

Six Strategic Intents for the Business Operation in 2012

1. We intend to provide our customers with a superior experience by offering the best service and a total financial solution to their unique needs.
2. We intend to increase our productivity and customer satisfaction through strategic investments in our people, leadership, systems and processes.
3. We intend to be the dominant market leader for Hire Purchase Business with increasing share in higher yielding Used and CYC segments.
4. We intend to aggressively grow the housing loan portfolio to be the top five in market share of the Commercial Banking Industry.
5. We intend to grow the Corporate and SME loan portfolios higher than industry average and gain market share.
6. We intend to increase the fee-based income proportion to be on par with industry average.

Vision of Thanachart Group

Being a business group, with cooperation from every department, that offers fully integrated financial services with focus given on providing excellent quality of services and product development to be able to respond to every financial need of its target customer groups.

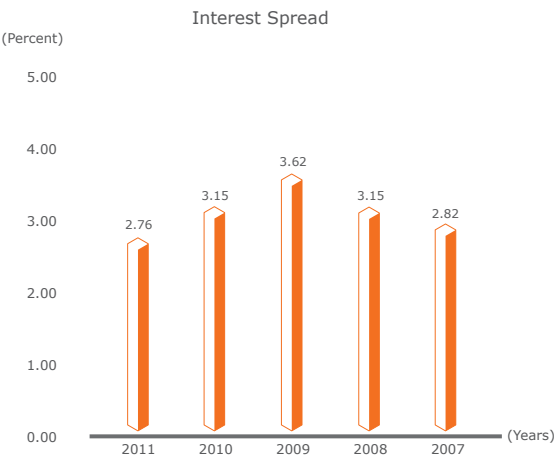
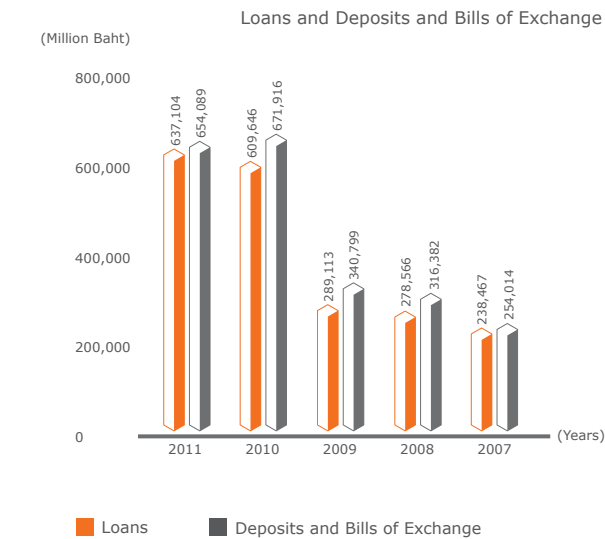
Code of Conduct and Workplace Principles

1. Consciously adhere always to moral principles and ethical behavior.
2. Be steadfast in the discharge of one's work duties by being aware of the responsibilities and accountability that are integral to those assigned duties and their impact in the workplace.
3. Be determined to work together as a team and utilize the enhanced power that flows from the current collaboration among all member companies of Thanachart Group.



FINANCIAL HIGHLIGHTS

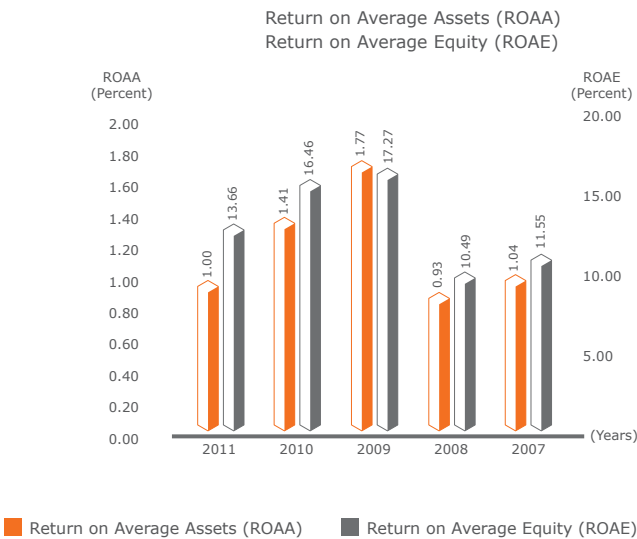
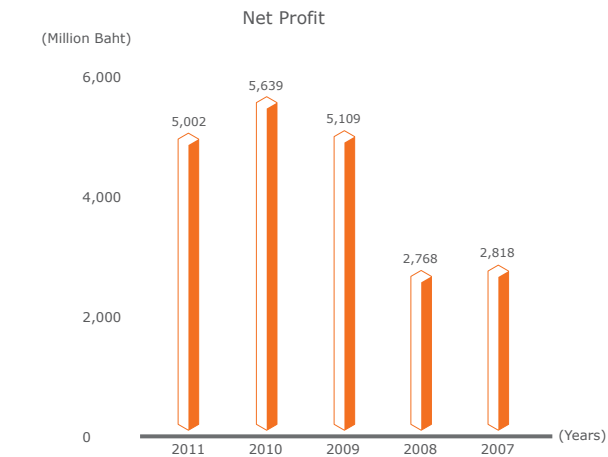
As at and for the year ended 31 December					
Consolidated					
	2011	2010	2009	2008	2007
Operating Results (Million Baht)					
Interest income	44,419	35,027	22,112	21,413	18,799
Interest expenses	20,104	11,998	6,892	9,506	9,707
Net interest income	24,315	23,029	15,220	11,907	9,092
Non-interest income	11,430	10,879	22,310	11,907	10,646
Net operating income ⁽¹⁾	35,745	33,908	37,530	23,814	19,738
Other operating expenses	21,760	17,109	24,517	15,878	12,813
Impairment loss of loans and debt securities	2,077	1,653	2,849	3,594	2,051
Net profit ⁽²⁾	5,002	5,639	5,109	2,768	2,818
Operating Performance Ratio					
Basic earnings per share (Baht)	3.91	4.41	3.99	2.08	2.11
Return on average assets (ROAA) (percent)	1.00	1.41	1.77	0.93	1.04
Return on average equity (ROAE) (percent)	13.66	16.46	17.27	10.49	11.55
Interest spread ⁽³⁾ (percent)	2.76	3.15	3.62	3.15	2.82
Cost to income ratio ⁽⁴⁾ (percent)	60.88	50.46	47.94	55.90	54.67
Balance Sheet Information (Million Baht)					
Loans	637,104	609,646	289,113	278,566	238,467
Total assets	895,157	882,757	459,965	394,090	321,256
Deposits and bills of Exchange	654,089	671,916	340,799	316,382	254,014
Total liabilities	819,476	811,038	412,558	361,729	288,994
Equity ⁽²⁾	38,259	36,092	33,323	26,592	26,208



Notes: In 2011, the presentation of financial statements was restated to be in accordance with the Notification of the Bank of Thailand, Sor Nor Sor 11/2010.
Re: the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Business Group, dated 3 December 2010.
The Company and its subsidiaries have restated 2010 financial statements to be in line with the new presented financial statements. This is for comparable in the annual report. The restated items are as follows:

- Interest income excludes dividend income
- Interest expenses include contribution fee to the Deposit Protection Agency
- Non-interest income includes fees and service expenses and insurance expenses
- Other operating expenses exclude fees and service expenses, insurance expenses, and contribution fee to the Deposit Protection Agency
- Financial ratios are calculated from the outstanding items disclosed in the financial statement of each year

As at and for the year ended 31 December					
Consolidated					
	2011	2010	2009	2008	2007
Balance Sheet Quality					
Loans to deposits and bills of Exchange ratio (percent)	97.40	90.73	84.83	88.05	93.88
NPL-gross to total loans (percent)	5.94	6.00	3.52	3.86	4.70
NPL-net to total loans (percent)	2.84	2.71	0.95	1.24	1.79
Coverage ratio (percent)	67.41	69.73	86.64	81.10	74.75
Total allowance to BOT regulation (percent)	107.74	113.14	107.36	106.81	112.84
Non-performing loans (NPLs) (Million Baht)	40,188	39,663	12,046	12,265	11,260
Capital Measures (Consolidated Supervision of the Bank of Thailand)					
Tier I capital ratio (percent)	8.48	10.44	14.01	12.39	12.98
Total capital ratio (percent)	12.53	13.08	18.00	13.93	13.32
Risk weighted assets (Million Baht)	679,705	618,584	261,467	240,353	211,178
Common Share In					
Share price ⁽⁵⁾ (Baht)					
- High	38.00	42.25	23.90	18.20	18.80
- Low	23.50	18.10	6.80	4.84	10.60
- Closing	26.00	36.00	22.10	7.05	14.60
Market capitalization (Million Baht)	34,662	47,993	29,462	9,399	19,464
Common Shares Outstanding (Million Share)					
Average-basic	1,278	1,278	1,280	1,333	1,333
End of period	1,278	1,278	1,278	1,317	1,333
Book value (Baht)	29.94	28.24	26.08	20.19	19.66
Dividends per share ⁽⁶⁾ (Baht)	0.50	1.20	0.95	0.90	0.90
Other Information					
Employees	16,380	16,932	9,464	9,638	7,181



Definitions and Calculation Formulas

- ⁽¹⁾ Net operating income = Net interest income + Non-interest income
⁽²⁾ Excluding minority interest/Non controlling interests
⁽³⁾ Interest spread = Yield-Cost of fund
Yield = Interest and dividend income/Average earning assets
(Earning assets = Interbank and money market items from interest bearing + net investments + loans)

- Cost of fund = Interest expenses/Average paying liabilities
(Paying liabilities = Total deposits + interbank and money market items from interest bearing + total borrowings)
⁽⁴⁾ Cost to income ratio = Other operation expenses/Net operating income
⁽⁵⁾ Local board/High-low share prices during the year
⁽⁶⁾ Dividends per share for 2011 is interim rate paid



MESSAGE FROM THE CHAIRMAN



The year 2011 represented a year of challenge for Thailand, mainly due to the unprecedented flood crisis which devastated many provinces of the country. The great flood caused severe economic losses as well as heavy civilian casualties and damage. Moreover, the global economy was still affected by the slowdown of the US economy and the debt crisis in Europe. There were also unavoidable adverse effects on tourism, exports and investments for countries in Asia, including Thailand. As regards the Thai economy, inflationary worries prompted the Bank of Thailand "BOT" to raise its benchmark interest rate from the beginning of the year. On the other hand, in view of the flood crisis towards the end of the year, the central bank decided to cut the policy interest rate in order to reduce the adverse impact of the natural disaster. However, the Thai economy contracted in the fourth quarter of the year. As a result, Thai economic growth in 2011 decreased considerably to 0.1 percent from 7.8 percent in 2010.

Thanachart Group also successfully implemented its merger with Siam City Bank in 2011 in accordance with the established corporate plan. In particular, Siam City Bank transferred all its businesses to Thanachart Bank on 1 October 2011. As a result, Thanachart Bank became a commercial bank whose total assets and branch network ranked among the top Thai commercial banks. Both the number of its branches and the number of its ATMs have been increased significantly. The additional distribution channels enable the Bank and members of Thanachart Group to offer more of their financial products and also to give services to their customers more extensively. The developments represent another important foundation for enhancing Thanachart Group's business potential.

In regard to the Company's performance in 2011, the preparation for the merger involved considerable staff participation in order to complete the merger within a tight schedule and to minimize the related impact on customers. As a result, Thanachart Bank was not able to adopt proactive policies throughout the whole year. The flood crisis, for example, forced the Bank to temporarily close 90 of its branches during the flood period. As a result, the Company's growth in 2011 was notably lower than the industry average growth. As well, its performance was weaker than the previous year. Thanachart Group's total assets as at the end of 2011

amounted to 895,157 million baht, an increase of 1.4 percent over the previous year while it recorded a net profit of 5,002 million baht.

In 2012, it is expected that the quality of retail loans in the first quarter will continue to be affected by the flood crisis. In addition, the BOT requires financial institutions to pay a levy of 0.47 percent on deposits, an increase from 0.40 percent previously. Thai financial institutions are also required to pay an additional levy of 0.46 percent on borrowings in the form of bills of exchange. As a result, Thanachart Bank's interest expenses will increase to some extent. On the other hand, to maintain a level playing field, the central bank has decided that state-owned specialized banks are also required to pay equivalent fees to the government. The decision helps narrow the advantages which those state banks have over commercial banks in mobilizing deposits.

The Board of Directors and the various committees have always been fully committed to carrying out duties imposed by the governance and management of the Company and member companies of Thanachart Group. We adhere to the policy of being an organization which is committed to practices

of good corporate governance, by conducting business affairs in an honest manner and being responsible for both society and the environment. We also serve the interests of all stakeholders in an appropriate manner. In addition to such practices which have filtered down through all executives and staff members of Thanachart Group, we strongly believe that our continuous solid growth over the past several years as well as the strong support from Scotiabank and the recent merger with Siam City Bank, all help enhance Thanachart Group's potential for sustainable business growth over the long term.

On behalf of the Board of Directors, I would like to express my thanks to all executives and staff members for carrying out their duties in a dedicated manner. In particular, during the past year, both the executives and the staff members have had to make enormous sacrifices so that the merger with Siam City Bank could be successfully completed in line with the established corporate plan. I would also like to thank Scotiabank for its support and contribution to the successful completion of the merger. Last but not least, I would like to thank our customers and shareholders as well as all the patrons concerned for your continued support and trusted in Thanachart Group.

(Mr. Banterng Tantivit)
Chairman

Thanachart Capital Public Company Limited



MESSAGE FROM THE CHAIRMAN OF THE EXECUTIVE COMMITTEE AND CEO



The year 2011 represented a year of major challenge for Thailand. The flood crisis that took place last year was considered one of the worst natural disasters in Thai history. It inflicted severe damage on agriculture, infrastructure, and production capacity as well as heavy civilian casualties and loss of assets. In addition, the global economy continued to be affected by the slow recovery of the US economy and Europe's debt crisis, producing an unavoidable negative impact on tourism, exports, and investments of countries in Asia, including Thailand.

In relation to the Thai economy, inflationary worries prompted the Bank of Thailand to focus on a proactive policy that promoted economic stability by increasing the benchmark interest rate from the beginning of 2011. On the other hand, the flood crisis towards the end of the year caused the central bank to cut the policy interest rate in order to lessen the negative impact of the natural disaster. However, because of the contraction of the Thai economy in the last quarter of the year, the country's economic growth in 2011 declined to 0.1 percent from 7.8 percent in the previous year. Despite the various negative factors and the intense competition, the commercial banking industry managed to register healthy growth in 2011 with relatively strong loan and deposit growth. As well, the industry was able to lower the level of non-performing loans during the period.

Thanks to the merger with Siam City Bank, Thanachart Bank, which is the Company's subsidiary, has become one of the country's top commercial banks. It now has a larger customer base and a more extensive distribution network, mainly due to the increase in the number of branches and the number of ATMs nationwide. As a result, its business has expanded continuously. In 2011, Thanachart Group's total assets continued to increase. As of the end of 2011, its total loan portfolio reached 637,104 million baht, an increase of 27,458 million baht or 4.5 percent from 2010 with Thanachart Bank still maintaining the leadership position in the automobile hire purchase sector. As a result, the total assets based on the Company's consolidated financial statements as at the end of 2011 amounted to 895,157 million baht, an increase of 12,400 million baht or 1.4 percent over the previous year while it recorded a net profit of 5,002 million baht.

In the past year, Thanachart Group went through the Entire Business Transfer: EBT, the process of transferring the business of Siam City Bank to Thanachart Bank, on 1 October 2011 in line with the established corporate plan. The transfer was undertaken with a view to ensuring that customers of the two banks would be unaffected by the changeover. Moreover, as the merger of the two major banks was considered the most complicated one in the history of Thai financial institutions,

it was essential to make necessary investments to ensure that a solid foundation would be laid for future business operations. That implementation has been successful, thanks to the hard work and complete dedication of the whole staff and the key service providers concerned as well as the support from Scotiabank. Thanachart Group places strong emphasis on building and enhancing its competitiveness with the focus on human resource development as well as development and re-engineering of information technology systems and service delivery and work processes. The main objective is to meet all customer needs more effectively.

In 2012, the country will continue to face tremendous challenges as the global economy recovery is still fraught with uncertainties. On the one hand, although the Thai economy is starting to recover from the flood crisis, the economic recovery is expected to remain weak until the second half of the year. The above outlook also takes into account the intense competition among private financial institutions, state-owned specialized financial institutions as well as the Bank of Thailand's recent policy measure which requires private financial institutions to pay a levy of 0.47 percent on deposits, an increase from 0.40 percent previously, as part of the policy to help fund the repayment of the Financial Institutions Development Fund (FIDF) debt. The measure also requires the financial institutions to pay an additional levy of 0.46 percent on borrowings in the form of bills of exchange. As a result, the economic policy that aims to enhance the strength of the financial institution systems based on equitable treatment of all sectors of the economy will play a critical role in promoting the sustainable competitiveness of the country's finance business over the long term. We're confident that, together with customer trust, Thanachart Group will achieve more stable growth in the future, taking into consideration the Realizing Synergies which are synergies gained from cooperation among Thanachart Group's financial conglomerate, Siam City Bank, and Scotiabank, which takes advantages of their respective financial expertise and operational strengths in enhancing the business operations. Noteworthy too, is also the effective cost management as a result of the integration of their technological expertise and distribution channels consisting of 670 branches and over 2,100 ATMs under the corporate strategy of "Transformation to Strength" which is aimed at transforming existing operations into further nationwide strengths.

Based on the working principles of the Company's Board of Directors which place emphasis on good corporate governance, the management has implemented several measures aimed at continuously promoting good corporate governance. These include the development of policies, announcements, and practice rules, as well as the organization of regular training activities and the conduct of tests on

employee understanding of good corporate governance. The Company's continuous stable growth as well as the confidence of customers, shareholders, and all the concerned parties in the Company are testament to the successful implementation of our good corporate governance practices.

In terms of contributions to society, Thanachart Group has been implementing corporate social responsibility activities for many years. These include assistance to the socially underprivileged through foundations and charitable organizations, purchases of educational equipment and supplies for schools with financially needy students, organization of or support to Thai identity conservation projects, as well as organization of charitable activities. In this connection, on behalf of Thanachart Group's management, I would like to express my deep sympathy to those who were adversely affected by the flood crisis in 2011. To alleviate the plight of the flood victims, Thanachart Group established a number of projects aimed at assisting affected customers. These include a grace period for hire purchase customers, a grace period or extension of principal repayment and interest payment periods for consumer loan customers or home loan customers, special credit lines to assist affected enterprises, as well as the waiver of fees charged on cash withdrawals and transfers through ATMs. For members of the general public who were affected by the flood, staff of Thanachart Group organized a range of activities aimed at helping flood victims in the affected areas. The type of activities was designed to fit the needs of each area, with details given in the section on corporate social responsibility activities in this annual report.

The achievement of the successful merger of the two banks amidst challenges, hardships as well as local and overseas obstacles can be mainly attributed to the complete dedication of Thanachart Group's executives and staff. Their contributions greatly help Thanachart Group and its customers overcome all their obstacles and reach the target destination as planned. This truly demonstrates the spirit and mission of Thanachart Group. I would like to take this opportunity to express my sincere thanks and admiration to all the staff for their great efforts. As well, I would like to express my heartfelt thanks to customers, shareholders as well as all the patrons for your continued support.

(Mr. Suphadej Poonpipat)
Chairman of the Executive Committee
and Chief Executive Officer
Thanachart Capital Public Company Limited



BOARD OF DIRECTOR THANACHART CAPITAL



1. Mr. Banterng Tantivit

Chairman

2. Mr. Suphadej Poonpipat

Vice Chairman, Chairman of the Executive Committee and Chief Executive Officer

3. Mrs. Siripen Sitasuwan

Chairperson of the Audit Committee, Member of the Nomination Committee, and Member of the Remuneration Committee

4. Mr. Somkiat Sukdheva

Chairman of the Nomination Committee, Chairman of the Remuneration Committee, and Member of the Audit Committee

5. Mrs. Puntip Surathin

Member of the Audit Committee, Member of the Nomination Committee, and Member of the Remuneration Committee

6. Mr. Phimol Rattapat

Director

7. Ms. Suvarnapha Suvarnaprathip

Vice Chairperson of the Executive Committee

8. Mr. Somjate Moosirilert

Member of the Executive Committee and Senior Executive Vice President

9. Mr. Taweesak Saksirilarp

Member of the Executive Committee and Executive Vice President



MANAGEMENT DISCUSSION AND ANALYSIS

Thai Economy in 2011 and Outlook for 2012

Thai Economy Grew 0.1 Percent with Numerous Problems

Thailand's economic growth in 2011 was 0.1 percent, representing an increase at a decreasing rate when compared with 7.8 percent in 2010. This could be mainly attributed to a number of risk factors including the slowdown of the global economy, Europe's debt crisis, Thai baht volatility, as well as the impact of Japan's earthquake and tsunami crisis in the second quarter of 2011, which resulted in shortages of replacement parts and raw materials for production processes and exports of the automotive industry in Thailand. The country was also hard hit by the flood crisis towards the end of 2011, which caused extensive damage to agricultural areas and industrial estates. As a result, the country's export sector, consumption, and the investment of the private sector all contracted in the fourth quarter of the year.

On the economic outlook for 2012, it is expected that the domestic economy which was adversely affected by the flood crisis towards the end of 2011 would gradually recover by the middle of 2012. The country's Gross Domestic Product (GDP) in 2012 is expected to grow at 5.5-6.5* percent. The growth will be mainly due to the government's relief and recovery measures and economic stimulus policies to help flood-hit people and businesses. These measures and policies will play an important role in stimulating domestic consumption and investment. Moreover, the financial market saw the easing of monetary policy, as evidenced by the decision of the Bank of Thailand's Monetary Policy Committee to cut its benchmark interest rate by 0.25 percent to 3.00 percent in January 2012. The objective was to stimulate domestic demand which recovered slower than earlier expected.

However, in 2012 the Thai economy is still faced with various risk factors. In fact, it could well be considered a year of challenges that confront both the Thai economy and businesses, mainly as a result of the need to restore infrastructure damaged by last year's flood crisis. At the same time, the country is also faced with global economic uncertainty, financial market volatility in the world economy, and volatile hot-money flow of funds from one country to another, which have a significant impact on both import and export sectors with respect to competitive price setting. Noteworthy too, in assessing the economic outlook are worries about inflationary pressures, as witnessed by the higher prices of commodities such as gasoline whose prices have increased since the beginning of this year, as well as the implementation of the higher minimum wage in line with the government's policy. As a result, Thailand's production costs will be higher than those of other countries in the region. These cost pressures will all exert pressure on small- and medium-sized enterprises. Other risk factors include domestic political uncertainty, the government's populist policies that increase the risk arising from Thailand's fiscal deficit, as well as uncertainty stemming from natural disasters. Taking into consideration the above-mentioned factors, businesses need to tread more cautiously in the conduct of their business affairs in 2012 in order that they will maintain their sustainable competitive advantage in the international market, particularly after Thailand's participation in the ASEAN Economic Community (AEC) in 2015.

Commercial Banking Industry Overview and Competition

In 2011, the Thai commercial banking industry was faced with various risk factors, both local and overseas. These included, among others, Europe's financial crisis and the slow recovery of the U.S. economy which had a negative impact on Asia's economies, including Thailand. As well, the flood crisis in the fourth quarter of the year had adversely affected the country's overall economy. So too did the Monetary Policy Committee's six rapid consecutive increases of its benchmark interest rate over the first eight months of the year from 2.00 percent to 3.50 percent. The moves gave rise to intense competition in mobilizing deposits, particularly against the offers made by state-owned specialized financial institutions. Since the domestic demand recovered slower than earlier forecast, on 30 November 2011 the Monetary Policy Committee decided to cut the benchmark interest rate by 0.25 percent to alleviate the impact. However, the commercial banking industry's total profits witnessed robust growth in 2011. Of their total profits, 133,250 million baht belonged to ten commercial banks listed on the Stock Exchange of Thailand, representing an increase of 20.12 percent from 110,935 million baht

Source: * the Office of the National Economic and Social Development Board

in 2010. This could be mainly attributed to the growth in loans. As at the end of 2011, total loans amounted to 7,589,016 million baht, representing an increase of 14.8 percent compared with 10.7 percent in 2010. The Capital Adequacy Ratio (CAR) remained strong at 14.82 percent with Tier I Capital Ratio standing at 10.98 percent, despite the fact that all commercial banks are required to start adhering to the requirements of International Accounting Standard No. 19 (IAS 19) - Employee Benefits. The Standard requires that all the defined benefits due to employees have to be recognized as expenses. Effective from 1 January 2011, the requirements also include the assessment and recognition of liabilities related to the benefits of employees as a result of retirement. Moreover, some commercial banks have already set aside additional provisions for possible loan losses caused by the flood crisis late last year. Another important change is the adjustment of the deferred tax assets to fair value as a result of the reduction of corporate income tax from 30 percent to 23 percent in 2012.

However, the Financial Sector Master Plan Phase II (2nd interval) will be implemented in 2012. Focus will be given to a less restrictive policy that allows foreign commercial banks to make use of their expertise in developing Thai financial systems. In the initial period, such policy will give rise to more intense competition in the commercial banking industry. Moreover, in 2012 there is a controversial issue related to a change in the government's executive decree which is aimed at improving the handling of the loan extended to the Finance Ministry for the purpose of assisting the Financial Institutions Development Fund. The issue was debated early this year. It is expected that there will be more intense competition for deposits and borrowings during the year. In addition, the commercial banks will still be faced with the risk arising from the quality of loans, particularly those heavily affected by the flood crisis, despite the assistance already given by the commercial banks. Amidst the keener competition and efforts to improve customer service in order to develop a strong customer base for future business, the performance of the Thai commercial banks in 2012 will be affected by the economic vagaries described above, and all these factors will bring with them difficulties for the banking sector and an additional cost of funds.

Financial Position and Performance of the Company and Its Subsidiaries

In 2011, the Entire Business Transfer of Siam City Bank Public Company Limited "SCIB" to Thanachart Bank Public Company Limited "TBANK" (EBT) was a success as it was smoothly implemented in line with the established corporate plan. As a result, TBANK which was the Company's subsidiary became a medium-sized commercial bank with a larger customer base as well as extensive branch and ATM networks nationwide. As well, its business continued to expand amidst the intense competition in the commercial banking industry, the increases in interest rates and the flood crisis towards the end of the year. In 2011, the Company's and its subsidiaries' total assets and loans amounted to 895,157 million baht and 637,104 million baht, representing an increase from the end of the previous year of 1.40 percent and 4.50 percent respectively. Net profit was 5,002 million baht.

(Unit: Million baht)

Consolidated Statements of Comprehensive income	For the Year		Changes	
	2011	2010	Increase/ Decrease	Percent
Interest income	44,419	35,027	9,392	26.81
Interest expenses	(20,104)	(11,998)	(8,106)	(67.56)
Net interest income	24,315	23,029	1,286	5.58
Net Fees and service income	3,372	2,881	491	17.04
Operating income	8,058	7,998	60	0.75
Other operating expenses	(21,760)	(17,109)	(4,651)	(27.18)
Impairment loss of loans and debt securities	(2,077)	(1,653)	(424)	25.65
Profit before income tax and non-controlling interests	11,908	15,146	(3,238)	(21.38)
Income tax	(3,136)	(4,844)	1,708	(35.26)
Non-controlling interest	(3,770)	(4,663)	893	(19.15)
Net profit of the Company	5,002	5,639	(637)	(11.30)

The earnings per share for 2011 amounted to 3.91 baht, compared with 4.41 baht in the previous year. The Return on Average Assets (ROAA) and the Return on Average Equity (ROAE) amounted to 1.00 percent and 13.66 percent respectively.

Net Interest Income

(Unit: Million baht)

Net Interest Income	For the Year		Changes	
	2011	2010	Increase/ Decrease	Percent
Interest income				
Interbank and money market items	2,237	1,057	1,180	111.64
Investments and trading transactions	86	90	(4)	(4.44)
Investments in debt securities	4,143	3,666	477	13.01
Loans	20,942	14,952	5,990	40.06
Hire purchase and financial lease	17,011	15,262	1,749	11.46
Total interest income	44,419	35,027	9,392	26.81
Interest expenses				
Deposits	8,969	5,953	3,016	50.66
Interbank and money market items	1,288	511	777	152.05
Contribution fee to the Deposit Protection Agency	1,955	1,914	41	2.14
Issued debt instruments				
- Subordinated debentures	1,852	1,500	352	23.47
- Unsubordinated debentures	609	698	(89)	(12.75)
- Others	5,427	1,418	4,009	282.72
Borrowings	1	3	(2)	(66.67)
Fees and services expense on borrowings	3	1	2	200.00
Total interest expenses	20,104	11,998	8,106	67.56
Net interest income	24,315	23,029	1,286	5.58

In 2011, the net interest income of the Company and its subsidiaries was 24,315 million baht, an increase of 1,286 million baht or 5.58 percent from the previous year, due mainly to the loans expansion and the increase in market interest rates. The interest income amounted to 44,419 million baht, an increase of 9,392 million baht or 26.81 percent from the previous year while the interest expenses amounted to 20,104 million baht, an increase of 8,106 million baht or 67.56 percent from the previous year in line with the increase in market interest rates.

