK's total capital according to Basel III regulation amounted to 114,636 million baht, an increase from 110,683 million baht at the end of previous year. Tier 1 capital amounted to 77,510 million baht which comprised of common equity Tier I of 71,806 million baht and Hybrid Tier 1 of 5,704 million baht, an increase from 70,817 million baht of the previous year. Tier 2 capital amounted to 37,127 million baht, a decrease from the previous year of 39,865 million baht. This was due to 17,000 million baht subordinated debenture redemption which was partially offset by an issuance of 13,000 million baht of Basel III compliance Tier II capital subordinated unsecured instruments.

Unit: Million Baht

| Capital Fund | Basel III | | | |
|------------------------------|-----------|-----------|----------|---------|
| | 31-Dec-15 | 31-Dec-56 | Variance | % |
| Tier I Capital | 77,510 | 70,817 | 6,692 | (8.63) |
| Common Equity Tier I Capital | 71,806 | 64,400 | 7,405 | (10.31) |
| Tier II Capital | 37,127 | 39,865 | (2,738) | 7.38 |
| Total Capital Fund | 114,636 | 110,683 | 3,954 | (3.45) |
| Risk Weighted Assets | 724,209 | 749,571 | (25,363) | 3.50 |

Credit risk decreased due to a decrease in loan portfolio, particularly hire purchase loans which declined with the slow automotive market during 2014. Despite NPL industry uptrend during the year, the Bank has managed NPL systematically and effectively. Consequently, NPL amounted to 22,595 million baht as of 31 December 2014, a decrease of 1,799 million baht or 7.37 percent from the end of the previous year. NPL ratio of the Bank was at 2.97 percent, a decrease from 3.07 percent of the previous year.

During 2014 the Bank has applied collective approach for its retail portfolio which resulted in reserve that better reflects the Bank's loan risk profile. Coverage ratio of the Bank as of 31 December 2014 was at 90.64 percent, an increase from 89.18 percent of the previous year. The Bank had 5,657 million baht in excess reserve based on BOT regulation with 138.16 percent reserve to required reserve as of 31 December 2014, close to 138.38 percent as of 31 December 2013, a result of vigilant reserve policy.

Market risk increased from investment in government and state enterprise bonds, private debt securities, and equity securities following the Bank's liquidity management.

Capital was adequate with common equity Tier 1 ratio, Tier 1 ratio, and total capital ratio at 9.92, 10.70, and 15.83 percent, respectively. These are higher than the minimum requirement by the Bank of Thailand at 4.50, 6.00, and 8.50 percent, respectively.

In summary, risk evaluation concluded that the Bank's risk level is within the controlled limit and the Bank has sufficient capital after risk allocation to support business expansion in sustainable and secure manners as planned.

Disclaimer

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