Interest Spread (Percent)	For the Year	
	2011	2010
Yield ⁽¹⁾	5.46	5.09
Cost of Fund ⁽²⁾	2.70	1.94
Interest Spread	2.76	3.15

Notes: (1) Yield = Interest income / (average interbank and money market items with interest bearing + average net investment + average loans)

(2) Cost of fund = Interest expenses / (average deposits + average interbank and money market items with interest bearing + average borrowings)

The interest rate spread got narrower in line with the continuous increases in the policy interest rate and partly due to the impact of the flood crisis in the last quarter of the year. The interest rate spread in 2011 was 2.76 percent, a decrease from 3.15 percent in the previous year. On the other hand, the yield on earning assets was 5.46 percent, mainly due to the increase in the interest rates in the market, while the cost of funds increased to 2.70 percent in line with the continuous increases in the market interest rates, the keen competition in mobilizing deposits, and the liquidity management.

Non-interest Income

The non-interest income includes net fees and service income, securities brokerage fees, gains on trading and foreign exchange transactions, gains on investments, share of profit from investments in associated companies accounted for under equity method, dividend income, and net insurance premium/life insurance premium income. The non-interest income to net operating income ratio was 31.98 percent, which was close to the previous year.

• Net Fees and Service Income

(Unit: Million baht)

Net fees and service income	For the Year		Changes	
	2011	2010	Increase/ Decrease	Percent
Fees and service income				
- Acceptance, aval and guarantees	271	228	43	18.86
- Hire purchase fee income	911	905	6	0.66
- Credit card service	698	395	303	76.71
- ATM and electronic banking services	669	575	94	16.35
- Management fees	477	537	(60)	(11.17)
- Insurance brokerage fee income	224	226	(2)	(0.88)
- Others	623	536	87	16.23
Total fees and service income	3,873	3,402	471	13.84
Fees and service expenses	(501)	(521)	20	(3.84)
Net fees and service income	3,372	2,881	491	17.04

In 2011, the net fees and service income of the Company and its subsidiaries amounted to 3,372 million baht, an increase of 491 million baht or 17.04 percent when compared with the previous year, as a result of the increase in Thanachart Group's financial products. The fees and service income amounted to 3,873 million baht, an increase of 471 million baht or 13.84 percent from the previous year while the fees and service expenses amounted to 501 million baht, a decrease of 20 million baht or 3.84 percent from the previous year.

• Operating Income

(Unit: Million baht)

Operating Income	For the Year		Changes	
	2011	2010	Increase/ Decrease	Percent
Gains on trading and foreign exchange transactions	891	571	320	56.04
Brokerage fees	1,071	1,329	(258)	(19.41)
Gains on investments	1,139	523	616	117.78
Share of profit from investments in associated companies accounted for under equity method	258	369	(111)	(30.08)
Gains on properties foreclosed and other assets	47	663	(616)	(92.91)
Net insurance premium/Life insurance premium income	2,127	2,351	(224)	(9.53)
Dividend income	755	492	263	53.46
Other operating income	1,770	1,700	70	4.12
Total operating income	8,058	7,998	60	0.75

In 2011, the other operating income of the Company and its subsidiaries amounted to 8,058 million baht, an increase of 60 million baht or 0.75 percent from the previous year. This was mainly due to the increase of 616 million baht or 117.78 percent in the gains on investments, as well as the increase in dividend income by 263 million baht from 492 million baht to 755 million baht. On the other hand, the securities brokerage fees amounted to 1,071 million baht, a decrease of 19.41 percent in line with the capital market volatility in the past year. Moreover, the net insurance premium/life insurance premium income decreased by 224 million baht or 9.53 percent from 2,351 million baht to 2,127 million baht, mainly due to the fact that some products reached maturity as well as the impact of the economic downturn and the flood crisis.

Other Operating Expenses

(Unit: Million baht)

Other Operating Expenses	For the Year		Changes	
	2011	2010	Increase/ Decrease	Percent
Personnel expenses	10,849	8,576	2,273	26.50
Directors' remuneration	68	66	2	3.03
Premises and equipment expenses	3,438	3,092	346	11.19
Taxes and duties	912	635	277	43.62
Other expenses	6,493	4,740	1,753	36.98
Total other operating expenses	21,760	17,109	4,651	27.18

In 2011, the other operating expenses of the Company and its subsidiaries amounted to 21,760 million baht, an increase of 4,651 million baht or 27.18 percent from the previous year, mainly due to the increase of 26.50 percent in personnel expenses, as well as this year's integration cost incurred by Thanachart Bank, which included, among others, expenses in developing information technology systems, changing the branch image, as well as the voluntary retirement programs (the Mutual Separation Programs: MSP). As a result, the cost to income ratio stood at 60.88 percent.

Impairment loss of loans and debt securities

In 2011, the expenses related to impairment loss of loans and debt securities amounted to 2,077 million baht, an increase of 424 million baht or 25.65 percent from the previous year. This was mainly due to the increase of 444 million baht or 26.29 percent in the expenses related to bad debt and doubtful accounts.

Financial Position

(Unit: Million baht)

Consolidated Statements of Financial Position	31 December 2011		31 December 2010		Changes Percent
	Amount	Percent	Amount	Percent	
Interbank and money market items - net	63,232	7.06	85,105	9.64	(25.70)
Investments - net	152,511	17.04	145,376	16.47	4.91
Investments in subsidiaries and associates - net	1,673	0.19	2,239	0.25	(25.28)
Loans to customers and accrued interest receivables	638,084	71.28	610,602	69.17	4.50
Allowance for doubtful accounts and revaluation					
allowance for debt restructuring	(27,286)	(3.05)	(27,959)	(3.17)	(2.41)
Intangible assets acquired in a business combination-net	3,498	0.39	3,963	0.45	(11.73)
Goodwill	13,981	1.56	13,671	1.55	2.27
Other assets	49,464	5.53	49,760	5.64	(0.59)
Total assets	895,157	100.00	882,757	100.00	1.40
Deposits	435,865	48.69	532,382	60.31	(18.13)
Interbank and money market items	60,151	6.72	40,545	4.59	48.36
Debts issued and borrowings	262,653	29.34	184,717	20.93	42.19
Other liabilities	60,807	6.80	53,394	6.05	13.88
Total liabilities	819,476	91.55	811,038	91.88	1.04

(Unit: Million baht)

Consolidated Statements of Financial Position	31 December 2011		31 December 2010		Changes Percent
	Amount	Percent	Amount	Percent	
Company's shareholders' equity	38,259	4.27	36,092	4.09	6.00
Non-controlling interest	37,422	4.18	35,627	4.03	5.04
Total equity	75,681	8.45	71,719	8.12	5.52
Total liabilities and equity	895,157	100.00	882,757	100.00	1.40
Book value per share (Baht)	29.94		28.24		6.02

Note: The consolidated financial statements for the year ended 31 December 2010 were restated to make them comparable with the consolidated financial statements for the year ended 31 December 2011.

As at 31 December 2011, the total assets of Thanachart Group amounted to 895,157 million baht, an increase of 12,400 million baht or 1.40 percent from the end of 2010. This could be attributed to the loans to customers and accrued interest receivables which continued to grow 4.50 percent. The key factors contributing to the asset growth were as follows:

Interbank and Money Market Items (Assets)

As at 31 December 2011, the net interbank and money market items amounted to 63,232 million baht, a decrease of 21,873 million baht or 25.70 percent from the end of previous year, mainly due to the management of excess liquidity.

Investments

(Unit: Million baht)

Investments classified by type	31 December 2011		31 December 2010	
	Amount	Percent	Amount	Percent
Debt securities	139,350	90.38	131,057	88.78
Government and state enterprises securities				
• Trading	10,855	7.04	325	0.22
• Available-for-sale	41,103	26.66	52,604	35.63
• Held-to-maturity	28,575	18.53	39,102	26.49
Private debt securities				
• Trading	4,758	3.09	31	0.02
• Available-for-sale	18,553	12.03	10,017	6.79
• Held-to-maturity	6,592	4.28	5,884	3.99
• Investment in receivables purchased	1,352	0.88	1,447	0.98
Foreign debt securities				
• Trading	637	0.41	3,023	2.05
• Available-for-sale	25,425	16.49	12,920	8.75
• Held-to-maturity	1,500	0.97	5,704	3.86
Equity securities	13,161	8.54	14,319	9.70
• Trading	45	0.03	87	0.06
• Available-for-sale	8,553	5.55	9,137	6.19
• Held-to-maturity	4,563	2.96	5,095	3.45
Total investments - net	152,511	98.92	145,376	98.48
Investments in subsidiaries and associates - net	1,673	1.08	2,239	1.52
Total investments	154,184	100.00	147,615	100.00

As at 31 December 2011, the total investments of the Company and its subsidiaries amounted to 154,184 million baht, an increase of 6,569 million baht or 4.45 percent from the end of 2010. The investments included debt securities of 139,350 million baht, equity securities of 13,161 million baht, and investments of 1,673 million baht in subsidiaries and associates.

Loans to Customers

The loans to customers could be divided by type of business as follows:

(Unit: Million baht)

	31 Dec 11	Percent	31 Dec 10	Percent
1. Agricultural and mining	10,848	1.70	10,985	1.80
2. Manufacturing and commerce	82,335	12.92	97,818	16.05
3. Real estate and construction	48,275	7.58	52,754	8.65
4. Public utilities and services	58,660	9.21	66,441	10.90
5. Personal consuming				
5.1 Hire purchase	286,490	44.97	239,943	39.36
5.2 Housing loans	73,809	11.59	77,857	12.77
5.3 Securities business	2,236	0.35	2,683	0.44
5.4 Others	54,271	8.52	18,073	2.96
6. Others	20,340	3.19	43,290	7.10
	637,264	100.03	609,844	100.03
Less: Intercompany gain from loans transferred	(160)	(0.03)	(198)	(0.03)
Total	637,104	100.00	609,646	100.00

As at 31 December 2011, the loans to customers amounted to 637,104 million baht, an increase of 27,458 million baht or 4.50 percent from the end of the previous year. The hire purchase loans increased up to 19.40 percent from the end of the previous year however towards the last quarter of 2011, the hire purchase business was adversely affected by the flood crisis.

Classified Loans

Taking into account the Company and its subsidiaries which were financial institutions (including Thanachart Bank and asset management companies), their classified loans and allowance for doubtful accounts based on the Bank of Thailand's notification were as follows:

(Unit: Million baht)

	Debt balance/book value (Loans and accrued interest receivables)				Allowance for doubtful accounts			
	31 Dec 11	Percent	31 Dec 10	Percent	31 Dec 11	Percent	31 Dec 10	Percent
Normal	542,595	87.18	531,383	87.65	4,049	15.69	2,179	8.40
Special mention	40,463	6.50	36,603	6.04	721	2.80	2,249	8.67
Substandard	7,151	1.15	6,919	1.14	3,897	15.10	3,071	11.84
Doubtful	11,775	1.89	13,072	2.16	7,509	29.10	8,283	31.92
Doubtful of loss	20,405	3.28	18,253	3.01	9,209	35.69	9,455	36.44
Total	622,389	100.00	606,230	100.00	25,385	98.38	25,237	97.27
Additional allowance for possible uncollectability debts					417	1.62	707	2.73
Total provision					25,802	100.00	25,944	100.00

Note: Specified only the Company and its subsidiaries that were under the supervision of the BOT.

Non-Performing Loans (NPLs)

(Unit: Million baht)

	31 December 2011	31 December 2010
Non-performing loans (NPLs)	40,188	39,663
Total allowance	27,093	27,657
NPL-gross to total loans (percent)	5.94	6.00
NPL-net to total loans (percent)	2.84	2.71
Coverage ratio (percent)	67.41	69.73

Note: NPL-net = Non-performing loans – Allowance for doubtful accounts of total non-performing loans

The non-performing loans at the end of 2011 amounted to 40,188 million baht, an increase of 525 million baht or 1.32 percent from the end of the previous year, mainly due to the inclusion of the non-performing loans of Ratchthani Leasing Public Company Limited. The ratio of non-performing loans (NPL-gross) to total loans in 2011 was 5.94 percent, a decrease from 6.0 percent at the end of 2010. On the other hand, the ratio of non-performing loans after allowance for doubtful accounts (NPL-net) to total loans in 2011 was 2.84 percent.

Allowance for Doubtful Accounts

As at 31 December 2011, the allowance for doubtful accounts of the Company and its subsidiaries amounted to 27,093 million baht, a decrease of 564 million baht or 2.04 percent from the end of the previous year. The ratio of allowance for doubtful accounts to NPLs (coverage ratio) was 67.41 percent, accounting for 107.74 percent of reserve to requirement based on the Bank of Thailand's notification.

Properties Foreclosed

As at 31 December 2011, the properties foreclosed, which were stated at cost, of the Company and its subsidiaries amounted to 12,325 million baht, accounting for 1.38 percent of the total assets. The properties foreclosed already took into account the allowance of 765 million baht for impairment, which was 6.21 percent of the total value which was stated at cost.

Capital Expenditure

In 2011, the Company and its subsidiaries invested 1,411 million baht in land, premises, and equipment as well as intangible assets. Most of the investments were for office furniture, fixtures, and equipment, as well as computer software.

Liquidity

At the end of 2011, the cash of the Company and its subsidiaries amounted to 16,006 million baht. The details about the net cash flows received from various activities were as follows:

- The net cash flows from operating activities were a result of key changes in operating assets and liabilities. These included the decrease of 23,199 million baht in interbank and money market items (assets); the decrease of 2,094 million baht in derivative assets; the increase of 12,817 million baht in investments in trading securities; the increase of 21,859 million baht in loans to customers; the decrease of 4,777 million baht in properties foreclosed; the decrease of 96,517 million baht in deposits; the increase of 9,892 million baht in interbank and money market items (liabilities); the decrease of 996 million baht in liabilities payable on demand; and the decrease of 3,203 million baht in payables from trading of securities and derivatives.

- The net cash flows from investing activities amounted to 10,987 million baht. The cash receipts mostly included the decrease of 6,322 million baht in investments in securities; 4,554 million baht received from interest; 966 million baht received from dividends; 480 million baht received from disposal of investments in subsidiary and associated companies; and 92 million baht received from the disposal of equipment and intangible assets. On the other hand, the cash payments included 16 million baht paid for purchase of investments in subsidiary companies and 1,411 million baht paid for purchase of land and equipment as well as intangible assets.

- The net cash flows from financing activities amounted to 66,575 million baht. The cash receipts included 1,046,133 million baht received from debts. On the other hand, the cash payments included 969,088 million baht paid for debts issued and borrowings; 7,765 million baht paid for interest expenses on debts issued and borrowings; 1,532 million baht paid for dividends; and 1,173 million baht paid for dividends to non-controlling dividends interest.

Sources of Funds

Capital Structure

The Company and its subsidiaries's sources of funds came from two sources which were liabilities and shareholders' equity. As of 31 December 2011, the Company and its subsidiaries recorded funds from liabilities and shareholders' equity of 819,476 million baht and 75,681 million baht which accounted for 91.55 percent and 8.45 percent to total capital funds respectively. The ratio of debts to equity was at 10.83 times or in another words, debts accounted for 10.83 times of the operating capital. The important components of funds from liabilities consisted of public deposits which accounted for 53.19 percent of funds from liabilities while the interbank and money market items and the debts issued and borrowings accounted for 7.34 percent and 32.05 percent respectively.

Liabilities

(Unit: Million baht)

Total Liabilities	31 December 2011		31 December 2010	
	Amount	Percent	Amount	Percent
Deposits	435,865	53.19	532,382	65.64
Interbank and money market items	60,151	7.34	40,545	5.00
Debts issued and borrowings	262,653	32.05	184,717	22.78
Other liabilities	60,807	7.42	53,394	6.58
Total liabilities	819,476	100.00	811,038	100.00

The Company and its subsidiaries' liabilities as at 31 December 2011 amounted to 819,476 million baht, an increase of 8,438 million baht or 1.04 percent. The main contributing factors were as follows:

- The deposits registered at 435,865 million baht, a decrease of 96,517 million baht or 18.13 percent. Of the total deposits, the savings deposits accounted for 38.79 percent, the fixed deposits accounted for 59.58 percent, and the current deposits accounted for 1.63 percent.
- The interbank and money market items amounted to 60,151 million baht, an increase from the end of the previous year of 19,606 million baht or 48.36 percent.
- The debts issued and borrowings were 262,653 million baht, an increase of 77,936 million baht or 42.19 percent. The majority of those were the bills of exchange in the amount of 219,110 million baht.

Shareholders' Equity

As of 31 December 2011, the Company and its subsidiaries had shareholders' equity amounted to 75,681 million baht, an increase of 3,962 million baht or 5.52 percent from 71,719 million baht at the end of 2010. The key contributing factors were:

- Unappropriated retained earnings amounted to 20,096 million baht, an increase of 2,218 million baht from the end of 2010. This increase was mainly due to the net profit of the Company and its subsidiaries in the amount of 5,002 million baht deducted by the dividend payments of 1,533 million baht, the statutory reserve of 82 million baht, and the impact of the accounting standard on employee benefits which caused the retained earnings to decrease by 1,170 million baht.
- Non-controlling interest amounted to 37,422 million baht, an increase of 1,795 million baht from the end of 2010.

Percentage of Shareholding and Performance of Significant Subsidiaries based on Their Respective Financial Statements

(Unit: Million baht)

Subsidiaries	Percentage of shareholding direct/indirect (percent)	Net profit	
		2011	2010
Thanachart Bank Public Company Limited			
Separate financial statements	50.96	6,668	5,719
Thanachart Securities Public Company Limited	50.96	293	391
Thanachart Fund Management Company Limited	38.22	89	131
Thanachart Insurance Company Limited	50.96	436	352
Thanachart Life Assurance Company Limited	50.96	770	688
TS Asset Management Company Limited	50.96	91	-
Thanachart Group Leasing Company Limited	50.96	99	214
Thanachart Broker Company Limited	50.95	75	68
Ratchthani Leasing Public Company Limited*	33.22	205	-
NFS Asset Management Company Limited	100.00	446	461
MAX Asset Management Company Limited	83.44	120	108

* Thanachart Bank has been holding 65.18 percent of Ratchthani Leasing since November 2011

Financial Position and Performance of Subsidiaries

Thanachart Bank Public Company Limited

Management Discussion and Analysis of Financial Position and Performance

(Analysis Comparison of Operating Performance according to Consolidated Financial Statements of 2011 and 2010)

On 9 April 2010, Thanachart Bank had successfully purchased common shares of Siam City Bank in the amount of 1,005,330,950 shares, accounting for 47.58 percent of Siam City Bank's total issued and paid-up shares, from Financial Institution Development Fund (FIDF). A tender offer was later conducted for purchasing of the remaining shares of Siam City Bank from general public shareholders in June and November 2010 at a price of 32.50 baht per share (the same price that TBANK paid to FIDF). Consequently, TBANK's shareholding in Siam City Bank was 99.95 percent of total issued and paid-up shares.

According to the successful share purchase as mentioned above, the consolidated statements of TBANK and its subsidiaries, therefore, included the statements of financial position of Siam City Bank and its subsidiaries for the whole while the consolidated statements of comprehensive income included income and expenses since the date that TBANK assumed control over Siam City Bank, base on its shareholding interest.

In order to manage non-performing assets with flexibility and effectiveness, during the first quarter of 2011, TBANK had established TS Asset Management Company Limited (TS AMC), as part of the Entire Business Transfer of SCIB to TBANK (EBT). TS AMC is wholly owned by the Bank to take transfer of Siam City Bank's non-performing loans (NPLs) and non-performing assets (NPA). On 1 October 2011, TBANK received the transfer of assets, liabilities, and contingent liabilities of Siam City Bank Public Company Limited as of 1 October 2011 and/or contingent liabilities that may arise in the future, according to the EBT plan. The transfer price was set at fair value and in line with an opinion of the independent advisor. The total transfer price amounted to 50,134 million baht, comprising of 381,077 million baht of total assets, 330,943 million baht of total liabilities. Consequently, SCIB had ceased all business operations since 1 October 2011. Further, the Extraordinary Shareholders' Meeting of SCIB held on 6 December 2011 approved SCIB to change its name to "SCIB Public Company Limited". SCIB then returned its commercial banking license and banking authorizations to Ministry of Finance, and registered the company name as SCIB Public Company Limited on 8 December 2011. In addition, SCIB registered its dissolution on 9 December 2011.

In November 2011, TBANK offered to purchase shares from minority shareholders in general in order to give the opportunity for minority shareholders of SCIB to sell their shares before liquidation. Minority shareholders offered to sell shares in a total amount of 696,865 shares or 16 million baht. As a result, TBANK's shareholding in SCIB totaled to 2,112,375,422 shares or 99.98 percent of the issued and paid-up shares.

On 1 October 2011, the Bank received transfer of the investments in the amount of 437.25 million shares of Ratchthani Leasing Public Company Limited (THANI) from SCIB, in accordance with the EBT agreement. As a result, the Bank's interest in THANI was 48.35 percent of total shares. On 21 October 2011, the Bank subscribed the newly issued ordinary shares for capital increase of THANI, according to the allocation of the right offering shares to the existing shareholders proportionately. As a result, TBANK's shareholding in THANI amounted to 874.97 million shares. As THANI's existing shareholders did not fully subscribe to their rights, the percentage of TBANK's shareholding in THANI increased from 48.35 percent of total paid-up shares to 65.18 percent of total paid-up shares. The investments in THANI were considered as investments in a subsidiary in the separate financial statements.

The consolidated financial statements included the financial statements of the Bank and the following subsidiary companies.

Subsidiaries directly held by the Bank

SCIB Public Company Limited
(Formerly known as "Siam City Bank Public Company Limited")
Thanachart Securities Public Company Limited
Thanachart Insurance Company Limited
Thanachart Life Assurance Company Limited
Thanachart Fund Management Company Limited
Thanachart Broker Company Limited
Thanachart Group Leasing Company Limited
Thanachart Management and Services Company Limited
Thanachart Legal and Appraisal Company Limited
Thanachart Training and Development Company Limited
TS Asset Management Company Limited
Ratchthani Leasing Public Company Limited

Subsidiaries indirectly held by the Bank

National Leasing Company Limited
Siam City Securities Company Limited
(Disposed in August 2011)
Siam City Life Assurance Company Limited
Siam City Asset Management Company Limited
(Disposed in May 2011)
SCIB Service Company Limited

Overall Performance

(Unit: Million baht)

Consolidated Statements of comprehensive income	2011	2010	Change from 2010	
			Increase/ Decrease	Percent
Interest income	44,214	34,781	9,432	27.12
Interest expenses	19,797	11,566	8,232	71.18
Net interest income	24,416	23,216	1,201	5.18
Net fees and service income	3,358	2,850	508	17.82
Operating income ⁽¹⁾	7,237	6,607	630	9.54
Other operating expenses ⁽²⁾	21,877	16,824	5,054	30.04
Profit (Loss) before impairment loss of loans and debt securities	13,134	15,849	(2,715)	(17.14)
Impairment loss of loans and debt securities	2,504	2,149	355	16.55
Profit before income tax	10,630	13,701	(3,071)	(22.42)
Income tax	2,948	4,548	(1,600)	(35.19)
Net Profit	7,682	9,152	(1,471)	(16.07)
Profit attributable to the Bank	7,671	8,777	(1,105)	(12.60)
Non-controlling interests	10	376	(365)	(97.23)
Earnings per share (Baht)	1.39	1.92		
Weighted average number of ordinary shares (million shares)	5,513.66	4,562.52		

Remarks: (1) Including insurance expenses

(2) Excluding insurance expenses

TBANK and its subsidiaries' net profit in 2011 amounted to 7,671 million baht, a decrease of 1,105 million baht or 12.60 percent from the previous year. Major factors of continuous growth of earnings were as follows;

- **Loans grew by 4.7 percent from the end of 2010:** In particular, hire purchase loans grew by 19.5 percent from the last year. Despite negative impact from flood crisis in the last quarter of 2011, TBANK continued being the market leader in hire purchase business with the outstanding figure of 286,361 million baht. The ratio of new car hire purchase loan to new car sales volume (Penetration Rate) in 2011 equaled 19.1 percent. Moreover, as a result of the successful EBT, the Bank's loans portfolio had better distribution with the ratio of retail loans to corporate and SME loans at 62 percent to 38 percent.

- **Deposit and Bills of Exchange declined by 2.6 percent from the end of 2010:** During 2011, TBANK adjusted its new product strategy and determined its interest rate to be suitable with an increment of the policy interest rate as well as the competitive circumstance in business. The ratio of current account deposits and savings account deposits (CASA) to total deposits and bills of exchange accounted for 26.9 percent.

- **Interest spread was 2.9 percent,** a decrease of 3.3 percent from the previous year: As a result from market interest rate arising, yield on earning assets increased to 5.5 percent, comparing to 5.1 percent from the previous year. Despite in the last quarter of 2011, TBANK and its subsidiaries have deferred to realize interest income from certain customers that were affected by the flood crisis. It was expected that such interest income would be able to realize in the next quarter. However, after consolidating the performance of THANI as mentioned above, yield on loans in the last quarter of 2011 slightly increased. Cost of fund in 2011 was 2.6 percent, an increase from 1.8 percent in the previous year, as a result of the up-trend interest rate and the intense competition in the market.

- **Non-performing loans management:** Although the Bank was impacted from the flood crisis in the last quarter of the year, the ratio of impairment loss of loans and debt securities expenses to total loans was 0.4 percent, slightly increased from 0.3 percent of the previous year. Moreover, TS AMC, a subsidiary of the Bank, has been closely and effectively managing non-performing loans through debt restructuring and debt settlement from corporate clients. As a result, provisions decreased and non-performing loans tended to be improved. At the end of 2011, TBANK and its subsidiaries incurred non-performing loans in a total of 37,677 million baht with the gross NPL to total loan ratio at 5.6 percent.

- **Growth of non-interest income:** This is contributed by the net fees and service income, securities brokerage fees, net gains on trading and foreign exchange transactions, gains on investments, share of profit from investments in associated companies accounted for under equity method, dividend income, and net insurance premium/life insurance premium income. The ratio of non-interest income to net operating income (non-interest income ratio) was 30.2 percent.

- **Other operating expenses control and management:** The ratio of other operating expenses to net operating income (cost to income ratio) was 62.5 percent, an increase from 51.5 percent in the previous year. This was mainly due to the declining of the interest spread together with the integration cost which included, among others, expenses in developing information technology systems, changing the branch image, staff benefit and training cost, as well as the MSP.

- **Corporate income tax:** In 2011, corporate income tax of TBANK and its subsidiaries totaled to 2,948 million baht. Tax rate accounted for 27.7 percent of profit before income tax, a decrease from 33.2 percent of that in the previous year. This was due to the non-performing asset transferred to TS AMC in the second quarter and also the disposal of the investment in Siam City Securities Company Limited in the third quarter, which the provision could be considered as tax deductible expenses.

- **Capital Adequacy:** The Bank's total capital amounted to 91,093 million baht, of which 61,638 million baht was Tier I capital and 29,445 million baht was Tier II. The ratio of capital to risk weighted assets (capital adequacy ratio) was 13.7 percent. The capital adequacy calculation had to take into consideration the deduction of goodwill from acquiring shares of SCIB in the amount of 15,740 million baht and the inclusion of subordinated debentures transferred from SCIB in the amount of 10,000 million baht. This has been done in accordance with a waiver granted by the Bank of Thailand which stipulated such consideration for capital after the completion of the EBT (1 October 2011).

Net Interest Income

In 2011, the net interest income of TBANK and its subsidiaries amounted to 24,416 million baht, an increase of 1,201 million baht or 5.18 percent compared to that of the previous year. Main reason was from an increase of business transactions from both TBANK and SCIB. The interest income was 44,214 million baht, an increase of 9,432 million baht or 27.12 percent while the interest expenses were 19,797 million baht, an increase of 8,232 million baht or 71.18 percent. As a result, the interest spread in 2011 was at 2.92 percent, a decrease from 3.32 percent in the previous year.

Non-interest income

The non-interest income, including net fees and service income, net insurance premium/life insurance premium income, and other operating income, amounted to 10,595 million baht, an increase of 1,137 million baht or 12.03 percent from the previous year. The details of which were as follows:

- **Net fees and service income**

TBANK and its subsidiaries had the net fees and service income of 3,358 million baht, an increase of 508 million baht or 17.82 percent. This was from the increasing of financial products in the Thanachart Group and SCIB. The fees and service income amounted to 3,858 million baht, an increase of 489 million baht or 14.52 percent while the fees and service expenses amounted to 500 million baht, a decrease of 19 million baht or 3.60 percent from the previous year.

- **Other Operating Income**

The other operating income includes gains on trading and foreign exchange transactions, gains on investments, share of profit from investments accounted for under equity method, dividend income, securities brokerage fees, insurance premium/life insurance premium income, and other income. For the year 2011, the other operating income (net of insurance/life insurance expenses) recorded at 7,237 million baht, an increase of 630 million baht or 9.54 percent from the previous year. The increase was mainly due to the increases of gains on investments of 398 million baht, gains on trading and foreign exchange transactions of 321 million baht, and dividend income of 246 million baht which mainly came from the dividend that SCIB received from Vayupak Fund. At the same time, the net insurance premium/life insurance premium income decreased by 225 million baht.

Other Operating Expenses

The other operating expenses (excluding insurance/life insurance expenses) of TBANK and its subsidiaries were 21,877 million baht, an increase of 5,054 million baht or 30.04 percent. The increase was mainly due to the personnel expenses and the integration cost with Siam City Bank. As a result, the ratio of the other operating expenses to the net operating income (net of insurance/life insurance expenses) or cost to income ratio was at 62.5 in the year 2011.

Impairment Loss of Loans and Debt Securities Expenses

For the year 2011, the impairment loss of loans and debt securities expenses of TBANK and its subsidiaries amounted to 2,504 million baht, an increase of 355 million baht. Taking into consideration the provision to total loan, the ratio increased from 0.35 percent of the previous year to 0.39 percent. The ratio of allowance for doubtful accounts to NPLs (coverage ratio) was 69.75 percent, accounting for 104.72 percent of reserve to requirement based on the Bank of Thailand's notification.

Consolidated Financial Position of TBANK and its subsidiaries

(Unit: Million baht)

Consolidated Balance Sheets	31 Dec 11	31 Dec 10	Change from 2010	
			Increase/ Decrease	Percent
Assets				
Cash	16,006	15,298	708	4.63
Interbank and money market items - net	63,201	85,060	(21,859)	(25.70)
Investment - net	148,345	140,022	8,323	5.95
Net loans to customers and accrued interest receivables	609,903	581,525	28,378	4.88
Property foreclosed - net	6,762	7,851	(1,089)	(13.87)
Land, premises and equipment - net	8,759	8,986	(227)	(2.53)
Goodwill	15,750	15,750	0	0.00
Other assets	17,334	18,711	(1,377)	(7.36)
Total assets	886,060	873,203	12,857	1.48

As of 31 December 2011, total assets of TBANK and its subsidiaries amounted to 886,060 million baht, an increase of 12,857 million baht or 1.47 percent from the end of 2010. The increase was mainly due to an increase of the net loans to customers and accrued interest receivables in the amount of 28,378 million baht or 4.88 percent. The ratio of retail loans to corporate and SME loans was 62 percent to 38 percent.

(Unit: Million baht)

Consolidated Balance Sheets	31 Dec 11	31 Dec 10	Change from 2010	
			Increase/ Decrease	Percent
Liabilities and shareholders' equity				
Deposits	436,040	532,656	(96,617)	(18.14)
Interbank and money market items	60,151	40,545	19,606	48.36
Liability payable on demand	2,131	3,127	(996)	(31.86)
Debt issued and borrowings	254,297	174,949	79,348	45.36
Provisions	2,824	900	1,924	213.84
Insurance contract liabilities	36,154	29,774	6,380	21.43
Other liabilities	18,931	18,859	71	0.38
Total liabilities	810,526	800,809	9,717	1.22
Equity attributable to the Bank's shareholders	74,848	72,183	2,665	3.70
Non-controlling interest	685	211	475	255.49
Total liabilities and shareholders' equity	886,060	873,203	12,857	1.48

As of 31 December 2011, total liabilities of TBANK and its subsidiaries amounted to 810,526 million baht, an increase of 9,717 million baht or 1.22 percent from the end of 2010. The key factors were as follows:

- The debt issued and borrowings amounted to 254,297 million baht, an increase of 79,348 million baht, or 45.36 percent from the end of 2010. The increase was mainly from an increase in the bills of exchange to cope with the deposit protection policy implemented in August 2011 as well as to give customers more options of saving products, which were well accepted by the customers. At the same time, total deposits decreased by 96,617 million baht or 18.14 percent from the end of 2010.
- The interbank and money market items amounted to 60,151 million baht, an increase of 19,606 million baht.

Shareholders' equity of TBANK and its subsidiaries as at 31 December 2011 amounted to 74,848 million baht, an increase of 2,665 million baht or 3.70 percent from the end of 2010. This was mainly due to an increase in the net profit in 2011.

Maintenance of Capital Adequacy Ratio

TBANK has a policy to maintain the ratio of capital to risk-weighted assets (capital adequacy ratio) sufficient enough to support risks in business operations and other fluctuating factors. The policy determines to maintain the capital adequacy ratio to be higher than the BOT minimum requirement. The BOT requires commercial banks to maintain their capital adequacy ratios of not less than 8.50 percent, with Tier I capital after profit distribution of not less than 4.25 percent.

As at 31 December 2011, TBANK's total capital amounted to 91,093 million baht, of which 61,638 million was Tier I capital and 29,455 million baht was Tier II. The ratio of capital to risk weighted assets was at 13.72 percent, a decrease from 14.75 percent at the end of the previous year. Tier I capital ratio accounted for 9.28 percent, a decrease from 11.71 percent at the end of 2010, resulting from deduction of goodwill from acquiring shares of SCIB in the amount of 15,740 million baht. Tier II capital ratio accounted for 4.44 percent, an increase from 3.04 percent at the end of 2010, resulting from the inclusion of subordinated debentures transferred from SCIB in the amount of 10,000 million baht. This has been done in accordance with a waiver granted by the Bank of Thailand which stipulated such consideration for capital after the completion of the EBT (1 October 2011).

However, capital adequacy ratio of the Bank was still above the BOT's minimum requirement of 8.50 percent. The details of capital adequacy ratio were as follows:

Capital Adequacy Ratio

(Unit: Million baht)

Total Liabilities	31 December 2011		31 December 2010	
	Million Baht	Percent	Million Baht	Percent
Tier I capital	61,638	9.28	71,335	11.71
Total capital	91,093	13.72	89,898	14.75

Thanachart Securities Public Company Limited

The average daily trading of Thanachart Securities Public Company Limited (TNS) in 2011 was in the amount of 2,266 million baht, a decrease from 2,305 million baht in the previous year. The market share was at 4.43 percent, ranked number 10 in the industry. The trading volume consisted of 77.4 percent of retail customers, 1.6 percent of foreign customers, and 21.0 percent of financial institution customers.

For the year 2011, TNS had its net profit of 293 million baht, a decrease of 98 million baht or 25.0 percent from the previous year. Total income increased by 3.7 percent, due to the brokerage fees from derivative business which increased by 52 million baht or 115.5 percent, the interest income from the margin loans which increased by 51 million baht or 75.1 percent, and the interest and dividend income which increased by 35.7 million baht. However, the fees and service income decreased by 27.1 percent. The total expenses increased by 20.6 percent.

TNS's net liquid capital ratio was at 149.1 percent which was higher than the minimum requirement of the Securities and Exchange Commission (SEC) regulated level of 7.0 percent.

Thanachart Fund Management Company Limited

At the end of 2011, Thanachart Fund Management Company Limited (TFUND) had asset under management amounting to 96,351 million baht, an increase of 2,795 million baht or 3.0 percent from the year-ending 2010. This was mainly due to an increase in the provident fund and the private fund of 76.7 percent and 4.6 percent respectively while the mutual fund decreased by 1.8 percent. Assets under management were comprised of 81.3 percent of the mutual fund, 9.2 percent of the provident fund, and another 9.4 percent of the private fund.

For the year 2011, TFUND had the net profit of 89 million baht, a decrease of 42 million baht or 32.2 percent from the previous year. This was mainly due to a decrease in the fee income in the amount of 35.97 million baht or 8.49 percent. However, TFUND put in place a plan to launch variety of new products to cater the needs of its customers and to be more suitable with the market environment and the interest rate trend.

Thanachart Insurance Company Limited

As of 31 December 2011, the insurance premium income of Thanachart Insurance Company Limited (TNI) increased due to the expansion in bancassurance channels as well as the efficient management of insurance compensation. As a result, TNI registered its net profit of 435.88 million baht, an increase of 83.74 million baht or 23.8 percent compared to the same period last year. The capital ratio was at 505 percent which was well above the minimum requirement of the Office of Insurance Commission (OIC) of 125 percent.

Thanachart Life Assurance Company Limited

Net profit in the forth quarter of 2011 of Thanachart Life Assurance Company Limited (TLIFE) amounted to 150 million baht, an increase of 6 million baht or 4.0 percent from the same quarter last year. This was mostly due to an increase in the investment income of 72 million baht while the profit from life assurance business was similar to that of the same quarter last year.

For the year 2011, TLIFE reported its net profit of 770 million baht, an increase of 82 million baht or 12 percent from the previous year. The insurance premium income increased due to a growing customer base. The investment income increased by 202 million baht or 30 percent. The income on underwriting remained the same as last year. The capital ratio (CAR) was at 278 percent which was higher than the minimum requirement of the OIC of 125 percent.

TS Asset Management Company Limited

TS Asset Management Company Limited (TS AMC) was established as of 3 March 2011, which began to receive the transfer of SCIB's non-performing loan (NPLs) and non-performing asset (NPA) during May 2011. As of 31 December 2011, TS AMC's total assets amounted to 12,267 million baht. Net profit (from established date until the end of December 2011) was 180 million baht. The income was mainly contributed by 259 million baht of the loan income, 282 million baht of the reversal of allowances for doubtful account, 33 million baht of the non-interest income, and 12 million baht of the allowance for impairment of property foreclosed. Expenses included the interest expenses of 85 million baht and the operating expenses of 95 million baht.

NFS Asset Management Company Limited

As at 31 December 2011, the net profit of NFS Asset Management (NFS AMC) amounted to 446 million baht which mostly due to the income from loans in the

amount of 220 million baht, the reversal of allowance for impairment and doubtful accounts in the amount of 251 million baht, the profit from property foreclosed in the amount of 88 million baht, as well as the decrease of allowance for property foreclosed in the amount of 42 million baht. On the other hand, the expenses consisted of the interest expenses and the operating expenses amounting to 72 million baht and 69 million baht respectively.

MAX Asset Management Company Limited

As at 31 December 2011, MAX Asset Management (MAX AMC) had its net profit of 120 million baht while the total income amounted to 184 million baht. Most of the income was contributed by the income from loans in the amount of 104 million baht, the income from property foreclosed in the amount of 54 million baht, and the other income in the amount of 9 million baht. The operating expenses recorded at 25 million baht. In 2011, MAX AMC paid out dividend of 314.60 million baht to its shareholders, which was equivalent to 5.50 baht per share.



NATURE OF BUSINESS OPERATIONS

Overview of the Business Operation

Thanachart Capital Public Company Limited "TCAP" is the parent company of Thanachart Financial Conglomerate. The companies under Thanachart Financial Conglomerate are classified by their types of business into two groups; (1) financial business group, consisting of commercial banking business, asset management business, securities brokerage business, insurance business, and leasing business and (2) supporting business group consisting of brokerage business, service business, legal advisory business, appraisal business, and training business. The Conglomerate could be considered a fully integrated financial business group whose businesses and operations are clearly separated and supporting the operation of each other. As regards the distribution channels, member companies of the Group make use of the branch network and service outlets of Thanachart Bank Public Company Limited "TBANK" as channels for offering their respective financial services. The arrangements are in compliance with the promotion guidelines given by the regulators concerned. The details of the business operations of each company are as follows:

Companies in Financial Business Group of Thanachart

(A) The Member Companies that Operate Financial Businesses:

1. Thanachart Capital Public Company Limited "TCAP" operates as the holding company and thus is a parent company of Thanachart Financial Conglomerate.

2. Thanachart Bank Public Company Limited "TBANK" operates commercial banking business and other businesses permitted by the BOT, such as selling life and non-life insurance products, and underwriting and repurchasing of unit trusts.

3. Thanachart Securities Public Company Limited "TNS" was granted a Full License from the Ministry of Finance to operate full range of securities businesses including securities brokerage, proprietary trading, securities underwriting, investment advisory service, mutual fund management, private fund management, securities borrowing and lending, venture capital management, and derivatives business Sor 1. As well, TNS is engaged in other related businesses that support the securities business. These include, among others, financial advisory services, future businesses, unit trust underwriting, and repurchasing services as well as securities registrar.

4. Thanachart Fund Management Company Limited "TFUND" which is a joint venture between Thanachart Bank (holding 75 percent of the total shares) and The Government Savings Bank (holding 25 percent) operates mutual fund, private fund, provident fund management businesses, and investment advisory business. As a result, it is considered a company with a full range of advisory services.

5. Thanachart Insurance Company Limited "TNI" gives non-life insurance services including fire insurance, automobile insurance, marine and transportation insurance, and miscellaneous insurance.

6. Thanachart Life Assurance Company Limited "TLIFE" gives life insurance and health insurance services. Based on the characteristics of customers, its services can be divided into two main types including ordinary life insurance and group life insurance.

7. Siam City Life Assurance Company Limited "SCILIFE" operates life insurance service including ordinary life insurance and group life insurance which provide life and health protection. The service is offered to individual, institution clients, and general organizations. Products and target customers are different from TLIFE.

8. Thanachart Group Leasing Company Limited "TGL" gives all types of automobile hire purchase loans and serves only a specific group of customer.

9. Ratchthani Leasing Public Company Limited "THANI" operates hire purchase business with an expertise in specific types of automobile such as trucks, taxis, heavy equipment vehicles, and big bikes.

10. NFS Asset Management Company Limited "NFS AMC" was granted a license to operate asset management business. It buys or takes transfers of non-performing loans from financial institutions of Thanachart Group.

11. MAX Asset Management Company Limited "MAX AMC" was granted a license to operate asset management business. It buys or takes transfers of non-performing loans from financial institutions.

12. TS Asset Management Company Limited "TS AMC" was granted a license to operate asset management business. It buys or takes transfers of non-performing loans from SCIB and TBANK

(B) The Member Companies that Operates Supporting Businesses:

1. Thanachart Legal and Appraisal Company Limited "TLA" gives legal services related to contracts, legal advice, bringing cases to court of law, legal enforcement, and appraisal of collateral. During 2010, it transferred all business back to TBANK and is being liquidated

2. Thanachart Management and Services Company Limited "TMS" gives staffing support services in the form of service staff.

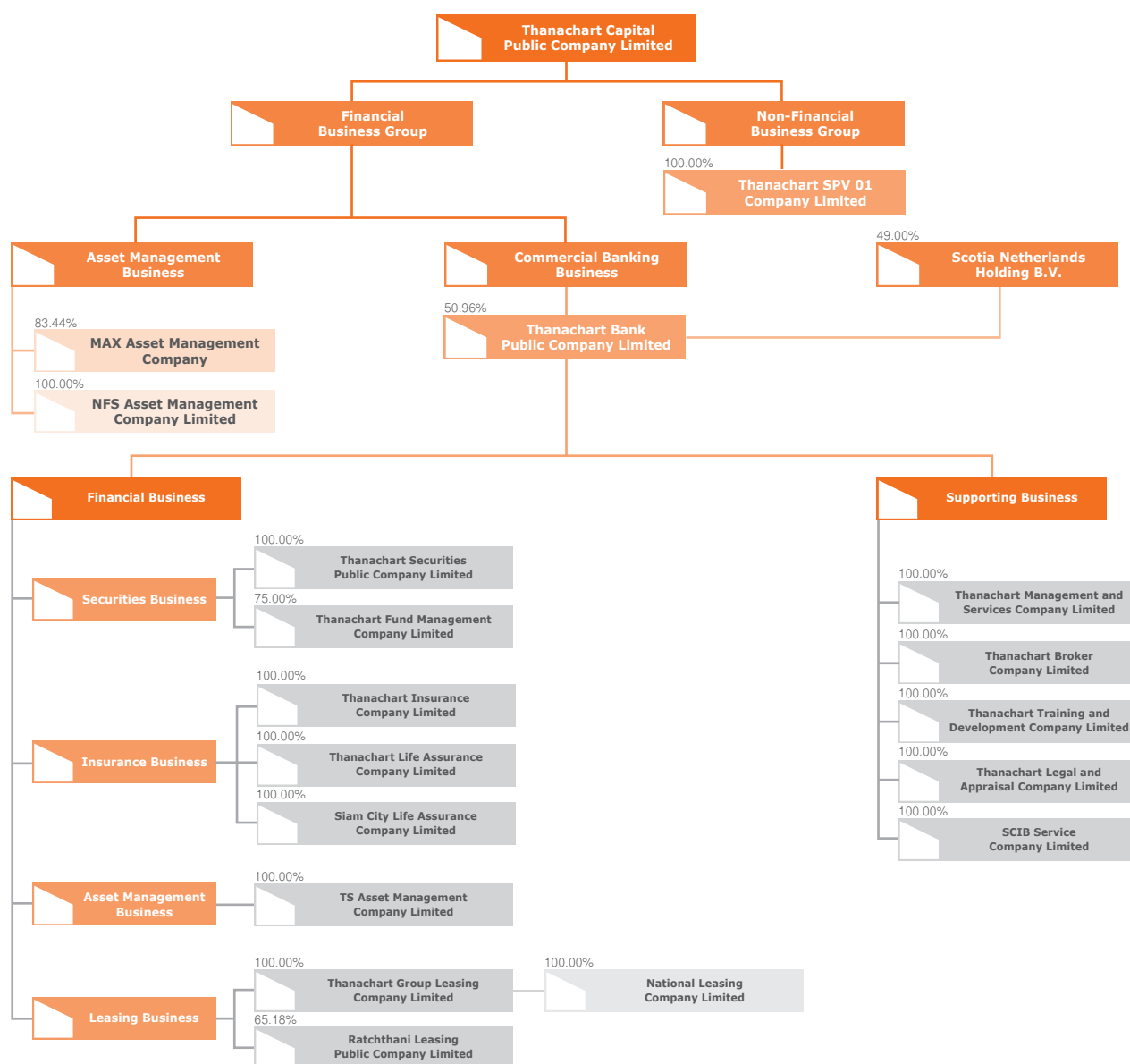
3. Thanachart Training and Development Company Limited "TTD" organizes training activities for employees of member companies of Thanachart Group.

4. Thanachart Broker Company Limited "TBROKE" pursues Thanachart Group hire purchase customers to insure automobiles with all insurance companies. It is also an automobile insurance broker of Thanachart Insurance.

5. SCIB Service Company Limited "SSV" offers service business to Thanachart Group. The service includes cleaning service, security service, messenger service, car rental, etc.

Shareholding Structure of Thanachart Group

As at 31 December, 2011



Note:

1. Percentages of shareholdings shown above include shares held by related parties.
2. Thanachart Legal and Appraisal Company Limited is being liquidated.
3. Scotia Netherlands Holding B.V. received transfer of all TBANK's shares that Scotiabank held on 2 November 2011.

Policy on Division of Operational Functions Among Member Companies of Thanachart Group

Being a parent company of Thanachart Financial Conglomerate with a controlling interest (i.e. owning more than 50 percent of issued and paid-up capital), TCAP has adopted the following policies and approaches in managing the member companies of the Group

Business Policies

TCAP and TBANK are responsible for establishing key business policies of Thanachart Group annually. Each subsidiary is required to formulate business plans and budgets for 3-5 years and submit them to the parent company for consideration, in order to ensure that they are in alignment with the established key business policies. The business plans and budgets are also subject to evaluation and review regularly. The objective is to ensure that they are in line with the changing business conditions.

Supervision of Subsidiaries

The directors and high-ranking executives of TCAP and TBANK will be assigned to sit on the Board of Directors of the subsidiaries. The arrangement not only enables TCAP and TBANK to assist the subsidiaries in establishing their policies and in determining their future direction, but also ensures the close supervision of the subsidiaries' business operations. Importantly, the chief executive officers of the subsidiaries are required to present a monthly performance report to the Executive Committee and the Board of Directors of TBANK and TCAP.

Centralized Support Services

It is the policy of Thanachart Group to put each of the support services together in one company which will be responsible for providing services to all other member companies of the Group. The purpose is to maximize benefits within the existing resources including expertise of operations staff and various information technology systems, and to reduce staffing costs. The centralized support services available now within Thanachart Group include information technology, personnel, systems and regulatory development, internal audit, operations control, operations, business control, electronic services, administration and procurement, legal and appraisal services, as well as retail debt collections and collections brokerage.

Internal Control, Audit, and Corporate Governance of Parent Company and Subsidiaries

Thanachart Group places strong emphasis on internal control. The Group adheres to the principle of adequate and appropriate internal control by establishing procedures for the conduct of business, provision of services, and operations. The Group also separates the duties and responsibilities of each unit from those of others, based on a system of checks and balances. In addition, it puts in writing the announcements, order mandates, and rules and regulations covering key business areas and operations. This information is also disclosed to all staff in such a way that they can always study them in order to gain a full understanding. A central unit at TBANK is responsible for preparing and proposing for the announcements, order mandates, and rules and regulations of all member companies of the Group.

As regards the internal audit, the internal audit group is responsible for auditing the business operations of all member companies of the Group, ensuring that they comply with the regulations and the established work systems. The internal audit group also assesses errors and defects in operations in order to propose corrective measures for improvement. In addition, Thanachart Group has established a Compliance Unit responsible for closely monitoring and studying laws, notifications, and orders related to the Group's business affairs and operations and disseminating the information to the staff. The Compliance Unit is also responsible for ensuring that the conduct of business affairs of the member companies of the Group is in compliance with the legal requirements.

Moreover, the Audit Committee of each member company of the Group is responsible for governing, controlling, and auditing their respective business operations. The Audit Committee is also allowed to carry out its duties and give its opinions in a manner independent of the management of each company. The purpose is to ensure that internal control and audit systems are effective and that the financial statements are properly reviewed.

As regards the corporate governance, the Boards of Directors of TCAP and the companies in the Group place strong emphasis on the good corporate governance both at the level of the Boards of Directors and the level of various Committees. Independent directors are appointed to the Boards of Directors and the Committees to provide

effective checks and balances on the powers of executive directors. The established scope of responsibilities of the Boards of Directors and the Committees are also in line with the principles of good corporate governance promoted by the authorities concerned. In addition, the Boards of Directors of the TCAP and the subsidiaries have established the corporate governance policy and the code of conduct which the directors, executives, and staff of the member companies of Thanachart Group are required to adhere to. Focus is given to integrity, transparency, and avoidance of any conflict of interest.

Risk Management

TCAP ensures that the member companies of the Group analyze and assess various risks of their business operations and that the risks are properly managed in line with the guidelines given by the authorities concerned. In addition, TCAP conducts analysis of the key risks faced by the member companies of the Group which may need direct financial or management support from TCAP. The established risk management policy of Thanachart Financial Conglomerate is in line with the guidelines given by the BOT.

Income Structure of Thanachart Capital and Its Subsidiaries

The income structure of TCAP and its subsidiaries based on the consolidated financial statements as of 31 December 2011, 2010, and 2009 was as follows:

(Unit : Million Baht)

	2011		2010	
	Amount	Percent	Amount	Percent
Interest income				
Interbank and money market item	2,237	3.97	1,057	2.28
Investments and trading transactions	86	0.15	90	0.19
Investments in debt securities	4,143	7.35	3,666	7.90
Loans	20,942	37.17	14,952	32.21
Hire purchase and financial lease	17,011	30.19	15,262	32.87
Total interest income	44,419	78.83	35,027	75.45
Operating income				
Fees and service income	3,873	6.87	3,402	7.33
Gains on trading and foreign exchange transaction	891	1.58	571	1.23
Gains on investments	1,139	2.02	523	1.13
Share of profit from investment in associated companies accounted for under equity method	258	0.46	369	0.79
Gains on properties foreclosed and other assets	47	0.08	663	1.43
Net insurance premium/life insurance premium income	2,127	3.78	2,351	5.06
Dividend income	755	1.34	492	1.06
Other operating income	2,841	5.04	3,029	6.52
Total operating income	11,931	21.17	11,400	24.55
Total income	56,350	100.00	46,427	100.00

Financial statements of 2011 and 2010 are prepared in accordance with the Notification of the Bank of Thailand, Re: the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Business Group, dated 3 December 2010.

Income Structure of Thanachart Capital and Its Subsidiaries (Continued)

(Unit : Million Baht)

	2009	
	Amount	Percent
Interest and dividend income		
Loans	4,146	13.00
Interbank and money market item	1,064	3.34
Hire purchase and financial lease	15,241	47.79
Investments	1,661	5.21
Total interest and dividend income	22,112	69.34
Non-interest income		
Brokerage fees	885	2.77
Gains on investments	2,722	8.54
Share of profit from investment in associated companies accounted for under equity method	257	0.81
Fees and service income	2,189	6.87
Gains on exchange and financial derivatives	148	0.46
Gains on properties foreclosed and other assets	312	0.98
Gains on debt settlements/disposals	326	1.02
Net insurance premium/life insurance premium income	1,932	6.06
Other income	1,006	3.15
Total non-interest income	9,777	30.66
Total income	31,889	100.00

Nature of Business Operation of Each Business Group

Business Policy and Strategies of Thanachart Group

In 2011, Thanachart Group has determined its strategic direction to become a fully integrated financial services group capable of offering a full range of quality products and services that catered to the financial needs of the customers in an efficient manner. To achieve this goal, Thanachart Group has set up its vision ***"Becoming a fully integrated financial services group; aiming at creating an excellence in our services and product development, so as to satisfy our customers' financial needs, with the cooperation and unity of all the members of the Group."***

Such vision was developed from three major fundamentals which were providing fully integrated financial services (Universal Banking) with TBANK being the main services offering; focusing on satisfying of our customers' different needs (Customer Centric); and cooperating from all departments wholeheartedly to provide excellent service to customers (Synergy).

The endeavor and accomplishment from the three major fundamentals not only allowed Thanachart Group to be a fully integrated financial services group with highly successful in competition, but also was a key to drive Thanachart Group to become one of Thailand's leading banks over the next three to five years.

From our goal to become a fully integrated financial services group, Thanachart Group aimed to become one of Thailand's top five leading banks in the commercial banking industry. A result from merging with SCIB allowed Thanachart Group to possess an asset size appropriate for business competition and gain an ability to diversify risks by expanding corporate loans to small-sized and medium-sized enterprises so as to provide varieties of alternatives to customers. Moreover, synergy of Customer Experience Management and Sale and Service Model system from Scotiabank enabled Thanachart Group to offer a superior experience by providing the best services to fully satisfy financial needs of our customers as well as creating financial performance at the level equivalent to that of Commercial Bank industry's average. Besides that, Thanachart Group also put an emphasis on diversification of income sources in order to balancing interest income and fee-based income, by focusing more on fee-based transactions and cross-selling transactions. These aims have been communicated to all of our staff. In 2011, the Thanachart Group has set six Strategic Intents as follows:

1. We intended to provide our customers with a superior experience by offering the best service and a total financial solution to their unique needs.
2. We intended to be the dominant market leader for Hire Purchase Business.
3. We intended to aggressively grow the housing loan portfolio to be the top-three in market share of the Commercial Banking Industry.
4. We intended to grow the loan portfolio (corporate and SME) higher than industry average.
5. We intended to increase the fee-based income proportion to be on par with industrial average.
6. We intended to enhance our services and support productivity with cost effectiveness.

The above six Strategic Intents were communicated to all staffs at all levels so that they all shared a mutual objectives consistent with visions and strategic objectives of the Thanachart Group. In order that the strategies were in alignment, efficiently evaluated and able to manage the organization systematically, Thanachart Group has developed a plan namely "CEO's Six-Point Agenda" which served as a tool to enhance the set target to be efficient and systematic success.

Business Operations of Each Business Group

Commercial Banking Business

Characteristics of Products and Services

TBANK operated its businesses in compliance with the Financial Institutions Business Act and other relevant notifications issued by the Bank of Thailand (BOT). It acted as a non-life and life insurance brokerage agent, an advisor and investment unit distributor for mutual funds, trustee services for mutual funds, custodian services for private funds, securities brokerage, securities trading, debt instrument trading, securities registrar, and a selling agent for gold derivatives.

As of 31 December 2011, TBANK had a total of 676 branches (excluding the headquarters or Tonson branch), more than 2,100 ATMs (Automatic Teller Machines), 60 CDMs (Cash Deposit Machines), 130 Passbook Update Machines, and 79 foreign exchange booths (35 in-branches, 43 stand-alone, and 1 mobile car).

Group of Products and Services

TBANK improved and developed products to better serve various needs of our customers. Its four main products and services were as follows:

Products and Services	Characteristics	Competitive Strategies
Group 1 Deposit Products	<p>Deposit products were offered to customers, both individuals and corporates. There were 4 major types of deposit products which were saving deposit, fixed deposit, current deposit, and foreign currency deposit.</p>	<p>In 2011, the merger of TBANK and SCIB had been scheduled to complete by October 1, 2011. Therefore databases of the customers and deposits of both TBANK and SCIB must be combined into one unit to serve customer's need perfectly after the merger. To do so, all resources were used to develop information systems and other necessary systems to be able to complete the merger within the timeline. Because of that, TBANK did not focus its effort on launching any new product to the market. Moreover with the rising trend of interest rate, TBANK changed strategy by:</p> <ol style="list-style-type: none"> 1. Emphasizing on expanding customer base to both small-sized and medium-sized. 2. Expanding customer base especially on saving deposit and current deposit by launching new saving deposit product "Corporate Saving Plus" to broaden customer base. <p>Owing to the success of the merger, TBANK could successfully serve more than three million customers of both TBANK and SCIB through our 676 branches nationwide without any interruption.</p>
Group 2 Lending Products	<p>1. Personal Loans, consisted of:</p> <p>Home loans under the brand of "TBANK Home Loan", Multi-purposed loans named "Home Cash" and "Mortgage Cash", Education Loans called "Scholar Loan", Wish-list loans which were credit lines given to the hire purchase customers with good repayment records, new products of Credit Card under the name of Thanachart "Drive Visa/Master Card" given to the hire purchase customers with good repayment records and the depositors.</p> <p>2. Automobile SMEs</p> <p>TBANK offered this product to car related entrepreneurs who had short-term financial needs with the proceeds of the loans to be used as their working capital or for enhancing their liquidity position as well as those who had long-term financial needs with the proceeds of the loans to be used for business expansion or reducing funding cost. These included guarantee /avals and trade finance.</p>	<p>TBANK placed emphasis on efficient service delivery and fully integrated products that fulfilled to all customer needs. As well, marketing promotion, which is in line with the situation and competitive condition, was highlighted. The Retail Banking Department was responsible for developing products, terms and conditions, as well as interest rates charged. The target customers were divided into four groups, i.e. customers who needed home loans, customers who needed personal loans with houses as collateral, hire purchase customers with good repayment records and customers who needed to study further in a higher level of education. The main distribution channel was personal sales and marketing teams that were responsible for the sales target set in the business plan. Moreover, branches were channels to advertise personal loans or new products to the customers.</p> <p>TBANK placed emphasis on lending to car related entrepreneurs. The plan was set together between the Product Development team and Marketing team. Focus was given to a selection of the target customers, with whom TBANK had their database and good relationships. Also, TBANK continued placing an emphasis on promoting good relationships with its customers by providing the customers with advices on financial and business planning. This was for maintaining the TBANK's existing customers. TBANK continued developing loan products that incorporated other financial services, ensuring that the customers had the credit line and products that matched their financial needs as well as the financial structure that were appropriate to their business operations. Loan approval authority was delegated by making use of the credit scoring techniques as a main tool for screening and approving applications for standard loan products. The main distribution channels were in Bangkok and its vicinity and in the upcountry.</p>

Products and Services	Characteristics	Competitive Strategies
	<p>3. Corporate Loans</p> <p>In 2011, TBANK classified its corporate finance customers into two major groups as follows; 1) Large scale businesses which were those of annual sales revenue of over 600 million baht; and 2) Small-sized and Medium-sized enterprises (SMEs) which included the group of customers with annual sales revenue of less than 600 million baht.</p>	<p>In 2011, TBANK concentrated on maintaining its existing customer base for SME customers by launching products for those with good repayment records and also allowing loosen schemes for customers who were affected by flooding crisis. For corporate loan customers, TBANK placed an emphasis on lending programs that matched their financial needs. Apart from the products, TBANK placed an emphasis on improving work processes in order to be more efficient, yet flexible while having a proper internal control and a proper risk management system.</p>
	<p>4. Automobile Hire Purchase Loans</p> <p>TBANK gave hire purchase loans for new and used cars. The Bank also offered sale and lease back services under the product named "Cash Your Car". This product was in response to hire purchase customers who needed cash, with a selling point of higher credit line than a personal loan, lower interest rate and longer period of installment payment than a personal loan. Customers were able to choose the period of payment and installment plan at the most suitable for them.</p>	<p>TBANK's hire purchase loan services were provided across the country through car dealers and TBANK's branches. In setting the policy to offer a price, the Bank considers external factors such as a competition in the market and internal factors such as cost of fund and loan risk. In addition, TBANK placed an emphasis on sales promotion activities with car dealers in each region, aiming to offer high purchase loan conditions that met the need of regional dealers and customers the most, as well as establishing relationships with the automobile manufacturers in order to gain a larger market share of the automobile hire purchase business and promote the image of a leading loan provider of automobile hire purchase. TBANK increased distribution channels, providing customer's convenience by offering the "Cash Your Car" product through TBANK branches.</p>
	<p>5. Trade Finance</p> <p>TBANK provided a full range of trade finance products and services including Import Letter of Credit (L/C), Trust Receipt, Collection Agency of D/P and D/A for oversea buyers, Packing Credit, Export Bills Purchased/ Discounted, Export Bills for Collection, Letter of Guarantee, Stand-by L/C, and Oversea Money Transfer.</p>	<p>The main factors that promoted trade finance services to customers were accuracy in services, convenience, competitive interest rate and fees. The Bank took into consideration the customers' needs and the promotion of business transactions as the main concerns. For the corporate clients, the Bank had the target to expand customer base to large scale businesses and SMEs. The Bank provided trade finance credit limit, liquidity supports, and specialist advices on trade finance documents for customers. TBANK also developed trade finance products and services to cater to customer needs. The global business alliance network was useful for fast and convenience service which provided customers' satisfactory on the Bank's products and services.</p>
	<p>6. Personal Loans</p> <p>TBANK provided many types of unsecured personal loans. To be accessible and responsive to cover a wide range of customer needs, therefore the purpose of loans might or might not be specified. TBANK's personal loans were served under the product names as follows:</p>	<p>Products under unsecured personal loans defined competitive strategies on product development, marketing campaign, distribution channel, and appropriate services to serve target customers' needs. Thus TBANK provided a variety of products for customers to choose appropriately by life stage and life style. These products have been designed in such a way that were easily understandable and practical for every day needs.</p>

Products and Services	Characteristics	Competitive Strategies
	<ul style="list-style-type: none"> - T-Loan T-Loan was a multi-purpose loan providing for general customers. The repayments were arranged in equal installment monthly and specified time. - Wish-List loan Wish-List loan was an additional credit line of loan provided to TBANK's hire purchase customers who had good repayment record. - Special for Corporate Staff TBANK provided this loan specifically to customers whose companies had a campaign with TBANK - Scholar Loan Scholar loan was a loan for payment of tuition or any expenses for obtaining a master's or doctorate degree. - Pension Secured Loan This was a special multi-purpose loan for government employees who received monthly pension payment from the Comptroller General's Department. <p>-----</p> <p>7. FLASH Card was a product that provided cardholders with enhanced flexibility as it served as a source of a revolving credit. FLASH Card placed an emphasis on fast and convenience service which enabled the cardholders to withdraw cash from ATMs worldwide. FLASH Card also allowed the cardholders to pay the minimum amount in each collection period.</p> <p>-----</p> <p>8. Credit Card Services This product provided the line of credit to purchase products/services as cash or allowed cardholders to withdraw cash. TBANK collaborated with VISA and MASTERCARD to provide credit card in multiple types suitable to customers' qualifications and needs under the following names:</p> <ul style="list-style-type: none"> - Thanachat "Drive" Credit Card: For customers who needed a credit card with cash back for every payment made at any gas stations. - Thanachat Platinum Credit Card: For customers who were looking for exclusive services and privilege benefits in a view of luxury and convenience 	<p>Main competitive strategies of each product</p> <p>1. Personal Loan Providing a variety of product to cater to customer needs in each group that fit their purposes.</p> <p>2. Revolving Credit Card Providing cardholders with a credit line to spend for any purposes. Customers could withdraw cash within a credit line as per their needs at ATM worldwide.</p> <p>3. Credit Card Emphasizing on everyday needs of cardholders with simplified and practical use of the card. Cardholders received benefits as per their needs for every purchase.</p>

Products and Services	Characteristics	Competitive Strategies
Group 3 Electronic Products and Services	<p>TBANK offered electronic products and services that enabled customers to make financial transactions at a better efficient manner. These services included fund transfer, Automatic Transfer Service (ATS), online settlement for financial transactions through the Bank of Thailand's Automatic High-Volume Transaction Network (BAHTNET), automatic money transfers between banks (Bulk Payment System), Bill Payment service for goods and services and a debit card. To meet the customer needs, the Bank had also developed the service system through the Internet, which were as follows:</p> <ul style="list-style-type: none"> - Thanachart i-Net service - Thanachart SMS Alert service - Cash Back Debit Card 	<p>The strategy focused on cross-selling and up-selling via bank branches to both small and large scale companies. For individual customers who needed convenient transaction and safety for money transfer, the Bank initiated the promotion campaign aiming at easy accessibility and services. The money could be received on the same day of a transfer. Branches have been available in shopping centers or nearby office areas for customers' convenience.</p> <p>In 2011, the Bank offered services as follows:</p> <ol style="list-style-type: none"> 1. Internet Banking Service. This service was for both individual and corporate customers in order to broaden channels for customers to facilitate their financial transactions. 2. Financial Transaction Notification via SMS service. This 24-hour service notified all transactions i.e. deposit, withdrawal and money transfer via SMS to the customers' mobile phone number registered with the Bank. 3. An exclusive Cash Back Debit Card. The value of this service was that customers receive cash back directly into their accounts for every spending. The EMV technology provided an ultimate security to protect a card from data stealing.
Group 4 Other Products	<p>1. Foreign Exchange Services</p> <p>TBANK's services included foreign exchange services in forms of; bank notes and traveler's cheques, money changers, forward foreign exchange for international business transaction, inward and outward foreign currency transfers for goods and services, transfer for personal accounts, account opening for Foreign Currency Deposit (FCD), etc.</p> <p>2. Bill of Exchange (B/E)</p> <p>TBANK has expanded its bill of exchange services to every branch nationwide resulted in more convenient accessibility to customers. The product was well accepted by the customers.</p> <p>3. Securities Business Support Services</p> <p>TBANK's securities business support services were, for example, Custodian, Trustee, Fund Supervisor and Bondholder Representative.</p>	<p>TBANK has expanded its branch network and currency exchange booths to serve all business sectors and tourists nationwide. TBANK also adjusted exchange rates by benchmarking with the movements of the world's currency market. As a result, its customers received real time rates and fair prices.</p> <p>TBANK has developed B/E service to be safer and more convenient to enhance customers' confidence by using a B/E passbook that allowed customers to review transaction lists and outstanding of investments in each bills of exchange.</p> <p>TBANK also facilitated its customers by transferring payments of principal and interest when the B/E reached its maturity or transferring a payment of interest of each period automatically to the customers' saving accounts or current accounts as stated in each purchase order. Target customers were those depositors both individuals and corporates who had financial literacy and experience in investing in debt instruments and were able to accept a certain level of the Bank's credit risk.</p> <p>Besides acquiring Foreign Sub Custodian license from the SEC in order to serve Thai Funds which invested overseas, in 2011, TBANK applied and was granted a Registrar license from the SEC to support customers transferred from SCIB and to fully offer all range of services to meet customer needs. TBANK continued to develop business by utilizing the Bank's network along with providing securities business support services to support the financial management of investment funds.</p>

Influential Factors or Constraints on Business Operation

The economic outlook for the first nine months of 2011 was likely to expand moderately, although it was slow down in the second quarter as the production sector faced supply disruption problems following Tsunami disaster in Japan. In addition, exports of goods and services in Asian Region was decelerated due to uncertainty growth of the global economy in the last quarter of the year, resulting from real estate problems, unemployment problem in the U.S., and the European sovereign debt crisis. Besides, Thailand faced the widespread floods' impact across the country, especially in the central region such as Ayutthaya and Patum Thani provinces, in which seven industrial estates were located. The total damages were accounted to 1,300,000 million baht approximately. These circumstances affected all sectors, especially productions and exports of hard disk drive, automobile, electronic bulbs and parts, and electric appliances. Consequently, the economic growth in the fourth quarter was dramatically contracted by 9.0 percent, resulting in the GDP growth of the year increased by only 0.1 percent. Moreover, the disbursement of the government investment budget tended to decline, due partly to the decline in capital expenditure disbursement under Thai Khem Khang: TTK 2012 program. Meanwhile private sector investment remained sound.

Apart from economic factors, the commercial banks needed to divert to ensure that they were properly prepared for entering the ASEAN Economic Community (AEC)'s 2015 Financial Sector Master Plan Phase II, implementing process between 2010-2014. This circumstance had drawn plenty of attention and awareness from commercial banks during the past years. The Financial Sector Master Plan phase II's main policies could be categorized into three key pillars:

- 1) Reduce system-wide operating costs, including regulatory costs and costs of legacy non-performing assets, in order to enhance the efficiency of financial institutions system.

- 2) Promote competition and financial access by increasing of new service providers, as well as expanding business scope of existing service providers. This would help induce competition in price and service quality, as well as the opportunity for boarder financial access. Accordingly, the efficiency of overall economy would increase.

- 3) Strengthen financial infrastructure, by enhancing the capability and tools for risk management, improving the information system for risk management, reviewing the financial laws that supported risk management, strengthened the information technology (IT) infrastructure and capacity, and enhancing the capacity of human resources.

After the Bank of Thailand (BOT) has launched new policies encouraging Thai commercial banks to gain strength from 2010 to 2011, the year of 2012 would be the phase of promoting competition. Accordingly, BOT has granted permission for foreign bank branches to open two additional branches and allowed any existing foreign bank branches in Thailand to step up as a subsidiary that could have a maximum of 20 branches and 20 off-premise ATMs. Thai commercial banks, therefore, need to improve their capability to withstand their market share and compete in the system.

Industry Condition and Competition

At the end of 2011, the total number of commercial banks in industry registered at 31, of which 16 were domestically registered banks, and 15 were foreign bank's branches.

The outstanding amount of deposits in the commercial banking industry at the end of 2011 stood at 7,990,823 million baht, of which 7,367,485 million baht or 92.2 percent of total deposits were at the domestically registered banks, and 623,338 million baht or 7.8 percent of total deposits were at foreign bank's branches. The total deposits of domestic banks increased 6.69 percent from the same period of the last year.

In terms of net loans of the commercial banking industry, the total amount was 9,782,193 million baht. From the total net loans of industry, of which 8,732,797 million baht or 89.27 percent of total net loans came from domestic banks and 1,049,396 million baht or 10.73 of total net loans came from foreign bank's branches. Comparing to the previous year, the total net loans increased 11.63 percent due to a real growth of an economic sector of the country.

Besides the competition within the commercial banking industry, commercial banks also faced with other competitions from non-bank institutions such as non-banks, financial and capital market, as well as the government's specialized banks, resulted from changes in the regulators' rules and regulations. The changes allowed for more flexibility

and prepared the industry for the financial liberalization in the future. The increase of competitions has caused the commercial banks to increase competitive advantages by developing differentiations, called non-price strategies. The strategies are as follow: developing a more diverse range of financial products to meet the needs of specified customers (Customer Segmentation), increasing more distribution channels to cover potential customers across the nation such as increasing of branches in department stores, ATM booths, Electronic corner (ATM + CDM + UDP), etc., improving quality of service by using Customer Experience Management, making a good impression on customers by using Customer Data Analysis in order to offer suitable products and services that meet the customers' needs, and establishing business alliances and merger in the financial industry. The objectives were to provide customers with greater convenience and to cater to customers' all financial needs. Moreover, the commercial banks placed a strong emphasis on creating a corporate image through advertising media, public relations, and an establishment of a greater corporate social responsibility. In addition to a competition in interest rate, non-price strategy would help commercial banks substantially to differentiate their competitive positioning leading to competitive advantages in the future.

Regarding the interest rate trend, the most recent meeting of the Monetary Policy Committee (MPC) on 30 November 2011 presented a resolution to decrease policy interest rate by 0.25 percent (from 3.50 percent to 3.25 percent), which was the first reduction of policy interest rate of the year (since the beginning of the year 2011, interest rate policy has been continuously risen, by 1.50 percent). The causes were an increasing risk of the global economy downturn and the remaining weak confidence of private sector from the floods' impact of 2011.

The Company's Size Compared to Competitors

In 2011, TBANK had accomplished in merger with the Siam City Bank on 1 October 2011, allowing TBANK to enhance its potential and competitive edge. At the end of the year, TBANK had 676 branches and 2,153 ATMs in total while its assets amounted to 886,060 million baht, an increase of 12,857 million baht or 1.47 percent from the previous year. The Bank ROAA and ROAE were at 0.89 percent and 10.61 percent, respectively. Total loans registered at 635,220 million baht, a 4.67 percent increase from 2010. Moreover, to maintain its market leadership of hire purchase business, TBANK purchased and held 65.81 percent of total shares of Ratchathani Leasing Public

Company Limited (THANI). THANI has strong emphasis and expertise on trucks, taxi, second-hand cars, and large-sized motorcycle (Big Bike).

Trends in Competition

According to economic forecasts from domestic and international research houses and financial institutions, economic indicators signaled an improvement. In 2012, the Thai economy is expected to grow at 5.5 to 6.5* percent from the previous year, driven mostly by the economic restoration after the flood in 2011 which is expected to begin at the first quarter of 2012, as well as the impact of government stimulus policies by various measures such as rice pledging scheme, increasing the minimum wage, and the corporate income tax reductions. With a low base in 2011 as a major factor, economy in 2012 would be able to grow as predicted. Yet, the weak of global economy continues to be a major factor that could undermine Thai economy and must be closely watched. As for the economy of the United States, although the unemployment rate declined in the fourth quarter of 2011 yet it remained high, as the real estate sector has not yet recovered, while public debts leveled at an all-time high. Meanwhile, the debts crisis in Europe, especially in Greece was ongoing and began to spread into the financial sector of the Eurozone while no solid solution has been reached. These may be the key factors to cause Thailand's exports in 2012 to slow down. Nonetheless, the inflation rate in 2012 is estimated to be similar to the previous year. The 2012 headline inflation is expected to be at 3.2 percent, caused by rising fuel prices and lower demand for commodities as a result of the global market downturn while domestic production costs grow higher than minimum wage, higher transportation costs from levy to oil fund, and higher rice price from rice pledging scheme. Due to the continuous increase of the policy interest rate to 1.50 percent in 2011, it is therefore estimated that in 2012 BOT will adjust the policy interest rate slightly.

As BOT has promoted competition under the 2nd Phase of development plan which prepared for entering the AEC, it prompted Thai commercial banks to be more enthusiastic and more competitive. The competition trend in the Thai commercial banking industry in 2012 will be a service development under the Customer Centricity especially on Universal Banking and also the restructuring

Note: * 2012 economic growth forecast is from the Office of the National Economic and Social Development Board

of branches to serve customers more effectively which enhances the Fee Based Income and increase efficiency of the services such as Internet Banking and Mobile Banking. Moreover, the quality improvement and business service in Trade Finance and Cash Management will also build the banks' interest this year. Building the Strategic Alliances with other businesses to expand the network and extending business potentials will also allow the commercial banks to better serve their target customer versatile. The strategy should also be complemented by the Bundling Product and Cross-selling within the bank's own business group such as the Bancassurance in the life assurance and insurance businesses.

For risk factors in 2012, the global economic recovery is a critical issue that must be monitored closely, especially the economic recovery in the U.S. where its labor market got a better signal at the end of 2011 and the public debt issue in Europe is intensifying and extending to other countries' economies. France, Italy and Spain will therefore need to exercise strict Fiscal Consolidation while they are still lack of solid measures to solve this problem. Not only economic problems in the U.S. and Europe, the Asian economies that are tied to the global economy, especially on the export sector, started to slow down at the end of the year. Furthermore, political uncertainty in Thailand and performance of government in the fourth quarter of 2011, along with unclear guidelines for sustainable water management to prevent the flood in the long run may affect the confidence of consumers and investors in both inside and outside the country.

Products of Securities Business and Fund Management Business

Securities Business was provided to customers through TNS. The company was granted a full license to operate a full range of securities businesses including securities brokerage (inside and outside Thailand), securities underwriting, investment advisory service, securities borrowing and lending service, financial advisory service, mutual fund management, private fund management, venture capital management, securities registrar, and derivatives business. Also, the company was engaged in other related businesses that supported the securities business. As for Fund Management Business, this service was provided through TFUND who operated mutual funds, private funds, provident fund management businesses and investment advisory businesses.

Securities Business

Products and Services

TNS operated two key areas of business, brokerage business and investment banking and advisory business. As of 31 December 2011, the company had a total of 36 branches and offered the following services:

1. Brokerage Business covered brokerage services which included a service of securities dealing, securities trading, and giving investment advices to investors whether individual, retail, institutional, local or foreign, to make decision on their investment.

2. Derivative Business covered trading services for future contracts and derivatives.

3. Securities Borrowing and Lending (SBL) covered services of borrowing or lending securities for customers who had a desire to borrow or lend securities.

4. Investment Advisory covered services of seeking or issuing new financial products, whether local or foreign, in order to satisfy the customers' needs. This also includes providing customers with investment planning and investment diversification by prioritizing customer's suitability and investment objectives for each customer. Such investment covers various types of instruments.

5. Investment Unit Dealer covered services of sale support and provided fund facts and related information on mutual funds of various asset management companies that TNS represents.

6. Financial Advisory and Securities Underwriting Services covered financial advisory business, underwriting service of debt and equity securities both as a role of lead underwriter, co-underwriter, and dealer.

7. Securities Registrar covered three types of services, namely, a securities issuance registrar, securities holder registrar and a registrar for the Employee Stock Option Program (ESOP).

Competition and Market Outlook

1. Brokerage business in 2011 was relatively volatile, especially in the second half of the year. The stock market in August 2011 reached its peak level in 15 years at 1,148 points and later in September 2011 dropped sharply due to a number of negative factors, both domestic and international such as economic disruption due to the great flood and the debts crisis in euro-zone economies, especially in the PIIGS. In 2011, trading volume reached 7.19 trillion baht, the highest volume since 1975. Retail client transactions captured the highest volume at 55 percent of the market while foreign clients'

transactions returned to a net sales value of 5,290.42 million baht. In terms of mobilization of the number of initial public offering (IPO) in 2011, there were a total of 12 new IPOs (5 companies in SET and 7 companies in MAI). In 2011, the SET index closed at 1,025.32 points, 7.44 points lower than 2010 while the average daily trading volume was at 29,473.29 million baht, the highest volume for SET and the second highest behind Singapore Securities. TNS developed new financial products such as the SBL products for trading of foreign securities (offshore securities), so that investors can diversify the risks of investing in a full range of securities. TNS's total trading value in 2011 was 553,069.59 million baht, accounted for 4.43 percent market share, ranked number 10 out of 35 companies in the industry.

2. Currently, there are a total of 41 members in the Thailand Future Exchange (TFEX), of which 36 are general securities companies and 6 are gold-trading members. In 2011, total trading volume was 10,027,116 contracts, or a daily average of 41,145 contracts, an increase of 120 percent from a daily average of 18,676 contracts in 2010. As of 30 December 2011, there were 56,452 outright contracts, a decrease of 28 percent from 77,955 outright contracts in 2010. The key contributing factor was the popularity of Gold Futures trading which almost tripled in trading volume from 971,423 contracts in 2010 to 3,989,278 contracts in 2011, with a daily average of 16,350 contracts, valued at 11,037 million baht as the gold price has continued to rise to a peak of over 1,900 dollar per ounce in the third quarter, as a consequence of volatility of gold prices in conjunction with the extension of TFEX's trading hours to 10.30 pm. since June 2010 onwards. TNS trading volume accounted for 2.52 percent market share, ranking number 18 out of all members in TFEX.

In 2011 there were 62,883 TFEX trading accounts, an increase of 50 percent from 41,880 accounts in 2010. The proportions of the most active investors were domestic individual investors which accounted for 60 percent of the market. Foreign investors who accounted for 33.6 percent and domestic institutional investors accounted for 6.4 percent.

3. Currently, an investment advisory service is being offered only by the top-rank securities companies and the large commercial banks which try to offer customers with a complete and more integrated financial services. The current major customers focus their priority on the allocation of investment and diversification of financial products to get a better return on investment and to be more efficient in financial management. This business sector, therefore, became more popular among

financial Institutions who tried to enhance their service potential in the future. Beside domestic competitors, there is competition from foreign private banks, which focus on offering investment alternatives in various types of instruments in order to create a satisfactory return to major customers in Thailand.

4. In financial advisory and securities underwriting services, competition was aggressive, especially in mergers & acquisitions, IPOs and fund raising. Though competition focuses on price, the key competitive factor, thus, remains on service quality, expertise on providing a customer with relevant advice and solutions to a problem, having a wide network, as well as product innovation, which can create value-added and greater benefits to customers of TNS.

Fund Management Business

Products and Service

TFUND put importance and emphasis on a great range of retail mutual funds marketing strategies, in order to fully cover all needs of investors in every group and level. The company utilized many types of distribution channels for sales, such as TBANK's branches and other investment unit distributors licensed by SEC. The TFUND's staffs were legally qualified and were strictly required to adhere to related laws and regulations. For greater convenience, TBANK, acting as investment unit distributor, has been supporting sale and repurchasing of investment units offered by TFUND as well as other investment management companies it represents through electronic channels.

Competition and Market Outlook

As of 30 December 2011, there were a total of 23 fund management companies, with total assets under management of 1,750,824.95 million baht (excluding Vayupak Fund, Foreign Funds, Property Fund for Resolving Financial Institution Problem and Property and Loan Fund), an increase of 2.75 percent from 2010. During 2011, there were 692 newly issued funds, accounting for 1,086,169.61 million baht of net assets. Among the newly issued funds, 228 were domestic and foreign investment funds fixed-income funds investing in debt securities with maturity not exceeding one year, which accounted for 536,033.50 million baht of net assets or 49.35 percent of total net assets of the newly issued funds during 2011.

As of 30 December 2011, TFUND had 96,350.78 million baht assets under management from which retail mutual funds accounted for 78,372.94 million baht, private funds accounted for 9,087.86 million baht, and provident funds accounted for 8,889.98 million baht.

Insurance Business

The Insurance business of Thanachart Group could be divided into two key areas, namely non-life insurance operated by TNI, which offers all types of non-life insurance services, and life insurance operated by TLIFE, which offers life insurance services to institutional, corporate and individual customers.

Non-Life Insurance Business

Products and Services

TNI offers all types of insurance services e.g. fire, automobile, marine, and miscellaneous. In addition, the company also operates investment businesses.

Competition and Market Outlook

In 2011, non-life insurance business in Thailand experienced a growth in direct premium income compared to 2010, and was expected to grow by 10.6 percent but at a decreasing rate as compared to 2010 which had a growth rate of 13.7 percent, primarily due to the effect of the Tsunami in Japan in April 2011, resulting in a slow down of domestic automobile manufacturing. Moreover, the great flood in Thailand in October 2011 also affected the entire economy as well as domestic automobile manufacturing which, in turn, directly affected the non-life insurance business.

As for the non-life insurance market structure in 2011, automobile insurance received the highest share of the market with a total share of 59 percent, followed by miscellaneous insurance with 32 percent, fire and marine & transportation insurance with 6 and 3 percent, respectively.

In 2011, The Office of Insurance Commission (OIC) issued stricter rules and regulations, especially on Risk-Based Capital Requirement, minimum standards of risk management in non-life insurance businesses. To comply with these rules, domestic non-life insurance companies opted to emphasize on risk management and become more careful on insurance policy underwriting to avoid high risks.

TNI focused on a standard of products, service quality, productivity, efficiency and honesty, as well as development of new products in order to offer new policies which were more coherent with economic and social conditions and responsive to customer needs, by taking into consideration a fair premium rate to customers. Furthermore, the company constantly adjusted its progressive competitive strategy to be coherent with ever-changing conditions, by ways of increasing sales channels, expanding the customer base, and maintaining the existing customer base. As much as 95 percent of all customers are those with a policy claim limit not exceeding 5 million baht. The customers mostly selected automobile and fire insurance and these customers mainly are the Bank's lending customers as well as customers from the company's marketing campaigns.

This service was only offered to domestic customers. The customer groups with a policy claim limit of five million baht were mostly comprised of institutional customers, private enterprises that possess branch network, both in commerce and industrial sectors. A major portion of this customer group chose miscellaneous and fire insurances. As aforementioned, it can be concluded that TNI has never relied on any customer group that accounted for more than 30 percent of TNI's total revenue.

According to Thai Reinsurance Public Company Limited, Thai economy is expected to continue growing from 2011. The impact of major floods in Thailand and also the complexity and uncertainty of economic, social, temporal factors, and political climate are key factors in determining the direction of the non-life insurance industry direction in Thailand. If economic growth is in line with assumptions, the insurance industry would likely to experience a moderate expansion of 10 percent in premium received or a total of 151,819 million baht. Miscellaneous insurance received the highest growth rate 17 percent, followed by automobile insurance with 10 percent, marine & transportation and fire insurance with 6 and 3 percent, respectively.

Life Insurance Business

Products and Services

TLIFE offered life insurance and saving, which could be divided into two key categories, individual and group insurance. The license to operate the life insurance business was granted by the Office of Insurance Commission (OIC) on 22 October 1997.

Competition and Market Outlook

TLIFE operated its business with a multi-distribution channel strategy, in order to satisfy various needs of the customers by offering products and services suitable for each customer group. The company has utilized various channels, such as, the bancassurance channel, corporate network channels, insurance brokers, cooperatives, and other agents. TLIFE was customer centric, developing new products and offering services suited to the needs of customers and appropriate marketing channels. As TLIFE was a part of the Thanachart Group, the company's customers included savings deposit customers, automobile hire purchase customers, mortgage loan customers, SME loan customers, as well as customers from other corporates, co-operatives and companies through other distribution channels.

In the 10-month period of 2011, the life insurance industry captured a total market share of 263,317 million baht representing an increase of 12.12 percent. The main market sector went to individual and group insurance as follows:

Individual insurance received a total premium of 221,246 million baht which accounted for 84.02 percent of the market and a 15.38 percent increase, due to new product innovations which were more coherent with the economic trends, interest rates, target customers, as well as sales promotions and marketing staff skills.

Group insurance received a total premium of 30,587 million baht which accounted for 11.62 percent of the market, yet, this represented a 3.20 percent decline. The main source of premiums, 53.59 percent, came from Group Mortgage. In the 10-month period of 2011, mortgage insurance experienced a declining growth at 15.02 percent due to a lack of tax incentives on property transfer fees and mortgage registration fees to encourage consumers to complete housing transfers as in 2010. Moreover, the flood occurring in many areas during the fourth quarter of 2011 has slowed consumer buying decisions due primarily to the cost of flood evacuation and provision for the cost of home repairs after the flood. Meanwhile, consumers postponed their decisions to buy a new housing in order to determine the locations safe from the flood. The cumulative 10-month of automobile market reported sales volume of 713,842 units, 13.6 percent increase compared to the same period of the previous year. The passenger vehicle market saw a growth of 17.5 percent and the commercial vehicle market of 10.6

percent, due to strong purchasing power of consumers as well as growth in investment and consumption and the continuing popularity of new vehicles for the first three quarters of 2011. However, the premium from auto hire purchase loans may be subdued due to the impacts of the great flood on the domestic automobile industry.

Currently, the life insurance industry consists of 24 insurance companies. The company occupied a total premium of 5,791 million baht, or a 2.20 percent share of the market ranking 10th in the industry.

The Individual Life Insurance Product had a variety of products such as saving products and annuity products. The products with the highest sales figures were as follows:

Speedy Saving 10/2, it was a short-term savings product with premiums due for only 2 years, yet providing 10 years of life insurance coverage and a cash back policy at the end of the first year at the rate of 3 percent, and the second year to-10 that the rate of 6 percent, and on maturity date at the end of the 10th year at a lump sum rate of 200 percent, equivalent to a total cash return benefit of 257 percent.

Big Bonus 12/6, it was 12 years life insurance with premiums due for only six years with cash back policy for the first to-fourth year at the rate of 8 percent, the fifth to-eighth year at 10 percent, the ninth to-twelfth year at the rate of 12 percent, and on maturity at the end of the 12th year at a lump sum of 660 percent, equivalent to total cash return benefit of 780 percent.

Thanachart Annuity 85/60 (Tax Deductible Benefit) had premium payments until 59 years of age and coverage period until 85 years of age while providing an annual benefit of 12 percent annuity between 60-85 years of age, totaling 312 percent cash benefits with guaranteed annuity over 20 years. For this plan, insurance premiums can be used for an income tax shield up to a maximum of 300,000 baht per year.

Thanachart Annuity 90/5 (Tax Deductible Benefit) was a new life insurance product with a coverage period until 90 years of age and a short period of premium payments of only 5 years with an annuity benefit of 12 percent between 60 to 90 years of age, totaling 372 percent cash benefits. For this plan, insurance premiums can be used for an income tax shield up to a maximum of 300,000 baht per year.

Group Insurance provided appropriate products to each distribution channel, comprising of Thanachart Smile Car Plus+ and Thanachart Smile Car Extra which cover all liabilities of car loans through car hire purchase, Thanachart Smile Home and Thanachart Smile Home Plus which cover all liabilities of home loans through mortgage loan, Thanachart Smile SME which covers liabilities of SME loans for enterprises through SME loans. Moreover, the Company also provides group insurance for cooperatives, other companies and organizations.

There are many factors to support life insurance business trend in 2012; to name a few are government's rehabilitation plan for the flood disaster in early 2012, Thai people's concern over uncertainty of natural disaster that motivated consumers to be aware of and give importance to life insurance in order to mitigate risk for themselves and their families. As a result, customers purchased more life insurances to cover the risks while insurance companies have developed new policies of various life insurance products that are more consistent with the economic conditions and that expand distribution channels to meet customers' needs. To provide accessibility, a services provider system has been developed, prior to and after sale service excellence, training for insurance brokers and banks that are life insurance agents. In addition, the OIC has announced a policy to promote savings and awareness about savings through life insurance by giving the benefits in the form of 200,000 baht income tax shield from life insurance annuities. A number of life insurance companies, therefore, have developed a variety of life annuity policies to support the diverse structure of the aging population targeting at those over 60 year old, in order to get a regular income after retirement. For the aforementioned, it is estimated that the life insurance business will continue its growth at increasing rate in 2012.

Asset Management Business

Characteristics of Products and Services

Thanachart Group's asset management business is managed by NFS Asset Management Company Limited "NFS AMC", MAX Asset Management Company Limited "MAX AMC", and TS Asset Management Company Limited "TS AMC". They operate the asset management business by buying or taking transfers of non-performing loans of Thanachart Group, financial institutions, and financial institutions which have been closed down, for the purpose

of managing or selling them. They are also engaged in other related businesses which are permitted by Ministry of Finance's notifications or the law related to the asset management corporation or other related laws.

Industry Outlook and Competition

In managing non-performing assets, the main focus is given on finding solutions to non-performing problems. It needs to access the financial health of the debtors to find out whether debts could be restructured or the assets of the debtors should be sold to repay debts by selling the transferred assets to third parties who are interested in buying them. As a strategy to sell the assets efficiently and to be able to compete with other players in the market, it has hired special consultants specifically for managing properties for sale. These consultants are responsible for collecting information about the properties for sale, determining their selling prices, managing high-value assets, as well as appointing selling agents or brokers with prior experience in selling these types of assets. The assets have to be set as packages in order to have more value-added. The coordination with the companies under the Group is promoted in the form of loans with special condition; for example, free of charge on the right transfer fee when selling assets through the exhibition booth. Also, the company has increased its distribution channels, which include among others, selling the foreclose property through brokers or agents, finding and contacting private companies in organizing public auctions to dispose of the properties, cross-selling and selling on the website of Thanachart Group, as well as finding and selecting media which helps promote sales and reach as many target groups as possible.

Funding for Products and Services

Source of Fund

One source of TBANK's fund is the capital, comprising of issued and paid-up capital. The total capital at the end of 2011 amounted to 55,137 million baht, including legal reserve and retained earnings. There are other two key sources of fund which are"

1. Deposits which by the end of the year 2011 were in the amount of 436,040 million baht.

2. Borrowings in the amount of 254,296 million baht could be divided into 218,492 million baht of short-term borrowings, mainly composed of short-term B/E since the Bank added B/E as another alternative for customers, and 35,804 million baht of long-term borrowings.

Funding or Borrowings of Parties Related to Executives or Major Shareholders

At the end of 2011, TBANK gave loans to a parent company, subsidiaries, and related companies in Thanachart Group as follows:

1. Thanachart Group Leasing Company Limited (a subsidiary of TBANK)

TBANK gave loans to TGL for business operation in hire purchase for all types of automobile in accordance with business policy of Thanachart Group. In 2011, the outstanding loan balance was 353 million baht, a decrease from 934 million baht at the end of 2010.

2. National Leasing Company Limited (a subsidiary of Thanachart Group Leasing Company Limited)

TBANK gave loans to National Leasing for business operation in property hire purchase and property leasing. In 2011, the outstanding loan balance was 22 million baht, a decrease from 52 million baht at the end of 2010.

3. Ratchthani Leasing Public Company Limited (a subsidiary of TBANK)

TBANK gave loans to THANI for business operation in hire purchase for all types of automobile in accordance with business policy of Thanachart Group. In 2011, the outstanding loan balance was 7,870 million baht.

4. TS Asset Management Company Limited (a subsidiary of TBANK)

TBANK gave loans to TS AMC for business operation in non-performing asset management in accordance with Thanachart Group. The outstanding loan balance was 9,824 million baht.

The outstanding loan balance of Thanachart Group was 18,069 million baht, accounting for 2.84 percent of total outstanding loan balance in 2011. All lending and borrowing activities were transacted under the permission of the BOT.



RISK MANAGEMENT AND RISK FACTORS

Overview on The Risk Management

Thailand's economic growth in 2011 was 0.1 percent, representing an increase at a decreasing rate when compared with 7.8 percent in 2010. This could be mainly attributed to a number of risk factors including the slowdown of the global economy, Europe's debt crisis, as well as the impact of Japan's earthquake and tsunami crisis in the second quarter of 2011. The country was also hard hit by the flood crisis towards the end of 2011, which caused extensive damage to agricultural areas and industrial estates. As a result, the country's export sector, consumption, and the investment of the private sector all contracted in the fourth quarter of the year. On the economic outlook for 2012, it is expected that the domestic economy would gradually recover by the middle of 2012. The country's Gross Domestic Product (GDP) in 2012 is expected to grow at 5.5-6.5* percent. The growth will be mainly due to the government's relief and recovery measures and economic stimulus policies to help flood-hit people and businesses. However, in 2012 the Thai economy is still faced with various risk factors such as global economic uncertainty, financial market volatility in the world economy, and volatile hot-money flow of funds from one country to another, inflationary pressures, as well as the implementation of the higher minimum wage in line with the government's policy. Taking into consideration the above-mentioned factors, businesses need to tread more cautiously in the conduct of their business affairs in 2012 in order that they will maintain their sustainable competitive advantage in the international market, particularly after Thailand's participation in the ASEAN Economic Community (AEC) in 2015.

Thanachart Capital Public Company Limited "TCAP" has continually realized the importance of risk management. In the year 2011, Thanachart Bank Public Company Limited "TBANK", a subsidiary company, developed an Internal Capital Adequacy Assessment Process (ICAAP) to support risk other than credit risk, market risk, and risk in compliance with Pillar II of Basel II framework in accordance with the Bank of Thailand (BOT) guidelines, which will make TBANK manage capital funds more efficiently.

The Board of Directors and Executives of TCAP still closely govern, monitor, and develop the risk management system regularly to make sure that the measures are appropriate to and prompt on the ever-changing internal and external risk factors. To support the risk management system, TCAP strategically establishes a structure of the organization to support the operation under the direction and supervision of the various committees, as follows:

TCAP's Risk Management Structure

Board of Directors has a role in policy determination and establishes guidelines for an efficient enterprise-wide risk management that is in line with TCAP operations by taking into consideration the impact of risks on TCAP's operational goal and financial position that has to be in line with its normal operation.

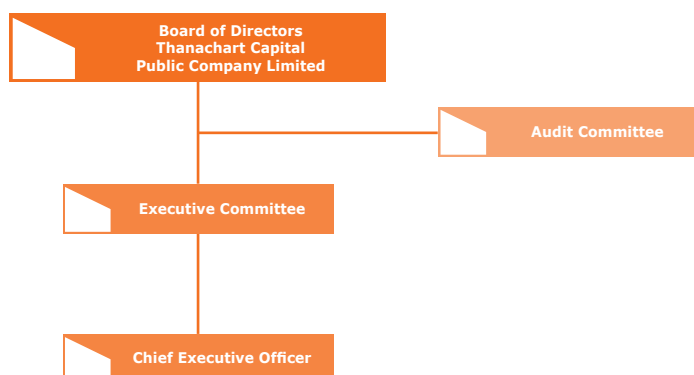
Executive Committee plays a role in establishing strategies and developing risk management process as well as seeking for the appropriate policy and guidelines in risk management to present to the Board of Directors for approval. The Committee also supervises transactions to be in accordance with TCAP risk management policy.

Audit Committee has a role in determining the supervisory guidelines for the operation to comply with measures of related authorities as well as assessing the effectiveness and competence of the risk management process and internal control system of TCAP.

Source: * The Office of the National Economic and Social Development Board

TCAP's Risk Management Structure

As of 31 December, 2011



- The conduct of business affairs is based on a system of check and balance with the Middle Office, comprised of the Risk Control Unit and the Back Office, being separated from the Front Office.

- TCAP put in writing all the established policies and guidelines regarding the risk management that specifies responsibilities of related units as the operational guidelines for the employees. Moreover, the Company has established a four-step guideline for risk management comprising of: 1) identification of the characteristics of risk as well as risk factors, 2) development of appropriate tools and models for risk measurement, 3) the control of risks within acceptable limits, and 4) the close monitoring of risk status in order to properly manage any possible risks in a timely manner.

- The difference in size and risk ratios determined for each exposure measured by tools or models allowed TCAP to be able to perceive the degree of severity from the possible risks. These risk variables could also be used as a ceiling or the acceptable risk level as well as to provide warning signals before severe losses occur.

The aforementioned risk management systems are developed based on prudent principles and will be reviewed regularly to suit prevailing situations and up-to-date. The systems are designed to be transparent, explicit, and examinable, and to take into consideration of the interests of shareholders, customers, and staff of the Company.

Key Risk Categories of TCAP

1. Credit Risk

Credit risk arises from a situation in which the debtors or counterparties fail to repay or fulfill their agreed obligations. This might be contributed by the fact that the debtor's financial position is under distress due to volatilities of economic conditions that pose adverse impact on businesses, or the debtors' mismanagement, which as a result, may adversely affect TCAP and its subsidiaries' earnings and capital. The credit risk may arise from ordinary financial transactions such as credit lending, financial obligations or guarantees, other transactions related to credit lending, as well as investment in debt instruments issued by state agencies or state enterprises with neither guarantee from the government nor the BOT, and private debt instruments such as debentures.

Under its credit risk management policies and guidelines, TCAP and its subsidiaries have successfully established a credit culture. To start with, the credit risk of the borrowers, counterparties, or issuers of debt instruments will be independently assessed by the model developed specifically to each type of borrowers or counterparties by the Credit Analysis Unit. At this juncture, authorized Credit Committee would then consider and determine the level of credit risk of borrowers or counterparties, appropriate credit lines and investment budget, as well as Terms and Conditions on loans or other obligations. The Committee also controls the overall risk

status by appropriately diversifying credit risk into various business sectors and groups of customers within the established risk ceilings. In addition, the Committee closely monitors the quality of loans to ensure proper and vigilant management by emphasizing on business capability and repayment ability under the supervision of an independent risk control unit. Apart from the aforementioned units, there is also an Internal Audit Group to verify that the credit transactions are in compliance with the BOT's guidelines.

In order to receive return suited to the risks, TCAP and the subsidiaries employ the use of tools to measure the Risk Adjusted Return on Capital (RAROC). The Company also organizes a stress test to predict the damage that may occur in a crisis that may lessen the debtors' ability to complete their financial obligations or render them unable to pay off the debt as stated in the Terms and Conditions of the hypothetical contract and risk factors that were determined in order to affect business in the industrial sector in which the debtor has a working operation.

The Significant Credit Risk Factors

1.1 Credit Concentration Risks

TCAP and its subsidiaries aim to appropriately diversify its loans to various groups of customers, focusing on high potential customers, and attempt to prevent concentration of loans to a particular group of customers. Moreover, the proper risk management on overall credit portfolios with close monitoring and comprehensive assessment to report to the assigned committees on a regular basis is also required under such management.

The Data on Credit Status as of 31 December 2011 Relative to 31 December 2010 Could be Categorized into Business Types

Type of Business	2011		2010	
	Outstanding (Million Baht)	Percent	Outstanding (Million Baht)	Percent
Agricultural and mining	10,848	1.70	10,985	1.80
Manufacturing and commercial	82,335	12.92	97,818	16.04
Real estate and construction	48,275	7.58	52,754	8.65
Public utilities and service	58,660	9.20	66,441	10.89
Personal consuming				
Housing loans	73,809	11.58	77,857	12.77
Securities	2,236	0.35	2,683	0.44
Hire-purchase	286,490	44.96	239,943	39.34
Others	74,611	11.71	61,363	10.06
Total loans	637,264	100.00	609,844	100.00

The overall credit data as of 31 December 2011 revealed that TCAP and its subsidiaries' lending on hire purchase business accounted for 44.96 percent of total loans. Nonetheless, most of these hire purchase loans were provided to retail customers whose credit line was relatively small, and with a large number of customers, such risk therefore was well diversified. This hire purchase lending has been transacted through TBANK since 2005.

1.2 Risks From Non-Performing Loans

The non-performing loans are loans classified as substandard, doubtful, and doubtful of loss. They have been the major concerns across financial institutions due to their adverse effect on earnings and capital of the Company and its subsidiaries. At this juncture, TCAP and its subsidiaries have focused their major efforts on controlling credit quality through appropriate policies and procedures to regularly monitor the quality of the loans.

Composition of the Non-Performing Loans as at 31 December 2011 Compared with Those of 31 December 2010

Loans Classification	2011		2010	
	Outstanding (Million Baht)	Percent	Outstanding (Million Baht)	Percent
Substandard	7,145	18.05	6,905	17.49
Doubtful	12,072	30.50	14,400	36.47
Doubtful of loss	20,357	51.44	18,183	46.05
Total	39,574	100.00	39,488	100.00

TCAP and its subsidiaries' non-performing loans increased from 39,488 million baht as of 31 December 2010 to 39,574 million baht as of 31 December 2011. From the credit overview, the non-performing loans were accountable for 6.21 percent of total loans and interest receivables, decreasing from 6.48 percent in December 2010. They could be classified by type of business, as follows:

Non-Performing Loans Classified by Type of Business

Type of Business	2011		2010	
	Outstanding (Million Baht)	Percent	Outstanding (Million Baht)	Percent
Agricultural and mining	364	0.92	429	1.09
Manufacturing and commercial	16,869	42.63	15,234	38.58
Real estate and construction	4,045	10.22	5,027	12.73
Public utilities and service	5,729	14.48	6,358	16.10
Personal consuming				
Housing loans	3,638	9.19	2,979	7.54
Securities	306	0.77	1,339	3.39
Hire-purchase	3,683	9.31	4,209	10.66
Others	4,940	12.48	3,913	9.91
Total non-performing loans	39,574	100.00	39,488	100.00

As of 31 December 2011, TCAP and its subsidiaries had no credit risk from non-performing loans that collateral did not fully cover the remaining loan amounts after deducting provision for loan loss. This was due to the fact that 100 percent provision was allocated on such loans by the Company in compliance with the International Accounting Standards 39 (IAS 39).

Non-Performing Loans of TCAP and Financial Subsidiaries

(Unit : Million Baht)

	2011	2010	Change
Non-performing loans (NPLs)	39,331	38,244	1,087
Loans not fully covered by collateral	20,411	20,555	(144)
Provision for loan loss	20,615	20,809	(194)
Loans not fully covered by collateral after loan loss provision	-	-	-
General provision for loan loss	417	707	(290)

Troubled Debt Restructuring

(Unit : Million Baht)

	2011	2010
Number of debtors (persons)	54,225	20,534
Outstanding principal and accrued interest receivables	40,055	29,756
Loans not fully covered by collateral	14,829	12,459
Revaluation allowance for debt restructuring	386	464
Total loans and accrued interest receivables	638,244	610,800
Restructured debts to total loans (percent)	6.28	4.87

The risk on debt restructuring arises from the re-entry of the substandard debtors, i.e. after the debt restructuring, the debtors again default on their repayments and hence re-enter the non-performing status. The problem poses adverse effects on debt-restructuring performance of TCAP and its subsidiaries. As of 31 December 2011, the outstanding principal and the accrued interest receivables of the restructured debt amounted to 40,055 million baht or 6.28 percent of total loans and accrued interest receivables. The net restructured debt (less collateral) amounted to approximately 14,829 million baht.

1.3 Risks from Collaterals

For collateralized loans, TCAP and its subsidiaries carefully assess and classify quality of each type of collateral by taking into account the liquidity and overall risk from that collateral. The assessment result is one of the important factors applied in the risk classification of each credit exposure. In this regard, the collateral, both in the form of immovable and movable whose value could be appraised, is subject to appraisal or valuation complying with the BOT's regulation. TCAP's and its subsidiaries' significant types of collateral are deposits and bills of exchange, property in the demand of the market, property outside the market commercial immovable property, immovable property for housing, vehicles, machinery, etc. TCAP and its subsidiaries have determined guidelines, standards and frequency of appraisal and valuation of each type of collateral. Furthermore, a report of the appraisal and valuation is made which includes clear and sufficient data and analysis to determine the price. In the case that it cannot be specified whether the collateral price has decreased or declined over time, the impairment of the assets must be considered by an official.

In the past years, the automobile hire purchase loans that has been TCAP and its subsidiaries' main business has continued to expand. The ownership of collateralized car belongs to the Company, and in the case of default, TCAP is eligible to immediately repossess the collateral for the purpose of reselling in the used car market. As a result, TCAP and its subsidiaries might be exposed to risk from the inability to repossess the cars or from recovering the incurred loss by reselling the assets. Such conditions depend on various risk factors, for instance, the conditions of the used car market and the repossessed car itself.

1.4 Risks From Impairment of the Property Foreclosed

As of 31 December 2011, TCAP and its subsidiaries' net amount of property foreclosed at accounting cost value (after the allowance for impairment) totaled to 11,560 million baht, or 1.29 percent of the total assets with the allowance for impairment stood at 765 million baht, which accounted for 6.21 percent of the accounting cost value.

1.5 Risks From Guarantees and Avals

Under the current customer service, TCAP and its subsidiaries are also obligated in forms of avals, letter of credits, and loan guarantees, which the Company is held responsible for, should the customers are unable to fulfill their obligations. In managing such risk, TCAP and its subsidiaries carefully scrutinize supporting information and apply strict approval procedures to these obligations. The close monitoring on these transactions is undertaken based on the same guideline used for its regular lending procedure of the Company and its subsidiaries.

As of 31 December 2011, TCAP and its subsidiaries' obligations in the form of avals and guarantees for loans amounted to 26,752 million baht, or 2.99 percent of their total assets.

2. Market Risk

The market risk arises from movements in interest rates, exchange rates, and prices of instruments in money market and capital market, which may adversely affect earnings of TCAP as well as capital of TCAP and its subsidiaries. The market risk can be segmented into three categories including price risk, interest rate risk and exchange rate risk. At this juncture, TCAP and its subsidiaries' policies are to control and manage these risks to remain at an appropriate level and in line with TCAP and its subsidiaries' policy on risk management.

2.1 Price Risk

Price risk arises when TCAP and its subsidiaries' earnings or capital are adversely affected by changes in the price of debt and equity instruments, causing the value of TCAP and its subsidiaries' trading and available-for-sales investment portfolio to decline.

TCAP and its subsidiaries has developed risk measurement tools based on the Value-at-Risk (VaR) model to estimate the maximum loss amount at a certain confidence level and over a given asset holding period. TCAP and its subsidiaries also determine the various limits of transactions in order to control risk to remain in an acceptable level, for example; Position Limit and Loss Limit. The Risk Control Unit, separated from the Front Office and the Back Office, has the duty of risk control and reporting on the status of the limits to the Board of Directors, departments and Executives associated to the risk management. In order to ensure the efficiency and accuracy of its tools for risk measurement, TCAP and its subsidiaries requires that the tools are subject to back-testing in accordance with the Bank for International Settlement (BIS) standards. Moreover, TCAP and the subsidiaries have conducted stress testing by formulating stress scenarios which can create extraordinary reduction in stock prices. The result of the test could therefore shed light on the impact on TCAP and its subsidiaries' earnings and required capital should such events occur.

As of 31 December 2011, TCAP and Its Subsidiaries' Trading Investments and Available-for-Sale Securities Classified by Type of Investment

(Unit : Million Baht)

	Fair Value	
	2011	2010
Investments		
Trading investments		
Government and state enterprise securities	10,855	325
Private debt securities	4,758	31
Foreign debt securities	637	3,023
Domestic marketable equity securities	45	87
Available-for-sale investments		
Government and state securities	41,103	52,604
Private debt securities	18,553	10,017
Foreign debt securities	25,425	12,920
Domestic marketable equity securities	8,553	9,137
Total investment in trading and available-for-sale securities	109,929	88,144

The Company and its subsidiaries invested more in debt securities, resulting to the increase in the value of trading and available-for-sale investment of the Company and its subsidiaries. As a result, the price risk of TCAP and its subsidiaries was higher than the previous year.

2.2 Interest Rate Risk

The interest rate risk is the risk that earnings or capital are adversely affected by changes in interest rates that pose impact on its rate-sensitive items including assets, liabilities, and off-balance sheet items. These changes may have a negative impact on net interest income and capital fund of TCAP and its subsidiaries.

It is the goal of the Company and its subsidiaries to run their business operations under a long-term effective interest rate risk management system, in other words, to maintain an appropriate structure of assets and liabilities which are rate-sensitive at different time intervals. To ensure maximum benefits of TCAP and its shareholders, the Company has developed the Interest Rate Gap Analysis Model as a tool for measuring interest rate risk by assessing the impact that may arise from the mismatch of the repricing periods of assets, liabilities, and obligations at different time intervals, which is used for risk measurement every month. In order to ensure that the risk of TCAP and its subsidiaries' business operations is within an acceptable limit, they have also established an acceptable risk ceiling and an early warning risk level, taking into account the structure of assets, liabilities, and obligations as well as interest rate repricing which are expected to take place in each period of TCAP and its subsidiaries' business plan. The Asset and Liability Management Committee (ALCO) is responsible for monitoring and controlling such risk very closely. To effectively design appropriate measures to accommodate the risks, the Committee has to monitor economic conditions, developments in the money market and capital market, and the interest rate trend which could become important risk factors to the Company's rate-sensitive items.

Details of Financial Assets and Liabilities as of 31 December 2011, Classified by the Period When the Interest Rates Would be Repriced in Accordance with Contracts Related to Financial Assets and Liabilities of TCAP and Its Subsidiaries

(Unit : Million Baht)

Items	Period of Interest Rate Repricing or Due Date						
	At Call	0-3 Months	3-12 Months	1-5 Years	Over 5 Years	No Interest	Total
Financial assets							
Cash	-	-	-	-	-	16,006	16,006
Interbank and money market items	23,022	29,523	2,655	-	-	8,146	63,346
Derivative assets	-	-	-	-	-	1,536	1,536
Investments	1,658	16,909	46,452	57,902	16,781	13,964	153,666
Loans	318,909	22,242	15,442	212,310	68,113	248	637,264
Receivables from clearing house	-	-	-	-	-	25	25
Receivables from purchase and sale securities and derivatives	-	-	-	-	-	858	858
Total financial assets	343,589	68,674	64,549	270,212	84,894	40,783	872,701
Financial liabilities							
Deposits	174,462	169,398	77,913	8,404	-	5,688	435,865
Interbank and money market items	20,878	32,220	5,397	217	-	1,457	60,151
Derivative liabilities	-	-	-	-	-	2,131	2,131
Liabilities payable on Demand	-	-	-	-	-	2,886	2,886
Borrowings	999	133,517	99,416	28,700	21	-	262,653
Payables to clearing house	-	-	-	-	-	306	306
Payables from purchase and sale securities and derivatives	-	-	-	-	-	851	851
Total financial liabilities	196,339	335,135	182,708	37,321	21	13,319	764,843

2.3 Exchange Rate Risk

The exchange rate risk is a risk that the earnings or capital of TCAP and its subsidiaries can be adversely affected by exchange rate fluctuations from transactions in foreign currencies, exchange rate exposures in their possession of assets or liabilities in foreign currencies. There are two types of exchange rate risk-risk from transactions in foreign currencies (Transaction Risk) and risk from exchanging foreign currency to local currency (Translation Risk).

Most transactions relation to exchange controls are due to the service of TBANK which is one of TCAP subsidiaries. The ALCO is responsible for monitoring and controlling this type of risk through the consideration in the proper matching between the structure and the maturity of assets and liabilities in foreign currencies. TBANK's policy is to also rely on the VaR model as a risk measurement tool in determining the risk ceiling in order to control the impact of exchange rate movements on earnings and capital. Nevertheless, in order to avoid the exchange rate risk, TBANK has also relied on hedging instruments such as forward contracts.

As of 31 December 2011, TCAP and its subsidiaries faced with relatively low exchange rate risk as most of the assets in foreign currencies have been hedged by forward contracts.

3. Liquidity Risk

Liquidity risk arises from the inability of TCAP and its subsidiaries to repay their debts or obligations upon the delivery date due to the lack of ability to convert assets into cash or to mobilize adequate funds or to mobilize funds at an acceptable cost. This could adversely affect the current and future earnings and capital of TCAP and its subsidiaries. The liquidity risk management mechanism starts with the assessment of the cash flows and liquidity position over particular time horizons of TCAP and its subsidiaries when the different levels of funds may be required to accommodate borrowings upon maturities, to redeem other types of liabilities, or to acquire other assets by using the Liquidity Gap Analysis, various liquidity ratios and "What If" scenarios to evaluate the sufficiency of the cash flow liquidity depending on customer behavior in extending contracts upon maturity and estimate the need of liquidity in various "What If" scenarios depending on the economic climate and extraordinary situations that may happen to TCAP, its subsidiaries and the financial institution system.

Meanwhile, the Company and the subsidiaries developed an emergency plan in the case of a liquidity problem and there will be a revision of the significant occurrences that affect working operations. In this regard, TCAP and its subsidiaries have assigned Asset and Liability management Committee (ALCO) in controlling and managing the liquidity risk with a weekly meeting to monitor and manage risk.

The Structure of TCAP and Its Subsidiaries' Funding Could be Classified by Sources of Fund and Maturity as Follows:

Funds Classified by Source

	2011		2010	
	Million Baht	Percent	Million Baht	Percent
Borrowings and deposits				
From public	435,865	57.45	532,382	70.27
From financial institutions	50,852	6.70	33,251	4.39
From foreign entities	9,299	1.23	7,294	0.96
Bill of exchange and promissory notes	219,166	28.89	139,534	18.42
Debentures	43,487	5.73	44,949	5.93
Energy conservation fund	-	-	234	0.03
Total	758,669	100.00	757,644	100.00

Funds Classified by Maturity

	2011		2010	
	Million Baht	Percent	Million Baht	Percent
Less than 1 year	701,108	92.41	681,949	90.01
More than 1 year	57,561	7.59	75,695	9.99
Total	758,669	100.00	757,644	100.00

As of 31 December 2011, deposits and borrowings of TCAP and its subsidiaries amounted to 758,669 million baht, where sources of funds were mostly from public deposits with the maturity less than one year. This is considered a common structure of the financial institutions. Nevertheless, TCAP and its subsidiaries also issued bills of exchange and debentures in order to increase the saving alternatives for their customers.

The Financial Assets and Liabilities as of 31 December 2011 Classified by Maturity Date

(Unit : Million Baht)

Items	Maturity Date of Financial Instruments				
	At Call	Less Than 1 Year	More Than 1 Year	Not Specified	Total
Financial assets					
Cash	16,006	-	-	-	16,006
Interbank and money market items	8,399	54,827	120	-	63,346
Derivative assets	-	1,536	-	-	1,536
Investments	1,646	69,596	68,951	13,473	153,666
Loans	49,578	193,203	394,483	-	637,264
Receivables from clearing house	-	25	-	-	25
Derivatives	-	858	-	-	858
Total of financial assets	75,629	320,045	463,554	13,473	872,701
Financial liabilities					
Deposits	176,458	249,818	9,589	-	435,865
Interbank and money market items	21,081	35,306	3,764	-	60,151
Derivative liabilities	2,131	-	-	-	2,131
Liabilities payable on demand	-	2,886	-	-	2,886
Borrowings	999	217,446	40,714	3,494	262,653
Payable to clearing house	-	306	-	-	306
Payable from purchase and sale securities and derivatives	-	851	-	-	851
Total financial liabilities	200,669	506,613	54,067	3,494	764,843
Off balance sheet items					
Avals to bills and guarantees of loans	1	1,572	43	-	1,616
Obligation under unmatured import bills	624	481	-	-	1,105
Letter of credits	86	2,540	-	-	2,626
Other commitments	41,733	6,138	2,080	3	49,954
Total off-balance sheets	42,444	10,731	2,123	3	55,301

4. Operational Risk

The operational risk is the risk that arises from the damage that occurs from lack of good corporate governance or lack of good governance within the organization. Risk may also arise from the inadequate efficiency of the internal audit and internal control systems which could be relating to internal operation process, personnel, systems or external events. This also includes legal risks such as the risk of being sued or legal processes, exploitation by the government, and also damage from settlements outside the courtroom. Such risks can pose adverse impact on other risks, especially strategic risk and reputation risk.

TCAP and its subsidiaries have established policies and guidelines to ensure the prevention and monitoring of this type of risk. As the internal control system is an important tool in controlling and preventing potential risk that may occur, TCAP and the subsidiaries have implemented an efficient internal control system, as follows:

- Regarding the organization of the Company's structure, TCAP and its subsidiaries have specified the roles, the scope of duties and responsibilities for each position, based on a System of Check and Balance. The Front Office where all the transactions take place is separated from the Middle Office, comprised of the Risk Control Unit and the Back Office who record all items in the transactions.

- Establish the transaction-supporting units which are independent and have expertise in their respective fields of work such as computer and information system unit, legal unit, and price appraisal unit in order to prevent any possible errors that may arise.

- Put operational procedures and regulations related to all types of transaction, staff manuals as well as the authority ranks for approval in writings as a guideline to set the same standards for all internal operations within the organization.

- Establish the Audit Committee and the Risk Management Committee to control, monitor, and assess the risks of TCAP and its subsidiaries. The Committees are responsible for examining and correcting the pitfalls in order to create soundness and efficiency in the Company's operation.

- Improve the management of the information technology system and information security system in order to enhance its potential to accommodate business expansion and gain credibility from the customers in the aspect of data and technology. A particular focus is given to the prevention of damages from unauthorized access to the Company's information.

- Formulate the Business Continuity Plan which consists of an emergency plan, a plan for backup systems, and a business recovery plan to prevent disruption in business operation. In addition, the drills are essential to test for the readiness and to consistently improve the plans for its effective implementation.

TCAP and its subsidiaries also employ the services of a third party to operate some group activities as per the direction of the work operations of financial institutions at present and in the future. TCAP and its subsidiaries determine policies in order to manage the risk that may occur from outsourcing. These policies have to also be subject to regulations of BOT and must be beneficial to the internal control of the Company and its subsidiaries as well.

In the measurement and assessment of operational risk, TCAP and its subsidiaries determine a principle, form or condition of the process used in the measurement and assessment of risk in the Company and its subsidiaries. In the determination of this process, TCAP and its subsidiaries consider the circumstantial factors such as supervising guidelines of the government units associated with the Company, state and complexity of the business, the capability of the Company in accepting risk, probability, likelihood or frequency as well as the impact or severity of risk that has happened or may happen. As per BOT specification for Thanachart Group to maintain the funds to risk-weighted assets in credit, market and operation according to Basel II guidelines, Thanachart Group have employed the Basic Indicator Approach to calculate operational risks.

In addition, to monitor operational risk, TCAP and its subsidiaries determined a policy for executives of each department to have the responsibility of monitoring the risk and consider a part of their regular duties. This will help promptly inform all of the risk and problems that occur and to respond to the changes in each time period in an appropriate and timely manner, not damaging to the Company or its subsidiaries. Nevertheless, to inform of the result of business operations and problems that occur, as well as trends and changes in information of risk factors, TCAP and its subsidiaries organized a filing and reporting of the information associated with operational risk management such as information on data loss, key risk indicators and important risk points to be continually and regularly reported to the Board of Directors, Risk Management Committee and Executives to use in the determination of policies, to develop a sufficient risk management system and to be a tool in aiding TCAP and its subsidiaries to evaluate the capability and efficiency of the internal control system.

5. Strategic Risk

This type of risk arises from the inappropriate formulation of strategies, business planning and implementation which are not compatible with internal setups and external environment, resulting in an adverse impact on earnings, capital or the existence of TCAP. In managing the strategic risk, the formulation of strategies for TCAP and its subsidiaries will be considered over the three years ahead, with the review required annually or in the case of an external event that may impact the achievement of Company's business goals. The Executive Committee is responsible for regular monitoring and evaluating the performance of the work units upon the established targets stated in the annual operation plan.

6. Regulatory Risk

The risk arises from amendments or changes in regulations, laws or requirements of the authorities especially the BOT. Changes in the authority's policy may affect the strategies and business operations of TCAP and its subsidiaries.

In 2011, most changes in regulations and requirements from the related authorities have concentrated on the improvement of measures to promote corporate governance of financial institutions, more efficient risk management and improved consumer protection. These measures therefore posed no significant impact on the strategies and business operation of the Company and its subsidiaries. And throughout, TCAP and its subsidiaries have constantly improved and developed the internal operation system as well as customer service standard. This has also been an important mission for the Company and its subsidiaries that the business operation has to also comply with authorities' rules and regulations.



CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

Corporate Social Responsibility

Thanachart Group is an organization that adheres to the principles of corporate social responsibility both in their conduct of business affairs and their participation in other activities. The objectives are to help enhance the well-being of society and people living in communities and to protect the environment. In addition, our employees are encouraged to participate in CSR-related activities.

CSR-in-Process

This type of corporate social responsibility (CSR) focuses on conducting business affairs with responsibility towards society. In this connection, Thanachart Group has been embracing the principles of corporate social responsibility for a long time. We treat all our groups of stakeholders including shareholders, customers, consumers, and business counterparts in a fair and equitable manner. Recognizing the importance of good corporate governance, we also place strong emphasis on transparency in information disclosure. With the support of Chulalongkorn University's Continuing Education Center, we regularly and continuously organize training activities for our staff on good corporate governance. In regard to our employees, we have promoted and fostered good relations with our staff by offering competitive remuneration, excellent welfare benefits, and a stimulating work environment. In addition, as part of our energy conservation policy, Thanachart Group encourages staff to participate in activities aimed at conserving electricity and other energy sources and using less paper, thus preserving the environment.

In 2011, many provinces of Thailand were hit hard by floods. In response, Thanachart Group introduced a number of measures aimed at helping both corporate and individual customers who were flood victims. These included a grace period of up to 90 days for hire purchase loans as well as extension of the repayment period for up to 12 months. As for home loans, borrowers could suspend repayment of principal amounts for up to 12 months. As well, a total of 5 billion baht was set aside for loans to small-and-medium-sized enterprises (SMEs) with the principal repayment period extended by up to one year. In regard to ATM and debit cards, fees for all cash withdrawals and transfers thru Thanachart Bank's ATMs, including all inter-region withdrawals and transfers were waived. Moreover, the fees for inter-bank cash withdrawals as well as cash transfers between bank accounts with Thanachart Bank which were tied to the same card were also waived. As well, annual fees and fees for issuing replacement cards lost or damaged during the flood were waived for customers who were flood victims. Holders of Thanachart Drive Credit Cards and FLASH Cards could request a grace period, lower monthly repayments, or extension of their repayment period until the situation returned to normalcy.

CSR-after-Process

This type of corporate social responsibility (CSR) covers any activities other than those undertaken in the ordinary course of business. Thanachart Group has been involved in these type of activities for a long time. However, since the commercial banking services became one of Thanachart Group's main businesses with an extensive branch network nationwide, the corporate social responsibility activities have been implemented in line with the policy established by the central organization. The activities have also been supported by the regional hubs concerned. In this connection, the CSR Committee is responsible for approving and financing the programs for all activities. After the approval is granted, the Bank's staff and members of Thanachart Group in each regional hub will start implementing the CSR activities together. Their customers and trading partners, as well as people living in communities, will also be encouraged to participate in the activities. As a guideline for the implementation of the activities, the organization has established a framework of social issues to be addressed. They can be divided into four main groups as follows:

1. Development activities for disadvantaged children and youth.
2. Community health and hygiene.
3. Conservation of culture and national identity.
4. Assistance to people who are adversely affected by natural disasters.

Thanachart's Public Concern - Motorcycle Helmets for Kids

This project was initiated in 2007 by the regional hub based in Hat Yai. The main objective was to give motorcycle helmets to young students who rode motorcycles to their schools in Hat Yai District and Muang District in Songkhla Province. During the period from 2008-2010, the project's coverage areas were extended to include Nakhon Sawan, Phitsanulok, Nakhon Pathom and Udon Thani Provinces. Thanachart Bank recognizes the importance of reducing the number of casualties caused by accidents in which small children are involved, principally when they sit at the rear of motorcycles without wearing helmets. But this will only happen when parents become more interested in motorcycle safety measures and the production and sale of standard helmets for young children become less expensive. There are far fewer manufacturers of motorcycle helmets for children than those producing helmets for adults. The project also helps inculcate into parents and children the importance of wearing safety helmets every time they ride motorcycles from home to school and vice versa. The project has been continuously implemented and has received very good responses from the parents and their children participating in the project. It is also in line with the Bank's CSR policy aimed at creating a motorcycle safety culture which encourages children who sit at the rear of motorcycles to wear safety helmets. As well, it is in line with the Bank's campaign aimed at promoting safe driving habits. The related activities help mitigate casualties caused by accidents in which the victims do not wear safety helmets.

On the occasion of His Majesty the King's 84th Birthday Anniversary in 2011, the Bank organized activities under the project entitled **"Thanachart's concern - motorcycle helmets for kids to wear, 84th birthday and 84 schools"** in honor of His Majesty the King. As well, it launched a campaign aimed at promoting traffic knowledge and discipline as well as the culture of ensuring that both parents and children wear safety helmets every time they sit at the rear of motorcycles. As part of the activities, 20,000 helmets whose standards were certified by the Thai Industry Standards Institute (TISI) were given to students studying at 84 state and private schools nationwide from the kindergarten level to Prathomsuksa 3, which participated in the project. The activities have been implemented over the past five years, during which time, 28,800 safety helmets for children were given to various schools. The Bank will continue implementing its activities which include the delivery of safety helmets to children as

well as the campaigns aimed at inculcating in adults the importance of the safety helmets.

Thanachart Initiates and Fulfills Thai Identity Project

The activities of the project place emphasis on promoting the country's unique identity and beautiful culture by encouraging young people to read Thai out loud with correct pronunciation and to learn about good manners in Thai culture, which they can adopt in daily life. This is an extension of Siam City Bank's previous project entitled *"Siam City Bank conserves Thai identity"* which was continuously implemented for over 39 years. The project consists of two main activities including reading aloud contests and Thai manners contests. First rounds of the contests to select qualified candidates are organized in four regions including North, North East, South and Central (including Bangkok). Educational institutions are provided with an opportunity to send students from Prathomsuksa 1 to the university level as their representatives to participate in the contests to compete for H.R.H. Princess Maha Chakri Sirindhorn's Cups, honourable shields and certificates of honour, as well as scholarships. In 2011, the Bank organized a contest to decorate a traditional Thai pedestalled tray (or Phan in Thai) which contains candles and joss sticks. The objective is for the young people to come up with creative ideas to decorate beautifully a set of Thai style altar tables. The project is supported by qualified experts from the Office of the Permanent Secretary of the Ministry of Culture, the Department of Cultural Promotion of the Ministry of Culture, the Office of the National Broadcasting and Telecommunication Commission (NBTC), the Royal Institute, the National Identity Office, and Phra Tumnuak Suankularb School, as well as experts on each region's culture, who serve as panel judges for the contests.

The project was first initiated in 1972 in the form of a contest organized on *"Thai Manners"* under the auspices of Bangkok Metropolitan Bank. Later in 1980, the first *"Reading Aloud Contest by Bangkok Metropolitan Bank"* was organized. In 1995, it was humbly requested that H.R.H. Princess Maha Chakri Sirindhorn graciously give royal cups to top winners of the two contests. In 2002, Bangkok Metropolitan Bank merged with Siam City Bank and the name of the project was changed to *"Siam City Bank conserves Thai identity"*. Recently in 2011, Siam City Bank merged with Thanachart Bank. The project has been sustained with the name changed to *"Thanachart initiates and fulfils Thai identity project"*.

The intention to preserve Thai identity is the inspiration behind the project. The activities of the project include reading aloud Thai and adopting Thai manners in daily life. The objective is for Thai people to preserve the unique values and prevent their disintegration over time as a result of the current western values which are influencing young people to move away from their culture. Moreover, the project also helps inculcate in Thai youths the love of Thai culture. This will make them cherish the culture and help keep it part of Thai society forever. Both the Thai language and Thai manners are internationally recognised as unique characteristics of Thai identity.

In 2011, over 3,000 students from 980 educational institutions nationwide participated in the '*Thanachart initiates and fulfills Thai Identity*' project. The students were divided into five groups according to their educational levels, including the first level of primary education (Pathomsuksa 1-3), second level of primary education (Pathomsuksa 4-6), lower secondary education (Mathayomsuksa 1-3), upper secondary education (Mathayomsuksa 4-6), and the university level. The contests were held during the period from July to September 2011.

Sapan Boon Project (Bridge-to-Good Deeds Project)

The Bank provides holders of Thanachart ATM cards with the convenience of making merit via its ATMs. Customers can donate money to several charitable organizations via the Bank's ATMs free of charge. The Bank serves as a bridge for its customers to make donations to many organizations that dedicate themselves to solving problems in Thai society. In doing so, the Bank serves as a channel for raising funds to support charitable foundations and organizations. Moreover, the Bank supports the Foundation for Slum Child Care (FSCC) under the Royal Patronage of H.R.H. Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra. In 2011, it gave the Foundation 1,170,000 baht which was sourced from charity collection boxes placed in 680 branches of the Bank nationwide. The donations were made by customers and staff of Thanachart Group for paying living expenses, education and enhancing the quality of life of children so that in the future they will grow up to become responsible youths and good citizens of the country. The activities have been continuously supported by Thanachart Bank for over 10 years.



1 - 2. **Royal Kathin Robes in 2011**

Thanachart Group offered Royal Kathin robes to Wat Pa Pradu, Muang District, Rayong Province, and with member companies of Thanachart Group, their customers, trading partners, executives, and staff as well as members of the general public all jointly donated 7,977,422.27 baht in good faith to the temple as part of the funds to be used for constructing a new sermon hall.

3. **Financial Support to Slum Children**

Thanachart Bank gave 1,170,000 baht to the Foundation for Slum Child Care (FSCC) under the Royal Patronage of H.R.H. Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra. The money was sourced from charity collection boxes placed in 680 branches of the Bank nationwide. The donations were made by customers and staff of Thanachart Group.

4. **Thanachart joins hands to help flood victims in 2011**

Member companies of Thanachart Group jointly gave 5,000 survival bags to the Royal Thai Navy based in Bangkok, for distribution to flood-hit people living in Wat Tuk Community, Wat Bote and Phra Nangklao Community, Nonthaburi Province, which were difficult to access. The money for buying the survival bags were donated by Thanachart Bank and member companies of Thanachart Group as well as their executives and staff.

Project Supporting Thai Red Cross Society

• **Participation in the Annual Red Cross Fair**

Both Thanachart Bank and Siam City Bank always participated in the Annual Red Cross Fair. In 2011, the 35th anniversary fair was held from 30 March to 7 April 2011 at Suan Amporn Park, under the theme entitled "On 84th Birthday Anniversary of Great King, follow His footsteps with Red Cross helping Thai people in honor of His Majesty the King". The event was organized in celebration of the 84th Birthday Anniversary of His Majesty the King, the patron of the Thai Red Cross Society. On this occasion, the Bank humbly presented a donation of 5.2 million baht to benefit the Thai Red Cross Society as part of its participation in the Fair 2011 with Her Majesty Queen Sirikit as president of the Society.

The participation in the annual fair could be traced back to the year 1976 when Bangkok Metropolitan Bank was invited to join the Red Cross Fair. It was the only participating commercial bank at the fair, using the name of 'Bangkok Metropolitan Bank's Booth'. Later in 2002 when Bangkok Metropolitan Bank merged with Siam City Bank, Siam City Bank participated in the fair, using the name of 'Siam City Bank's Booth'. In 2011 when Siam City Bank

merged with Thanachart Bank, their name at the fair was changed to 'Booth of Thanachart Bank and Siam City Bank'. Today, it is still the only commercial bank with a booth in the Annual Red Cross Fair at Suan Amporn Park. The net income gained from selling Red Cross lotteries as well as proceeds from the Bank's participation in the fair were humbly presented to H.R.H. Princess Maha Chakri Sirindhorn, Executive Vice-President of the Thai Red Cross Society, annually for the benefit of the Thai Red Cross Society.

• **Blood donation in honor of the Royal Father**

This activity has been implemented by the Bank's Khon Kaen Hub for seven consecutive years. The activity involves a campaign aimed at encouraging both members of the public and staff to donate blood in honor of His Majesty the King. Donating blood not only helps save the lives of victims of emergent accidents but also alleviate blood shortage during treatment. The activity is well supported by the Faculty of Medicine, Khon Kaen University, who facilitates the blood donations. Moreover, the Bank also gives financial health check-up to those who participate in the activity. Tree seedlings are also distributed to the participants, as part of the fight global warming campaign. The objective is also to instill into people cooperation in preserving the environment. In 2011, 1,164 people donated 480,050 cc of blood to the Thai Red Cross Society.



5 - 6. **Thanachart's concern – motorcycle helmets for kids, 84th birthday anniversary and 84 schools**

Thanachart Bank gave 20,000 helmets to student representatives from 84 schools that participated in the project named "Thanachart's concern - motorcycle helmets for kids, 84th birthday anniversary and 84 schools". The activity was part of the campaign aimed at promoting safe driving habits.

7 - 8. **Thanachart initiates and fulfills Thai identity project**

Thanachart Bank gives scholarships to the youths who win the reading aloud contests and Thai manners contests. Top winners are awarded H.R.H. Princess Maha Chakri Sirindhorn's Cups under the "Thanachart initiates and fulfills Thai identity" project. First rounds of the contests to select qualified candidates are organized in four regions of the country. The objective is to encourage Thai youths to preserve their culture through the language and to learn about correct ways of behaving in line with Thai manners.

The first blood donation event took place in 2004 with Khon Kaen Hub serving as a prototype for the blood donation activity nationwide. This CSR activity has been organized twice annually on the occasions of the birthday anniversaries of His Majesty the King and Her Majesty Queen Sirikit respectively. Later, the coverage areas for the event were extended to include those covered by Ayutthaya Hub, Nakhon Si Thammarat Hub, Saraburi Hub, Udon Thani Hub, Thon Buri Hub and Rajchadapisek Hub. The intention to do good deeds in honor of His Majesty the King and Her Majesty Queen Sirikit is the inspiration behind the project. The objective is also to encourage executives, staff, customers as well as members of the general public to make merit together to help alleviate the plight of fellow human beings in the case of emergencies or blood shortages.

Groups of Schools Receiving Continuous Support from Thanachart Bank

- ***Reuse Project entitled 'Pi Chai Ngan Nong Chai Rien' (Senior use them for work, junior use them for learning)***

The activity is based on the idea that materials can be reused. The Bank reused structural materials and all decorative materials (such as desks, tables, bookshelves, educational materials and light bulbs) at its booths at Money Expo 2011 to build a multipurpose facility and a library for Pak Dan Temple School in Sichon District, Nakhon Si Thammarat Province, which was adversely affected by southern floods. The Bank also provided the school with sports equipment and school supplies to give moral support for the children education and shape the better future for them.

Projects to Support Disaster Victims

These CSR activities are continuously implemented every year and place emphasis on rehabilitating victims affected by natural disasters. In 2011, Thanachart Bank gave assistance to victims of natural disasters through its various activities as follows:

- ***Thanachart Group members joined hands to help Tsunami victims in Japan***

The natural disasters that hit Japan hard in 2011 represented a great tragedy that inflicted the heaviest casualties and damage in the country for more than a century. Both Thanachart Bank and Siam City Bank joined hands to help victims of the earthquake and Tsunami in Japan by opening a bank account for customers nationwide

to contribute to and making available collection boxes to accept donations from customers, staff and branches of the Bank. In this connection, a total of 2,840,913.38 baht was donated and delivered to the Ministry of Foreign Affairs to help Japanese disaster victims.

- ***Thanachart joins hands to help disaster victims in the South***

The activities organized by Nakhon Si Thammarat Hub were aimed at helping victims who were adversely affected by floods. Survival bags were given to the victims in Tambon Tonhong and the disaster evacuation centers in Amphur Nop Pi Tum, Soi Pratu Kao Community, Tambon Thepraj and Tambon Chalong, Amphur Sichon, Tambon Bang Rakam, Amphur Pakpanang, and the District Office of Amphur Pi Poon, Nakhon Si Thammarat Province. Surat Thanai Hub also gave survival bags and drinking water to flood victims in Surat Thanai Province. As well, Phuket Hub gave assistance to flood victims in Tambon Khao Pranom, Amphur Khao Pranom, Krabi Province.

- ***Thanachart joins hands to help flood victims in 2011***

Many provinces of Thailand including Bangkok were hard hit by recent devastating floods. The disasters inflicted serious damage and caused a lot of people to suffer. As a result, the Bank and Thanachart Group organized activities aimed at helping the flood victims through a project named "Thanachart joins hands to help flood victims in 2011". The activities included the following:

1. Thanachart Bank opened a bank account using the name of "Thanachart joins hands to help flood victims in 2011", to accept donations for flood victims. It used the donated money to pay for 5,000 survival bags containing consumer goods worth 1,020,410.25 baht in total. The Bank teamed up with the Royal Thai Navy in distributing the survival bags to flood victims in Wat Tuk Community, Wat Bote and Phra Nangklao Community, Nonthaburi Province. It also paid 973,905.83 baht for 5,000 medicine sets together with boxes of cooked food. It also paid 267,773.03 baht for 1,000 survival bags together with 1,000 dozen bottles of drinking water. The Bank teamed up with the Royal Thai Army in distributing them to flood victims in the areas of Bang Plat, Taling Chan, Bang Yai, Bangbuathong, Don Muang, and Rangsit.

2. Drinking water was distributed to flood victims at the temporary evacuation center inside Thammasat University Rangsit Campus, Maha Chulalongkorn Ratchawithayalai evacuation center in Wang Noi District in

Ayutthaya Province and the evacuation center at Valaya Alongkorn Rajabhat University under the Royal Patronage. Each center received 9,000 bottles of drinking water.

3. The Bank provided the Security Forces Regiment (King's Guards), the Security Forces Command, with financial assistance, an amount of 50,000 baht to buy cleaning supplies for flood victims.

4. The Bank provided Wat-Sing Kindergarten in Chainat Province with 120 pairs of student desks and chairs. In an effort to rehabilitate the kindergarten, the Bank also helped repaint school fences and buildings to make them look beautiful again. The objective was to enhance the quality of educational life. Moreover, in collaboration with Thanachart Foundation for Thai Society, the Bank plans to give additional pairs of student desks and chairs in the first quarter of 2012 to about 20 schools which were hit by floods. A budget of about 6-7 million baht is being allocated for this purpose.

5. Thanachart Securities Public Company Limited made a financial contribution worth 100,000 baht to buy survival bags for flood victims, through the project named "Thanachart joins hands to help flood victims in 2011". The company also provided Thanachart Bank's CSR working group with 999 medicine sets worth 49,950 baht. The money was donated by executives, staff and customers of Thanachart Securities Public Company Limited. The medicine sets were distributed later to the flood victims.

6. Thanachart Life Assurance Company Limited made a financial contribution worth 700,000 baht to buy survival bags for flood victims. The survival bags were distributed to the victims through the Royal Thai Navy and the Royal Thai Army. As well, some of the company's executives and staff volunteered to visit the flood-hit areas to distribute the bags themselves. The purpose was to alleviate the plight of flood victims under the project named "Thanachart joins hands to help flood victims in 2011".

7. Thanachart Insurance Company Limited made a financial contribution worth 100,000 baht to buy survival bags for flood victims through the project named "Thanachart joins hands to help flood victims in 2011".

Project for Buddhism

• **Activity to maintain and support Buddhism through the offering of 'royal Kathin robes'**

Thanachart Bank organizes annually the offering ceremony of Royal Kathin robes. In 2011, the Bank offered the Royal Kathin robes, graciously bestowed by His Majesty the King, to Wat Pa Pradu, Muang District, Rayong Province. In this connection, the Bank together with member companies of Thanachart Group, their customers, trading partners, executives, and staff as well as members of the general public jointly donated 7,977,422.27 baht in good faith to the temple as part of the funds to be used for constructing a new sermon hall.

The offering ceremony of Royal Kathin robes, graciously bestowed by His Majesty the King, was first organized in 2006. The Royal Kathin robes were offered to Wat Keaw Gro Wa Ram Temple in Krabi Province. Since then, Thanachart Bank has been organizing the offering ceremony of Royal Kathin robes every year. The purpose of this CSR activity is to maintain and support Buddhism, royal temples, and sanctuaries so that they remain intact as long as the nation exists. In addition, the Bank offers scholarships to financially needy students with good grades and good behavior.



CORPORATE GOVERNANCE

Report on Corporate Governance Compliance

Corporate Governance Policy, Business Ethics and Codes of Conduct for Directors, Executives, and Staff

Thanachart Capital Public Company Limited's (TCAP) Board of Directors has put in place written policy guidelines on corporate governance since 2003. The Board also conducts an annual review on corporate governance policies and the reporting process on business compliance with corporate governance principles of the Bank, at least once per annum. The business ethics as well as codes of conduct for directors, executives, and staff has been improved in order to establish a framework for all personnel in the Company.

TCAP has established corporate governance policy as well as business ethics and codes of conduct for directors, executives, and staff. The policy can be easily accessed via the Company's website "www.thanachart.co.th" and Thanachart Group's intranet system which is intended to be channels for communicating with staff of the Group at every level, shareholders as well as stakeholders, so that they can acknowledge a firm standpoint and principle in good corporate governance established and practiced by the Board of Directors. In addition, Thanachart Group supports good corporate governance practices. It also instills in its staff the importance of both corporate governance and corporate social responsibility (CG & CSR Project) through its corporate policies and by offering a range of regular training and social activities for staff in the Thanachart Group. To begin with, various training courses have been designed to include work practices which are based on morals, ethics and the code of professional conduct. In particular, the orientation course places emphasis on ensuring that new staff joining Thanachart Group recognize the importance of adhering to good corporate governance principles. In addition, to promote better access to training resources, e-learning applications have been made available to staff to provide them with more knowledge and better understanding of their work. As well, videos have been used as communications tools. Moreover, tests are organized annually to check employee understanding of the key components of their training. The major objective is to ensure that all employees in the organization understand good corporate governance and know how to put those principles into practice when appropriate.

Tcap's Business Conducts According to Good Corporate Governance Principles in 2011 Include:

1. Shareholders' Rights and Equitable Treatment

1.1 Shareholders' Basic Rights

TCAP has a policy on shareholders' right protection and encourages them to honor their rights. The policy includes legal basic rights, such as company's profit sharing, share transactions or transfers, participation in shareholder's meeting in order to honor their voting rights equitably and independently.

1.2 Shareholders' Meeting

In 2011, TCAP held the Annual General Meeting ("AGM") of Shareholders on Friday, 8 April 2011. The meeting was conducted according to laws, regulations, and corporate governance guidelines as follows:

Prior to The Shareholders' Meeting

- The Company published the Notice of shareholders' as well as related documents in both Thai and English, including meeting agendas and complete details of each agenda which were sufficient for shareholders' decision making before the meeting. The aforementioned information was available via various channels as the followings:

Online Through The Stock Exchange of Thailand System

The resolutions of the Board of Directors' meeting regarding the Annual General Meeting of Shareholders for the Year 2011 which indicates the schedule of the Meeting, the agendas, and dividend payment were published. The Notice of the AGM was also published through the Company's website.

Internet Website (www.thanachart.co.th)

The information was published on the website 30 days prior to the meeting and composes of the Notice of shareholders' meeting and related information including; date, time, and meeting venue, meeting rules, vote casting procedures, as well as proxy statement. This information replicated the documents mailed to each shareholder.

Delivered By Mail

Meeting notice, meeting documents, and annual report in form of CD-ROM were delivered to all shareholders at least 14 days prior to the meeting.

Newspaper Advertisement

Meeting notice was advertised in both Thai and English daily newspapers for three consecutive days, seven days prior to the meeting day.

- TCAP also provided opportunity to the Company's shareholders to raise issues for consideration as additional item of the meeting agenda. They could nominate the candidate for director as well as any other business-related issues a month prior to the meeting day, from 15 October 2010 until 15 November 2010, which had to be in Thai and English in order to accommodate both Thai and foreign shareholders. In addition, rules, procedures, and channels for raising such issues were available on the Company's website and the results will be informed at the shareholders' meeting.

- The proxy statement was delivered with the meeting notice and also published on the Company's website, in case of the need of shareholders to request a proxy to attend the meeting on their behalf.

- TCAP proposed two candidates for Independent Directors and one candidate for Chief Executive Officer with their curriculum vitae as well as stakes of independent directors in the meeting notice to provide the shareholders alternatives for the appointment of proxy.

The Day of Annual General Meeting of Shareholders

- TCAP arranged various facilities, such as venue, reception staff, barcode system for registration as well as printed ballot papers for each meeting agenda item, for shareholders' convenience during the registration. Moreover, the shareholder could also register in advance within two hours prior to the meeting time.

- TCAP established shareholder's meeting guideline to ensure that shareholders' right would not be compromised. At any point of the meeting, shareholders could register and enter the meeting to honor their voting rights on the agendas of which vote casting had not been made. TCAP has never adjusted or added the agendas or distributed additional documents which contain material information during the meeting without prior notice. During the course of the meeting, all the shareholders were provided equitable right to express their opinions and ask questions.

- There were a total of 1,663 shareholders or 647,184,842 shares, accounted for 50.65 percent of total shareholders attended the meeting, including shareholders attending the meeting by themselves and shareholders' proxies.

- All Directors attended the meeting, including the Chairman, the Chief Executive Officer, the Chairperson of the Audit Committee, the Chairman of the Nomination, and the Chairman of Remuneration Committee.

- The Chairman of the meeting explicitly informed the shareholders on meeting rules, vote casting, and vote counting procedures.

- In casting votes, the ballot papers were required for every agenda item as well as during the agenda of the Individual Director voting. The ballot papers were collected from shareholders for vote counting.

- Video presentations were used in the meeting in order to affirm that all information was clearly presented.

Post Annual General Meeting of Shareholders

- The Company took minutes of the meeting whereby all important information was entirely recorded. The drafted minutes of the 2011 Annual General Meeting of Shareholders has been submitted to the Stock Exchange of Thailand (SET) and also made available on TCAP's website "www.thanachart.co.th" within 14 days after the meeting day.

1.3 Controlling Measures on the Use of Internal Data

TCAP has specified the controlling measures of the use of internal information which can be summarized as follows:

- An appropriate oversight on the internal data maintenance system is required for all business units within the Company.

- In compliance with the Securities and Exchange Commission (SEC) Regulations, executives in manager position, the next four positions below the manager, the highest ranking position in the accounting department as well as those of their spouses and children who have not reached their legal age are required to report their holdings of the Company's shares on the quarterly basis. Moreover, any trading transactions of aforementioned shares have to be reported to the SEC within three business days once the transaction has been completed, while the copy of the transactions have to be submitted to the Company Secretary Office.

- Directors, executives, staff, employee, and advisors who have access to the confidential information are prohibited from seeking any benefit from such information for their own or other's interest.

- According to the Company's notification on securities trading supervision and abusive internal data control, Directors and Executives are prohibited from engaging in any trading the Company's shares 15 days before the end of each quarter until two days after the disclosure of the financial statements to the Stock Exchange of Thailand.

- The use of internal data for the individual interest is considered as a policy misconduct and will be subjected to the penalty according to judgment of the Disciplinary Committee.

1.4 Measures Dealing with Conflicts of Interest

In addition to an established policy, the Company has put in place procedures for approval of related transactions in writing. As well, it requires that all material information has to be fully disclosed. Measures on the control and use of inside information have also been put in place in order to prevent executives and related parties from making use of the Company's inside information for personal benefit.

- Policies have been established on execution of transactions among member companies of Thanachart Group as well as on execution of transactions between member companies of Thanachart Group and directors or parties authorized to manage member companies of Thanachart Group or any person related to such parties. The following principles shall be taken into consideration.

1. In approving related party transactions, the following procedures will be followed:

- 1.1 For the company which has an audit committee, the transactions have to be submitted to the audit committee for review and screening first. However, for those transactions among member companies of Thanachart Group, which are between a parent company and its subsidiary with the parent company directly owning the totality or almost the totality of the shares of the subsidiary, or those transactions between two subsidiaries whose parent company directly owning almost the totality (from 99 percent of the issued and paid-up shares) of both subsidiaries, the transactions can be submitted to the company's board of directors directly for consideration without having to go through the audit committee. (The parent company under this item means the company which is a major shareholder of another company.)

- 1.2 Related party transactions must be approved unanimously by all members of the company's Board of Directors who participate in the approval meeting. However, those transactions among member companies of Thanachart Group can be approved by a majority of the Board of Directors.

- In considering the agenda on such transactions, directors and senior executives who have a conflict of interest must not participate in the discussion and vote on such items.

- 1.3 In considering the rules on conflict of interest, such rules must follow the provisions of the Public Limited Company Act, the Securities and Exchange Act as well as other related laws. If there are doubts about the regulations, the compliance unit should be consulted. In this connection, the compliance unit is authorized to establish rules governing conflict of interest as it deems appropriate.

2. In submitting the transactions to the Board of Directors of each company for consideration, it is required that the following units give their opinions in writing:

- 2.1 Units responsible for controlling loans or investments and/or the compliance unit in cases where they are involved in lending transactions or investments or with those with obligations.

2.2 The compliance unit in the case of transactions other than those mentioned in (2.1) which show that the transactions submitted for approval are in compliance with the requirements imposed by the Bank of Thailand (BOT) and the related laws.

3. Guidelines on monitoring and implementation of the policies on related party transactions and disclosure of information about transactions executed between member companies of Thanachart Group

3.1 In case it is not possible to implement the established policy on the transactions between member companies of the Group or in case there is a conflict of interest in executing transactions between member companies of the Group, the transactions shall be submitted to the Board of Directors of the parent company for consideration.

3.2 It is required that a report on the transactions between member companies of Thanachart Group has to be prepared and submitted every six months. The details related to the requirements are as follows:

3.2.1 Thanachart Bank and its subsidiaries are required to submit reports on the transactions between member companies of Thanachart Group to the Bank's executive board and the Board of Directors respectively.

3.2.2 The Company and its subsidiaries including Thanachart Bank, NFS Asset Management, and MAX Asset Management are required to submit reports on the transactions between member companies of Thanachart Group to the Company's executive board and the Board of Directors, respectively.

3.3 It is required that the information on the related party transactions will be disclosed to outsiders in line with the requirements imposed by the regulators concerned and the accounting standards.

- Procedures have been established to govern transactions related to purchase, sale, rent, and leased properties between the Company and member companies of Thanachart Group or related parties.

- In the case of transactions which may give rise to a conflict of interest, any such transactions or related party transactions will be sent first to the compliance unit for review and a legal opinion on any compliance issues before forwarding them to the authorized officers who will act on that legal advice when considering any approval of a transaction.

- Legal obligations are also imposed on the Group's various committees and their members as to the

type of transactions in which directors, executives or related parties who have conflicts of interest are required to disclose, including their interest in the transactions being considered. The directors and executives who have any conflict of interest are prohibited from attending any meeting where such transactions are being considered.

- In any application for approval of transactions in which the Company, directors or senior executives of the Company have a conflict of interest, the transactions would have to be approved unanimously by a meeting of the Board of Directors. It is also required that directors and senior executives of the Company who have any conflict of interest are prohibited from participating in the discussion and approval of such transactions.

- Measures have been put in place to ensure that the Company's Board of Directors are required to be informed of any transactions which may present a conflict of interest. The Board of Directors is also required to review all transactions carefully every time, so as to ensure compliance with the requirements imposed by the Stock Exchange of Thailand (SET), the Office of the Securities and Exchange Commission (SEC), and the Bank of Thailand (BOT).

- Any information gleaned about transactions which may have a conflict of interest has to be disclosed in compliance with the requirements imposed by the regulators concerned.

- As part of the annual audit plan, the related party transactions have to be checked and verified, and a report then presented to the audit committee.

- Information about the number of shares held in a company, the positions in the various companies, of directors, senior executives, as well as those of their spouses and children who have not reached their legal age, has to be disclosed quarterly. The information will be used for checking transactions that may give rise to conflict of interest. It will also serve as a database to build a directory of names for disclosure of transactions by various parties under the notes to the financial statements.

- Information has to be disclosed about the relationship between the Company and employees, their spouses and cousins as well as trading partners or contract counterparties who are related to employees. The purpose is to prevent conflict of interest.

2. Role of Stakeholders

Thanachart Group has established written practice guideline on stakeholders; including customers, trading partners/lenders, competitors, public sector as well as society and environment, in Business Codes of Conduct of directors, executives, and staff. All the information in the guideline is disseminated through the internal communication channels, so that the directors, executives, and staff at all levels can strictly adhere to. The information has also been publicized via the Company's website to enhance stakeholders' confidence on their rights. The details on the treatment of various groups of stakeholder are as follows:

Shareholders

Thanachart Group aims at having a solid performance and achieving a sustainable growth as well as being competitive to ensure an appropriate return to shareholders on a regular basis. In conducting business, the Company has been aware of risks and ensures that there is the efficient internal control system as well as information disclosure in an accurate, complete, timely and transparent manner. Moreover, the Company has made arrangements to provide the shareholders with convenience in exercising any of the rights they are entitled to.

Employees

The Company is committed to treating all employees fairly and equitably. It also provides its employees with appropriate remuneration. Apart from collecting data, the Company takes into consideration the inflation rate and the Consumer Price Index (CPI) as well as Key Performance Indicators (KPIs) when making adjustments to staff salary scales. In 2011, it made use of an evaluation form for assessing the level of performance of Thanachart Group's staff. These evaluation criteria were in line with the CEO's six-point agenda for the Group. The results from the appraisal served as indicators of staff effectiveness which were used in determining their level of remuneration and promotion to higher positions, as well as ensuring that staff were treated fairly. Moreover, the Company has improved various welfare benefits, aimed at assisting employees and easing their financial burden in view of the economic downturn and in preparation for the merger. These improvements include, among others, additional types of medical expenses and the improved coverage limits, an increase in welfare benefits to support the education of the staff's children, a higher annual leave allowance, adjustments in the rates of accumulation and contributions to employees' provident funds, an increase in

welfare benefits in cases where employees are affected by fire or natural disasters, the establishment of a savings cooperative for Thanachart Group's staff, fire evacuation, improvements in the work environment by ensuring that the workplace is safe and secure for employees and their belongings, and continuous promotion of good relationships between management and staff in the Thanachart Group. Corporate information is broadcast through "Thanachart Channel", an internal TV system, and via the Intranet in the workplace as well as distribution of corporate information through various media outlets. The Group's monthly magazine, 'Sarnsaiyai' also publishes stories and features promoting management and staff cooperation. The focus is on promoting important corporate messages and information about Thanachart Group's various products and the regulatory environment in which the Group operates. It also highlights the various activities organized by Thanachart Group in 2011.

Thanachart Group has been constantly active in human resource development. In 2011, Thanachart focuses on enhancing knowledge and competencies as well as necessary working skills for each position at every staff level in order to increase employee's working efficiency and ability to respond to Thanachart Group's visions, missions, and objectives. Moreover, the Group also strengthened employees' recognition of rules and regulations of the authorities as well as the Business Codes of Conduct by establishing the human resource development plan that is consistent with strategic and business plan of Thanachart Group. This was for building up the expertise of our staff which are the important resource in business growth and expanding our branch network that can better serve our customers. The Group organized effective training courses for employees under the advice and knowledge support from Scotiabank that has expertise in international finance, external training and seminar, as well as staff visit at reputable domestic and foreign institutes.

The "Go Together" project is a special project the Chief Executive Officer moved to be organized, aiming to strengthen the unity of the organization under the Thanachart vision "Synergy" with a total of 18 conferences in 2011. Conferences were organized in each region of the country. Each conference aimed at communicating policies and the direction of strategies within the central Thanachart Group so as all staff may understand the Group's strategic direction. The Chief Executive Officer as well as high-level executives of TBANK paid visits to all the hubs nationwide to meet with managers and staff of the network branches in order to exchange views on business

operations with an emphasis on adjusting strategies regarding competitiveness in each region. This is to ensure the Group is truly operating business for customers in each competitive region, to help enhance unity and cooperation among staff within the organization and to stimulate enthusiasm and a true understanding of the business, a driving force in the success of Thanachart Group. The project is still being organized in 2012 under the Grow Together scheme notified and known throughout the organization as "Transformation to Strength." The vision was realized from the completion of the Entire Business Transfer of Siam City Bank to Thanachart Bank and the strength of our international partner, Scotiabank.

Customers

Thanachart Group is determined to develop financial products and services that could accommodate all financial needs of the customers. Fees are fairly charged and the Group aims to provide the customers with complete and sufficient information of products and services before the customers' decision is reached.

Participation Mechanism of Stakeholders

Thanachart Group has developed the system for receiving complaints and suggestions from customers, external parties, and stakeholders more effectively for the purpose of organizational development. This has been undertaken through various channels such as the Company's website "www.thanachart.co.th", marketing staff, and Thanachart Contact Center 1770. The Company has also explicitly established the business practice for the complaints reception system in which the responsible unit will follow up the customers' complaints and provide feedback to every customer or party that lodges the complaint, as well as applying customer's needs to improve Thanachart Group's service, increasing consumer or stakeholder's satisfaction.

Trading Partners and Lenders

Thanachart Group has established explicit policies and practices on purchasing and outsourcing for the purpose of fairness, transparency, and verifiability of all related parties as well as the rules on approval authority of package purchasing and rental. It is also a regulatory requirement that information must be disclosed about the relationship between the Company and employees including their spouses, family members and trade partners or contract counterparties who are related to the employees. As well, any persons who have a conflict of

interest are prohibited from participating in the procedures and processes related to procurement and hiring. The objective is to promote transparency and prevent any conflict of interest.

The Company has provided transparent and verifiable information to lenders and has attached to the integrity of fulfilling the obligations made with the lenders under the conditions that are mutually agreed upon as well as legal rules and regulations in order to build confidence for long-term cooperation.

Competitors

The Company operates under rules and competitions with other parties or organizations as well as under fairly established policies and practices. The Company also does not accuse, defame or aggravate its competitors as well as seek for confidential information of its competitors dishonestly and inappropriately.

Society and Environment

Thanachart Group has taken a responsible attitude towards society. The senior management of the Group has played an important role in promoting the principles of social responsibility. These principles fall under the umbrella of the Group's Corporate Social Responsibility (CSR) that places emphasis on "sustainable growth with moral righteousness". Supported by its staff, business alliances, local communities and society, the Group is prepared to consistently participate in activities that support and help local communities and societies in a long-term manner with understanding and sincerity.

Public Sector

TCAP conducts its business in adherence to laws, rules and regulations of the authorities as well as provides effective cooperation according to government policies. Moreover, the Company will not involve or do business with any illegal organizations or individuals.

3. Information Disclosure and Transparency

TCAP's Board of Directors is responsible for the financial statement of the Company. In this regard, it has assigned the Audit Committee to ensure that the financial reports and internal control system of the Company are accurate and valid in accordance with the accounting standards in Thailand. TCAP has also included the Report of the Audit Committee in the Annual Report.

The Company ensures sufficient disclosure of important information in the notes to the Company's financial statements. In addition to the quarterly and yearly financial statements, the Board of Directors submits the Management Discussion and Analysis (MD&A) of the business performance, a practice of which has started since the accounting period for the first half of the year ended 30 June 2003.

TCAP established the Investor Relations unit responsible for providing an accurate information and news on a timely manner to Thai and foreign shareholders, investors, analysts, and credit rating agencies in order to strengthen image and credibility of the Company as well as provide services to the shareholders effectively. The Investor Relations unit can be contacted via telephone at +66 (0) 2613 6107 and +66 (0) 2217 8199 Ext. 3027 or at E-mail address: tcap_ir@thanachart.co.th. The Company has established policies on information disclosure in which the information has to be accurate, complete, equitable, transparent, and timely as well as comply with related laws and regulations. The information is disclosed via the channels as the followings:

1. Stock Exchange of Thailand
 - Annual Registration Statement Form 56-1 (Thai version only)
 - Financial Statements and Annual Report
 - Shareholders' meeting resolutions
2. Securities and Exchange Commission
3. Department of Business Development, Ministry of Commerce
4. The Company's website "www.thanachart.co.th"
5. Press, media, and other medias
6. Analyst meetings
7. Company visits/One-on-one meetings
8. Roadshows
9. Notifications by mail

In 2011, the Company's senior management and Investor Relations paid a visit and provided information to related parties in various occasions, including One-on-One meetings, Conference calls, Group analyst meetings, and Roadshows.

4. Responsibilities of The Board of Directors

Constituent of The Board of Directors

The Company's Board of Directors is composed of well qualified persons who have expertise, skill, and experience in finance, accounting, management and other professional areas which provides TCAP with great benefits.

TCAP's Board of Directors structure is complied with the notification of the Capital Market Supervisory Board No. Thor Chor 28/2008, Re: Application for and Approval of Offer for sale of Newly Issued Shares, dated 15 December 2008 and the BOT's notification, Re: Governance of Financial Institutions, dated 9 July 2009.

Independent Director

TCAP specifies a more stringent definition and qualification of the independent director as follows:

(1) Holding shares not more than 0.5 percent of total number of shares with voting rights of the Company, subsidiary company, associated company, major shareholder or controlling person, including shares held by persons related to such independent director.

(2) Is not now and never has been an executive director, employee, staff, advisor who receives salary, or a controlling person of the Company, subsidiary company, associated company, major shareholder or controlling person, unless the foregoing status has ended not less than 2 years prior to the appointment date. This restriction does not include cases in which the independent director used to be a government official or advisor of a government unit which is a major shareholder or controlling person of the Company.

(3) Not being a person related by blood or registration under laws such as father, mother, spouse, sibling and child, including spouse of children, executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling person of the Company or its subsidiary company.

(4) Does not have and never had a business relationship with the Company, subsidiary company, associated company or major shareholder or controlling person that may have a conflict of interest that obstructs the independent opinion. As well, any independent director is not now and never have been a significant shareholder, controlling person of any person having a business relationship with the Company, subsidiary company, associated company, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the appointment date.

(5) Is not now and never has been an auditor of the Company, subsidiary company, associated company, major shareholder or controlling person. Not being a significant shareholder, controlling person or partner of an audit firm which employs auditors of the Company,

subsidiary company, associated company, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the appointment date.

(6) Is not now and never has been a professional service provider, including a legal advisor or a financial advisor who receives service fees of more than 2 million baht per year from the Company, subsidiary company, associated company, major shareholder or controlling person. Not being a significant shareholder, controlling person or partner of the professional service provider, unless the foregoing relationship has ended not less than 2 years prior to the appointment date.

(7) Not being a director appointed as a representative of any director of the Company, any major shareholder or a shareholder related to the major shareholders.

(8) Not operating any business that is of the same status and in competition with the Company or subsidiary company. Nor being a significant partner of a Partnership or an executive director, employee, staff or advisor who receives a salary or holds more than 1 percent of total number of shares with voting rights of any other company which operates business in the same status and in competition with the Company or subsidiary company.

(9) Not having any prohibited characteristic that undermines independence in carrying out the duties in the Company's operations.

Every Independent Directors are independent to express opinions without interest in benefit in terms of assets or working position; from the pressure of any person or any group of people as well as from any circumstances that could affect their opinion expression.

Directors Involved in Management or Directors Who are Executives

1. Directors involved in management of the Company in accordance with the Notification of the Capital Market Supervisory Board No. Thor Chor 28/2008, Re: Application for and Approval of Offer for sale of Newly Issued Shares, dated 15 December 2008, including any additional amendments or announced substitution means any director who holds an executive position, or any director who is in charge of any actions deemed to be taken by executive, and including any authorized director with full signatory authority except the case where it can be demonstrated that such authorized director signs on transactions which have been approved by the Board of Directors and jointly with other directors.

2. Executive Director is defined as:

1) Director with a responsibility in the position of manager, deputy manager, assistant manager or equivalence.

2) Director with a responsibility in the operation or involve in business management as executive, including a party in executive committee.

3) Director with full signatory authority, except for the case when can be demonstrated that it is the authorized signatories according to the list that the Board of Directors has already approved and it is the joint authorized signatories with other directors.

According to the BOT's Notification No. Sor Nor Sor 13/2009, Re: Governance of Financial Institutions on 9 July 2009, the number of Independent Directors and Non-Executive Directors of TCAP is currently accounted for 67 percent of the total number of Board of Directors. The constituent of the Company's Board of Directors as of 31 December 2011 was the following:

Name		Position	Executive Director	Non-Executive Director	Independent Director
1. Mr. Banterng	Tantivit	Chairman	-	✓	-
2. Mr. Suphadej	Poonpipat	Vice Chairman	✓	-	-
3. Mrs. Siripen	Sitasuwan	Director	-	-	✓
4. Mr. Somkiat	Sukdheva	Director	-	-	✓
5. Mrs. Puntip	Surathin	Director	-	-	✓
6. Mr. Phimol	Rattapat	Director	-	✓	-
7. Ms. Suvarnapha	Suvarnaprathip	Director	✓	-	-
8. Mr. Somjate	Moosirilert	Director	✓	-	-
9. Mr. Taweesak	Saksirilarp	Director	✓	-	-

Note: The Company's authorized signatories include Mr. Suphadej Poonpipat, Ms. Suvarnapha Suvarnaprathip, Mr. Somjate Moosirilert and Mr. Taweesak Saksirilarp. Any two out of the four authorized signatories can jointly sign with the Company's seal affixed. Mr. Panupan Tuangthong is the Secretary of the Board of Directors.

Tenure of Directorship

The tenure of directorship of the Board of Directors has been stated clearly by TCAP's Articles of Association. At each Annual General Meeting of Shareholders, one third (or nearest number but do not exceed one third) of the members of the Board of Directors must retire.

The aforementioned retirement of Directors in year 1 and year 2 are decided by a draw. In the subsequent years, the Director who holds the longest time in office will be retired. In the subsequent years, the Director who holds the longest time in office will be retired. Should there be the case when the number of Directors who holds the longest time in office is greater than the number of Directors that have to be retired, the draw will be applied.

Director who retires due to this reason can be re-elected to re-assume the directorship.

Roles, Duties, and Responsibilities of the Board of Directors

As representatives of the shareholders, the Board of Directors are authorized and responsible for overseeing the conduct of the Company's business with integrity in line with corporate regulations and avoiding problems that may give rise to conflicts of interest. The objective is to protect the overall interests of the organization, which are not limited to any specific individual shareholder or group of shareholders. In general, the Board of Directors are authorized and responsible for guiding and directing the Company by establishing policies as well as putting in place appropriate management processes and controlling systems which are aimed at ensuring that the conduct of business affairs follows the established policies. The related details are as follows:

1. The Board of Directors vigorously and impartially carries out their duties and responsibilities towards the organization, shareholders, executives, staff members, and employees of the Company.
2. The Board of Directors establishes key policies, strategic plans, financial goals and budgets, which will be reviewed when deemed appropriate.
3. The Board of Directors oversees, directs and guides the conduct of the Company's business with integrity and prudence so that the interests of the Company are protected. The Board of Directors is also required to ensure that the

conduct of the business is in line with the established objectives, targets, rules and resolutions adopted at the meeting of shareholders, as well as being consistent with good corporate governance principles.

4. The Board of Directors ensures that the Company puts in place audit processes, internal control systems, risk management, and corporate governance which are appropriate and adequate in view of the current business situations.

5. The Board of Directors treats all groups of stakeholders fairly and is responsible for financial reports and disclosure of information in an accurate, transparent and timely manner.

6. The Board of Directors is responsible for preparing a "Report on the Board of Director's Responsibilities towards the Annual Financial Statements" which will be published next to the Auditor's Report. The Board of Directors' Report covers all key businesses of the Group in line with Good Practices of Directors of Listed Companies. The objective is to ensure that the Company's financial statements are accurate, complete, and reliable. In this connection, the Company always complies with national accounting standards by adopting best practice accounting policies and practices.

7. The Board of Directors establishes various committees as deemed appropriate.

8. The Board of Directors defines the scope of responsibilities and authority of the Chief Executive Officer.

9. The Board of Directors appraises the performance of and decide on the remuneration and employment conditions of the President and the Chief Executive Officer, as proposed by the Nomination and Remuneration Committee

10. The Board of Directors assesses the performance of the whole Board.

11. The Board of Directors continuously seeks to broaden their knowledge and expertise.

Segregation of Duties

The Chairman of the Board of Directors shall not be the same person as the Chief Executive Officer so as to segregate the duties of developing policies from day-to-day business management.

Assumption of Directorship in other Companies by Directors and Senior Executives

In compliance with the BOT's Notification No. Sor Nor Sor 13/2009, Re: Governance of Financial Institutions on 9 July 2009, Directors and Senior Executives of the Company can assume the position of Chairman, Executive Director or Director with full signatory authorities in no more than 3 business groups.

Sub-Committees

The Board of Directors of TCAP has appointed the sub-committees to be responsible for performing necessary duties. The roles and responsibilities of each sub-committee are as follows:

Executive Committee

As of 31 December 2011, the members of the Executive Committee were as follows:

1. Mr. Suphadej Poonpipat
Chairman of the Executive Committee
2. Ms. Suvarnapa Suvarnaprathip
Vice Chairperson of the Executive Committee
3. Mr. Somjate Moosirilert
Member of the Executive Committee
4. Mr. Taweesak Saksirilarp
Member of the Executive Committee
Mr. Panupan Tuangthong
Secretary of the Executive Committee

Roles, Duties, and Responsibilities of the Executive Committee

1. The Executive Committee is responsible for implementing the policies, targets, budgets and plans which are established by the Board of Directors, subject to the laws, regulations and notifications of the regulators concerned.

2. The Executive Committee is responsible for managing risks.

3. The Executive Committee is responsible for managing liquidity and interest rates.

4. The Executive Committee is responsible for managing the Company's business transactions such as investments and properties foreclosed.

5. The Executive Committee is responsible for managing internal organization such as management of organization structure, human resource management and administrative management.

6. The Executive Committee may assign its duties or sub-delegate any of the powers and authority of the Committee in management to other parties.

7. The Executive Committee is responsible for screening matters before forwarding them to the Board of Directors for consideration.

Audit Committee

Recognizing the importance of good corporate governance, the Board of Directors appoints as the Audit

Committee with qualifications in line with the requirements established by the Capital Market Supervisory Board, the SET and the BOT. The Audit Committee serves as an important mechanism in facilitating good corporate governance by the Board ensuring appropriate management standards and transparency, appropriate internal controls, credibility and objectivity of reporting systems which are of benefit to investors and all parties concerned. The Audit Committee works and fulfills its duties independently and reports directly to the Board of Directors. The establishment of the scope of duties and responsibilities of the Committee is in line with the guidelines and standard established by the Capital Market Supervisory Board, the SET and the BOT. Details of the Audit Committee's duties and responsibilities are put in writing and receive the approval of the Board of Directors. The key tools used by the Committee is the Internal Audit Group which is responsible for conducting the audit of TCAP's business operations and ensuring that they comply with TCAP's regulations, laws, and other related requirements. The objective is to prevent damages to the shareholders as well as the stakeholders who are related to the Company.

TCAP's Board of Directors approved the establishment of the Audit Committee on 25 June 1998 with the tenure being the same as that of the Board of Directors. As of 31 December 2011, the Committee consisted of three independent directors. Two of these three directors had special knowledge or experience in accounting or finance. The members of the Audit Committee were as follows:

1. Mrs. Siripen Sitasuwan
Chairperson of the Audit Committee
2. Mr. Somkiat Sukdheva
Member of the Audit Committee
3. Mrs. Puntip Surathin
Member of the Audit Committee
Mr. Pawat Metheechutikul
Secretary of the Audit Committee

Note: Mrs. Siripen Sitasuwan and Mrs. Puntip Surathin were the two directors who had specialist knowledge or experience in accounting or finance.

Roles, Duties, and Responsibilities of the Audit Committee

1. To review the process related to the preparation and information disclosure of the Company's financial statements, ensuring that the information is complete and reliable. In reviewing the process, the Audit Committee coordinates with the external auditor and the executives responsible for preparing quarterly and annual financial statements.

2. To review internal control systems, internal audits, and corporate governance, ensuring that they are appropriate and efficient. In reviewing them, the Audit Committee works with the external auditor, the internal auditor, and the regulating authorities.

3. To review TCAP's risk management, ensuring that it is adequate and in line with TCAP's policy as well as the guidelines given by the BOT.

4. To review evidences from internal investigation when there is an observation or inference that there might be fraud, irregularities or substantial loopholes in TCAP's internal control systems and to report them to TCAP's Board of Directors for further consideration.

5. To review related party transactions as well as transactions which may lead to a conflict of interest, ensuring that they are right and complete.

6. To review the Company's business operations, ensuring that they are in compliance with regulations, laws, and other related requirements.

7. To consider the audit reports and recommendations presented by the external auditor and internal auditor and to monitor the implementation of the recommendations.

8. To select and propose for appointment an independent person to be the Company's external auditor and also to consider the audit fees. The Committee must have a least one meeting per year with the external auditor without the management participating in that meeting.

9. To approve of the appointment, evaluation, removal, transfer or dismissal of the Head of the Internal Audit Group.

10. To have the authority to ascertain directors or executives for information or explanation to the Audit Committee.

11. To approve the following cases:

- 11.1 The Human Resource Management of the Internal Audit according to the regulations relating to employees.

- 11.2 The expenses of the Internal Audit Group's operation under the approved budget can be approved by any one of the Members of the Audit Committee.

12. To ensure that the business operations of the subsidiaries are in compliance with the Group's policies. The Internal Audit Group of TBANK has been given the assignment to submit to TCAP's Audit Committee for information an overall report covering the performance results from the Internal Audit Group's audits on subsidiaries.

In the event that there are key issues such as violation of law, fraud, or matters that have adverse impact on the finance, status, or image of TCAP, the Internal Audit Group is required to report in details.

13. To perform any other duties as assigned by the Board of Directors or by the SET or in compliance with other related legal requirements.

At present, the Board of Directors have designated the Company's Audit Committee to also serve as Thanachart Group's Audit Committee whose roles in relation to risk management cover the following:

13.1 The Audit Committee is responsible for directing, overseeing and monitoring the conduct of business, ensuring that it is in compliance with the policies and the related regulations of the Company and Thanachart Group.

13.2 The Audit Committee is responsible for appraising the efficiency and effectiveness of Thanachart Group's risk management systems.

13.3 The Audit Committee is responsible for evaluating the overall adequacy of Thanachart Group's internal control systems.

Nomination Committee

TCAP's Board of Directors approved the establishment of the Nomination Committee on 10 August 2002 with tenure equal to the Board of Directors. As of 31 December 2011, the Committee consisted of three Independent Directors. The members of the Nomination Committee were as follows:

1. Mr. Somkiat Sukdheva
Chairman of the Nomination Committee
2. Mrs. Siripen Sitasuwan
Member of the Nomination Committee
3. Mrs. Puntip Surathin
Member of the Nomination Committee
Mr. Panupan Tuangthong
Secretary of the Nomination Committee

Roles, Duties, and Responsibilities of the Nomination Committee

1. To set policies, regulations and procedures in nominating directors, managing director and authorized persons in management in order to present to the Board of Directors for assessment and further submit such policies to the BOT if required.

2. To specify qualifications of the directors by assessing from the followings:

- 2.1 Competency, knowledge and experience
- 2.2 Dedication in duties

2.3 Incorporating evaluation results of the Board of Directors in the assessment in case which the existing directors continued for another term.

3. To specify qualification of independent directors and selecting qualified persons, including reviewing the qualification of directors as stated in the regulations.

4. To enforce the Company's Board of Directors to have structure, constituent, qualification and number of members appropriate to the changing environment.

5. To select and nominate the name of persons appropriate for the assessment to be appointed by the Company's Board of Directors or the Shareholders' meeting, depending on the case.

6. To select and nominate the name of persons appropriate to be appointed as a member of various sub-committees, managing director or authorized persons in management and proposed to the Company's Board of Directors for assessment.

7. To prepare succession plan of the position of managing directors and authorized persons in management.

8. To disclose policies and details related to nominating procedure in the Annual Report.

9. Report performance results to the Company's Board of Directors.

The Company determined the nomination policy which may be summarized as follows:

Nomination Guidelines

1. Select candidates within the Company, assessing from knowledge, competency, and skills appropriate for the position by:

1.1 Promoting a person within the Company who has the knowledge, competency and experience appropriate for the position.

1.2 Transferring a person who has high potential, can learn new things and adjust quickly to create a versatile personnel with quality job performance from any company within the Group.

2. Select candidates from outside the Company, focusing on persons from financial institutions or financial field with experience appropriate for the position.

Policy

In the selection of directors, members of sub-committees and executives with the knowledge and competency appropriate for the Company, the names are presented to the Executive Committee for consideration to appoint and/or for the Executive Committee to present to the Shareholders Meeting for approval in the case of a vacancy due to end of tenure or other cases, the nomination policy is as follows:

1. Consider the Company's overall structure and constituents, so as to obtain the appropriate structure and candidates.

2. Select and nominate persons with the appropriate qualifications who are strictly not against the law or official regulations.

3. Select and nominate persons who have appropriate knowledge, competency, and experience in accordance with the Company's target and vision for that position.

4. Select and nominate persons who do not have a conflict of interest with the Company.

5. Incorporate and annual performance evaluation of directors, members of sub-committees, and executives.

In compliance with good corporate governance, at the Annual General Shareholders Meeting, the Nomination Committee may have shareholders nominate a list of persons for assessment to be appointed as a Director, in compliance with the Nomination Committee's criteria.

Remuneration Committee

TCAP's Board of Directors approved the establishment of the Remuneration Committee on 28 March 2002. As of 31 December 2011, the committee consisted of three Independent Directors. The tenure of the Committee's members is the same as the tenure of directorship. The members of the Remuneration Committee were as follows:

1. Mr. Somkiat Sukdheva
Chairman of the Remuneration Committee
2. Mrs. Siripen Sitasuwan
Member of the Remuneration Committee
3. Mrs. Puntip Surathin
Member of the Remuneration Committee
Mr. Thaneit Khantikaroon
Secretary of the Remuneration Committee

Roles, Duties, and Responsibilities of the Remuneration Committee

1. To establish a policy and criteria of remuneration including fringe benefits for Directors, the Chief Executive Officer, or authorized person with management power to propose to the Board of Directors and submit the policy to the BOT if requested.

2. To establish an appropriate structure of remuneration packages, taking into account their duties and responsibilities of Directors, the Chief Executive Officer, or authorized person with management power.

3. To establish the performance evaluation for Directors, the Chief Executive Officer, or authorized person with management power.

4. To consider the annual remuneration for Directors, the Chief Executive Officer, or authorized person with management power.

5. To ensure that the remuneration of Directors, the Chief Executive Officer, or authorized person with management power are appropriate, taking into account their duties and responsibilities.

6. To annually review a structure and criteria of remuneration packages for Directors, the Chief Executive Officer, or authorized person with management power to be currently used properly.

7. To consider for offering the new securities or warrants to buy the Company's shares to Directors and employees in order to motivate their performance and retain the high caliber staffs.

8. To disclose the policy, package and criteria of remuneration in the Company's Annual Report.

9. To report the Committee's performance to the Company's Board of Directors.

The Company determined the remuneration policy which may be summarized as follows:

Remuneration Evaluation Process Guidelines

1. The remuneration of the directors, members of sub-committees, chief executive officer, and executives is in line with the scope of duties and responsibilities, is sufficient enough to attract, retain, and motivate, while also corresponding to performance.

2. The remuneration of the directors, members of sub-committees, chief executive officer, and executives must go through a process and procedure that is transparent, in compliance with corporate governance and open to examination.

Policy

1. Determine regulations for remuneration and fringe benefits of the directors, members of sub-committees, chief executive officer, and executives by:

1.1 Comparing with companies in peer or similar industry.

1.2 Being in compliance with company performance, appointed duties, and annual performance evaluation.

1.3 Being at a level that is fair to shareholders.

1.4 Being under framework, criteria, and regulation of the authority concerned.

2. In the evaluation of the directors, members of sub-committees, the chief executive officer, and executives, responsibilities and associated risk must be considered. Importance must also be given to added value of shareholders in the long term.

Executive Committee for Risk Management

The Executive Committee is responsible for controlling, overseeing, and assessing the Company's business activities. In carrying out its responsibilities, the Committee also needs to consider various risks related to the business activities. As a result, the Company assigns the Executive Committee to also serve as the Risk Management Committee, with authorities and responsibilities in the following areas:

Roles, Duties, and Responsibilities of the Executive Committee in Overseeing Thanachart Group's Risk Management

1. The Executive Committee is responsible for approving loans for and investments in the subsidiaries in the financial business group.
2. The Executive Committee is responsible for approving investments in the Company's various financial instruments, subject to the established risk limits.
3. The Executive Committee is responsible for approving Thanachart Group's loans and investments that exceed the established risk limits.
4. The Executive Committee is responsible for managing liquidity and interest rates.
5. The Executive Committee is responsible for reviewing policies and guidelines on Thanachart Group's risk management as well as Thanachart Group's policies on business continuity management, before submitting them to the Board of Directors for approval.
6. The Executive Committee is responsible for assessing risks and establishing measures aimed at managing Thanachart Group's risks, ensuring that the established risk management policies are adequate and appropriate.

Corporate Governance Committee

The Company places strong emphasis on maintaining good corporate governance for its business operations in line with the principles of good corporate governance for the listed companies. It also recognizes the importance of disclosing in its Annual Report, the information about its activities undertaken in line with the SET. The Board of Directors as a whole serves as the Corporate Governance Committee responsible for establishing good corporate governance policies in line with the principles and guidelines established by the SET, SEC, and BOT. The Board of Directors assigns two sub-committees to carry out the following duties:

1. The Executive Committee is responsible for ensuring that TCAP's business affairs are conducted in line with the good corporate governance policies approved by the Board of Directors.

2. The Audit Committee is responsible for monitoring, reviewing, and examining the implementation of the established policies on good corporate governance. The Audit Committee ensures that the Company's business operations have good corporate governance.

Executives

As of 31 December 2011, TCAP's executives who were at the level of manager and the first four persons in the management level below the manager according to the guidelines of the SEC included the followings:

1. Mr. Suphadej Poonpipat
Chief Executive Officer
2. Mr. Somjate Moosirilert
Senior Executive Vice President
3. Mr. Taweesak Saksirilarp
Executive Vice President, Business Support Division
4. Mr. Vachara Permpitak
Senior Vice President, Business Support Division
5. Ms. Rommanee Jenpinit
First Vice President, Information Planning for Management Department
6. Ms. Darawan Bunnumstien
First Vice President, Debt Restructuring Department
7. Mrs. Thanawan Chaisithikarnkha
Vice President, Accounting Department

Corporate Secretary

The Company has appointed Mr. Panupan Tuangthong, who has the appropriate educational background, qualifications and experience to assume the role of Corporate Secretary. As well, it has assigned the Corporate Secretary Office to be responsible for ensuring that the performance of corporate secretarial work is in line with good corporate governance principles and that the management of the Company's business is effective.

Duties, Roles, and responsibilities of the Corporate Secretary

1. The Corporate Secretary is responsible for overseeing the various activities of the Board of Directors.
2. The Corporate Secretary is responsible for providing directors with preliminary advice on legal

provisions, rules and articles of association of the Company as well as good corporate governance principles and the code of conduct which the directors should adhere to, ensuring that they are always properly complied with by the directors. The Corporate Secretary is also required to inform the directors when there are significant changes in the regulatory environment.

3. The Corporate Secretary is responsible for preparing documentation and information which is useful for new directors in the performance of their duties. The Corporate Secretary is also responsible for explaining to new directors the detail and direction of the Company's business operations.

4. The Corporate Secretary is responsible for organizing meetings of shareholders and meetings of the Board of Directors, ensuring that the meetings are in compliance with the laws, the Company's Articles of Association and other requirements.

5. The Corporate Secretary is responsible for keeping minutes of the meetings of shareholders as well as the meetings of the Board of Directors. The Corporate Secretary is also responsible for monitoring and ensuring the implementation of the resolutions adopted at the meetings of the shareholders and at the meetings of the Board of Directors.

6. The Corporate Secretary is responsible for preparing and keeping the register book of the directors, notifications of meetings of the Board of Directors, minutes of the meetings of the Board of Directors, reports on the conflicts of interest of directors and executives, annual reports of the Company, notifications of meetings of shareholders, and minutes of meetings of shareholders.

7. The Corporate Secretary is responsible for disclosing information and forwarding corporate news or reports to the relevant regulatory agencies, in compliance with its statutory and regulatory requirements. The Corporate Secretary is also responsible for recording and monitoring reports by directors or executives on their conflicts of interest.

8. The Corporate Secretary is responsible for organizing training courses and activities as well as seminars aimed at enhancing the directors' knowledge, skills and experience and which are useful in helping them carry out their duties as the Company's directors.

9. The Corporate Secretary is responsible for communicating with shareholders to inform them of their various rights and to give them the latest news updates on the Company.

10. The Corporate Secretary is responsible for taking other actions as required by the Capital Market Supervisory Board.

Board of Directors Meetings

TCAP establishes in advance the schedules of the meetings of the Board of Directors throughout the year. The meeting will take place every month during the last week of each month. In addition, the Board may hold special meetings as it deems necessary. The agenda for the meeting will be clearly determined in advance. The list will consist of subjects for information, consideration or approval as well as the subject of risk management that needs to be considered at the monthly meeting of the Board of Directors. The secretary of the Board of Directors will be responsible for sending members of the Board. Notices of the meetings together with supporting documents are sent well in advance of the meeting dates so that the directors will have adequate time to study the information before they attend the meetings. Each meeting takes about three hours. In 2011, the Board of Directors had 12 meetings in total.

At each meeting, every director independently expresses their opinions and adopts resolutions. The Chairman of the Board of Directors shall give opportunities to all directors to express their opinions before request for the adoption of the resolution. The observations and opinions of the directors at all meetings are recorded in writing. The minutes of the meetings approved by the Board of Directors are properly kept and ready for examination by the Board and the parties concerned.

Directors' Attendance at Meetings Held in 2011

Name		Board Of Directors	Audit Committee	Nomination Committee	Remuneration Committee	Executive Committee
		(12 Meetings)	(20 Meetings)	(2 Meetings)	(2 Meetings)	(12 Meetings)
1. Mr. Banterng	Tantivit	12	-	-	-	-
2. Mr. Suphadej	Poonpipat	12	-	-	-	12
3. Mrs. Siripen	Sitasuwan	11	20	2	2	-
4. Mr. Somkiat	Sukdheva	12	20	2	2	-
5. Mrs. Puntip	Surathin	11	20	2	1	-
6. Mr. Phimol	Rattapat	12	-	-	-	-
7. Ms. Suvarnapha	Suvarnaprathip	12	-	-	-	8
8. Mr. Somjate	Moosirilert	12	-	-	-	12
9. Mr. Taweesak	Saksirilarp	12	-	-	-	9

Nomination and Appointment of Directors and other Committees

1. Procedure for Appointing the Company's Board of Directors

The Company has not specified the maximum number of directors. However, according to the Company's Articles of Association, the minimum number of directors shall be five. The following are two cases when the directors have to be appointed. 1) Appointment of directors to replace those retiring by rotation. 2) Appointment of directors to fill the positions which becomes vacant in the interim period before the annual general meeting of shareholders. In this connection, the Company has already established the Nomination and Remuneration Committee which are responsible for selecting and proposing candidates with proper qualifications to the Company's directorships. The appointment in Case 1 is subject to a resolution adopted at the meeting of shareholders while the appointment in Case 2 can be conducted and approved by the Board of Directors, provided that the candidates have appropriate qualifications to assume the directorships. However, in cases where the directorships become vacant and the number of remaining directors is not sufficient to constitute a quorum at a meeting of directors, the remaining directors can only act on behalf of the Board of Directors in terms of holding a general meeting of shareholders for the purpose of appointing directors to assume all the remaining vacant directorships. As regards independent directors, their election must comply with the requirements imposed by the SET and the Capital Market Supervisory Board.

In electing the Company's Director at the shareholders' meeting, every shareholder has equitable voting rights. In the past, the Company has never had director representing its major shareholders. The rules and procedures of Director's election at the shareholders' meeting are as follows:

(1) Each voter has the number of vote equals to the number of shares, one share represents one vote.

(2) Vote casting can be conducted individually or in terms of a group of individuals or by any other procedures as deemed appropriate by the shareholders. However, in each resolution, all shareholders must cast all of their votes as stated in (1).

(3) The resolutions are adopted by a majority vote. In the case when the votes are equal, the ultimate decision is upon the Chairman of the meeting.

2. Procedure for appointing the Executive Committee

TCAP's Board of Directors may appoint a number of persons as it deems appropriate to form the Executive Committee. One of the members of the Executive Committee shall serve as Chairman, with the Executive Committee being authorized to manage and conduct the Company's business affairs as assigned by the Company's Board of Directors. The Chief Executive Officer will be ex-officio member of the Executive Committee.

3. Procedure for appointing the Audit Committee

The Nomination Committee may appoint at least three Independent Directors who meet the Company's qualifications to assume the directorship in the Audit Committee. The Committee is responsible for undertaking responsibilities as specified in the Charter of the Audit Committee in compliance with the guidelines of the authorities. The Committee is fully independent to perform their duties and has a direct reporting line to the Board of Directors.

4. Procedure for appointing the Nomination Committee and the Remuneration Committee

The Nomination Committee shall nominate at least three independent directors or non-executive directors with appropriate qualifications, and propose to the Board of Directors for appointing as members of the Nomination Committee and the Remuneration Committee. The Committees shall have authorities and responsibilities as stipulated in the Charter of the Nomination Committee and the Remuneration Committee in line with the official guidelines.

Development of Directors and Executives

Each Director of TCAP has attended at least one training course organized by the Thai Institute of Directors Association (IOD). In 2011, there was one Director attending the IOD training course:

Mr. Somkiat Sukdheva Chairman of the Nomination Committee, Chairman of the Remuneration Committee, and Member of the Audit Committee

- Certificate, Role of The Nomination and Governance Committee (RNG), Class 1/2011
- Certificate, Financial Institutions Governance Program (FGP), Class 3/2011
- Certificate, Monitoring Fraud Risk Management (MFM), Class 6/2011
- Certificate, Monitoring the Internal Audit Function (MIA), Class 11/2011

- Certificate, Monitoring the Quality of Financial Reporting (MFR), Class 13/2011
- Certificate, Role of the Chairman Program (RCP), Class 25/2011

Evaluation of the Board of Directors and Management Team's Performance

The Company has conducted the evaluation of the Board of Directors' performance every year. The evaluation can be categorized into; 1) The evaluation of Board of Directors' performance, and 2) The evaluation of the Chief Executive Officer's performance. In 2011, overall Board of Directors' performance was graded "Very Good" with 4.71 points out of 5 points, an increase from 4.54 points in 2010.

Succession Plan

The Nomination and Remuneration Committee is responsible for ensuring that there is the succession plan for the Chief Executive Officer and controlling persons of the Company for the continuity in the Company's management.

The Orientation for Newly Appointed Directors and Executives

When the composition of the directors has been changed or there is a newly appointed executive, the Corporate Secretary Office is responsible for preparing necessary documents for a new director. Such documents compose of; the Company's annual report, which contains visions, strategies, and goals of the Company, the Director and executive's manual which includes qualifications and profile prohibited by laws related to financial institutions, and the relevant Acts and notifications.

Director and Executive Remuneration Policy

The Remuneration Committee gives precedence policies for remuneration of directors, members of sub-committees, the chief executive officer, and executives under corporate governance in a transparent and responsible manner, in accordance with the visions, missions, and shareholders' best interest.

The Company determines the remuneration of its directors, members of sub-committees, the chief executive officer, and executives by comparing it with the remuneration of directors in the same or similar industry. The remuneration of directors has to be appropriate with the Company's

annual performance and the remuneration is considered along with duties, roles, and scope of responsibilities of each director which in line with the annual performance evaluation. The remuneration payment has to be fair to the shareholders and in accordance with the frameworks, standards, and regulations of the official guidelines. In evaluating the Directors, members of the Board, sub-committees, the chief executive officer, and executives assess duties, responsibilities, and associated risk. Importance must also be given to added value of shareholders in the long term.

The remuneration of the Company's directors and high-level executives must be under the consideration and screening of the Nomination and Remuneration Committee and suggested to the Company's Board of Directors for their consideration before being proposed to the shareholders' meeting for seeking their approval. The remuneration will be paid in terms of meeting stipends, monthly compensation, and performance allowance.

In regard to the remuneration of various sub-committees, they receive the remuneration determined by the Board of the Directors, based on the proposal made by the Remuneration Committee which takes into account their duties and responsibilities in comparison with those in the same industry. The remuneration will be paid in the form of meeting stipends and/or position allowance.

The remuneration of the executives will be paid in line with the policy and benchmarks that are linked to the performance of the Company and the performance of each executive. The performance will be appraised, taking into account the Key Performance Indicator (KPI) to be established annually. The remuneration of the executives will be paid in the form of salaries and allowances. Their average payments are comparable with the standards in the same industry.

Director's Remuneration

Financial Remuneration

As of 31 December 2011, the company paid 24,598,956.44 baht in total to four committees, i.e. Board of Directors, Audit Committee, Nomination Committee, and Remuneration Committee, in forms of meeting stipends, position allowances and Director's performance allowances (based on the performance in 2010), which could be summarized as follows:

1. The remuneration payments made to the Board of Directors were as follows:

Name		Types Of Remuneration (Baht per year)			
		Monthly Compensation	Meeting Stipends	Performance Allowance	Total
1. Mr. Banterng	Tantivit	960,000.00	480,000.00	3,066,791.32	4,506,791.32
2. Mr. Suphadej	Poonpipat	480,000.00	240,000.00	1,533,395.64	2,253,395.64
3. Mrs. Siripen	Sitasuwan	480,000.00	220,000.00	1,533,395.64	2,233,395.64
4. Mr. Somkiat	Sukdheva	480,000.00	240,000.00	1,533,395.64	2,253,395.64
5. Mrs. Puntip	Surathin	480,000.00	220,000.00	1,533,395.64	2,233,395.64
6. Mr. Phimol	Rattapat	480,000.00	240,000.00	1,533,395.64	2,253,395.64
7. Ms. Suvarnapa	Suvarnaprathip	480,000.00	240,000.00	1,533,395.64	2,253,395.64
8. Mr. Somjate	Moosirilert	480,000.00	240,000.00	1,533,395.64	2,253,395.64
9. Mr. Taweesak	Saksirilarp	480,000.00	240,000.00	1,533,395.64	2,253,395.64
Total		4,800,000.00	2,360,000.00	15,333,956.44	22,493,956.44

2. The remuneration payments made to the Audit Committee were as follows:

Name		Types Of Remuneration (Baht per year)		
		Monthly Compensation	Meeting Stipends	Total
1. Mrs. Siripen	Sitasuwan	480,000.00	300,000.00	780,000.00
2. Mr. Somkiat	Sukdheva	360,000.00	200,000.00	560,000.00
3. Mrs. Puntip	Surathin	360,000.00	200,000.00	560,000.00
Total		1,200,000.00	700,000.00	1,900,000.00

3. The remuneration payments made to the Nomination Committee were as follows:

Name		Meeting Stipends (Baht per year)
1. Mr. Somkiat	Sukdheva	50,000.00
2. Mrs. Siripen	Sitasuwan	30,000.00
3. Mrs. Puntip	Surathin	30,000.00
Total		110,000.00

4. The remuneration payments made to the Remuneration Committee were as follows:

Name		Meeting Stipends (Baht per year)
1. Mr. Somkiat	Sukdheva	50,000.00
2. Mrs. Siripen	Sitasuwan	30,000.00
3. Mrs. Puntip	Surathin	15,000.00
Total		95,000.00

5. There was no payment made to the Executive Committee

6. The remuneration paid to six TCAP's executives who are at the level of manager and the first four persons in the management level below the manager according to the guidelines of the SET included salaries, allowances, cost-of-living allowances, and contributions to provident fund. The total payments were 54,537,488.00 baht. These payments did not include payment to the executive working in the Company Accounting Group.

7. The remuneration payments made to subsidiary companies which are the main businesses were as follows:

TBANK as a main business of TCAP made payments to the directors and executives for performing their duties in 2011 as follows:

7.1 Details of the remuneration of the Bank's directors are as follows:

Name	Type of Remuneration (Baht per year)			
	Monthly Compensation	Meeting Stipends	Performance Allowance	Total
1. Mr. Banterng Tantivit	693,000.00	556,400.00	2,714,419.67	3,963,819.67
2. Mr. Suphadej Poonpipat	346,500.00	278,200.00	1,357,209.82	1,981,909.82
3. Mrs. Michele Chiu Kwok	346,500.00	0.00	1,357,209.82	1,703,709.82
4. Mr. Kiettsak Meecharoen	346,500.00	278,200.00	1,357,209.82	1,981,909.82
5. Mr. Narong Chivangkur	346,500.00	278,200.00	1,357,209.82	1,981,909.82
6. Mr. Sataporn Jinachitra	346,500.00	278,200.00	1,357,209.82	1,981,909.82
7. Assoc. Prof. Dr. Somjai Phagaphasvivathana	346,500.00	278,200.00	1,357,209.82	1,981,909.82
8. Ms. Suvarnapha Suvarnaprathip	346,500.00	278,200.00	1,357,209.82	1,981,909.82
9. Mr. Brendan George John King	346,500.00	278,200.00	1,357,209.82	1,981,909.82
10. Mr. Somjate Moosirilert	346,500.00	278,200.00	1,357,209.82	1,981,909.82
11. Mr. Kobsak Duangdee	346,500.00	256,800.00	1,357,209.82	1,960,509.82
12. Mr. Martin Weeks	173,250.00	85,600.00	1,357,209.82	1,616,059.82
13. Mr. Alberto Jaramillo	90,475.00	64,200.00	0.00	154,675.00
Total	4,421,725.00	3,188,600.00	17,643,727.69	25,254,052.69

Note: 1. Mr. Martin Weeks resigned from his directorship on 30 June 2011.
2. Mr. Alberto Jaramillo has assumed his directorship since 27 September 2011.

7.2 The total payments made to the Audit Committee were as follows:

Name	Type of Remuneration (Baht per year)		
	Monthly Compensation	Meeting Stipends	Total
1. Mr. Kiettsak Meecharoen	219,600.00	357,500.00	577,100.00
2. Mr. Sataporn Jinachitra	109,800.00	178,750.00	288,550.00
3. Assoc. Prof. Dr. Somjai Phagaphasvivathana	109,800.00	178,750.00	288,550.00
Total	439,200.00	715,000.00	1,154,200.00

7.3 The total payments made to the Nomination and Remuneration Committee were as follows:

Name	Meeting Stipends (Baht per year)
1. Mr. Narong Chivangkur	325,000.00
2. Mrs. Michele Chiu Kwok	195,000.00
3. Mr. Sataporn Jinachitra	0.00
Total	520,000.00

7.4 As the remuneration for the Bank's Executive Committee has not yet been determined, there was no payment to its members.

7.5 In relation to the remuneration of TBANK's executives, Based on the guidance of the SEC and Section 4 and Section 25 of Financial Institution Business Act B.E. 2551, there were 37 persons in total who were considered executives in the position of manager and the first four executive below the manager. The total payments made to them in 2011 in the form of salaries, allowances, cost-of-living allowances and contribution payments to the provident fund amounted to 201,253,695.00 baht.

7.6 With regard to the remuneration of the Independent Director of the subsidiaries, there is one Independent Director who assume the directorship in Thanachart Life Assurance Company Limited and received the compensation amounted to 200,000.00 baht in 2011.

Remuneration other than cash payments

- None

Thanachart Group's Human Resource Development Policy

In 2011, Thanachart Group placed emphasis on providing staff with enhanced knowledge, abilities and skills suitable to positions at all levels. Focus was also given to development of other potential areas applicable to business operations. The objective was to increase the work efficiency of staff in order that they could support the implementation of Thanachart Group's vision, missions, and targets. The development also helped the staff realize the importance of adhering to the regulators' rules and regulations as well as the code of professional ethics. Special attention was given to enhancement of the staff's knowledge and skills in carrying out their duties as well as giving continuous good services to customers during and after the merger. To achieve this, the Company formulated the human resource development plan, ensuring that it was in line with Thanachart Group's strategic plan, business plan, and merger plan. The purpose was to develop the human resources who would play an important role in Thanachart Group's business expansion as well as management of branches or customer service points. With the efficient internal and external training activities, the staff were able to continue giving good services to customers without any interruption even during the merger process. In this connection, Thanachart Group received valuable advice and strong support in various areas of knowledge management from Scotiabank which had extensive expertise in finance and banking at the international level. The following were some of the details related to training activities, external seminars, and field trips to well-known institutions, both domestic and overseas.

1. Training activities and examinations were organized to help life assurance agents and casualty insurance agents obtain sales agent licenses in line with the requirements imposed by the regulators concerned. Participants included branch managers, marketing staff, and customer service officers of branches nationwide as well as personnel in other areas who could explain and sell products of Thanachart Group to customers. The training activities were for those who needed new licenses and those who needed to have their licenses renewed. The objectives were to ensure the compliance with the regulatory requirements and to support cross-selling. As a result, the agents would be able to explain about Thanachart Group's products correctly and provide customers with good services.

2. Training activities were also organized to enhance knowledge and skills of the staff, particularly knowledge and skills in marketing, selling, and servicing. The objective was to enable the staff to offer appropriate products and give impressive services to customers. The topics of training workshops included, among others, customers' expectations and perspectives on the Bank, selling-based customer services, selling-based customer centric, strategic sales management, and hire purchase marketing. Over 2,000 employees participated in the training activities.

3. Focus was also given to training and development of executives who played an important role in the work that required leadership skills as well as knowledge and skills in managing and controlling risks arising from performing their respective duties. Topics of the training activities included, among others, Information Security for Top Management 2011, Leader as Coach, and Become Smart Leader. In 2011, over 230 executives participated in the various training activities.

4. As a follow-up to the CG & CSR project in the previous year, further efforts were made to instill in the staff the importance of corporate governance and corporate social responsibility. The objective was to make the staff realize the importance of carrying out their duties in a manner based on moral, ethics and the code of professional conduct. The corporate governance and corporate social responsibility were incorporated into all training courses, particularly the orientation course for newly recruited staff. In addition, e-learning applications were made available to the staff to promote easy access to training materials in the form of better contents and video presentations such as a video entitled 'Kon Dee Si Som'.

5. Training activities were also organized for the staff on work processes, operations systems, as well as cooperation and relationship in the workplace. The objective was to prepare the staff for the streamlined work systems as a result of the merger. The topics of the training activities included, among others, work processes and systems for giving services to customers at various service points (such as branches), processes and work systems related to debt follow-ups, as well as processes and work systems related to operations. It was expected that Thanachart Group's staff would be able to continue performing their duties and providing customers with good services in an appropriate manner.

The Appointment and Consideration of the Remuneration of Auditors

The Audit Committee is responsible for selecting an independent person to be the Company's external auditor, considering the audit fees, as well as presenting the selected person and audit fees to the Company's Board of Directors before proposing to the Annual General Meeting of Shareholders for approval. In 2011, the BOT granted an approval the following audit firm and three auditors:

1. Ms. Phuphun Charoensuk
Certified auditor No. 4950, and/or
2. Ms. Rungnapha Lertsuwankul
Certified auditor No. 3516, and/or
3. Mr. Narong Pantawongs
Certified auditor No. 3315
Of Ernst & Young Office Limited.

During 2011, the remuneration of auditors of Ernst & Young Office Limited which was the audit firm of the Company and its subsidiaries with Ms. Phuphun Charoensuk, Certified Public Accountant No. 4950 were as follows:

1. Audit Fee

For the 2011 financial statements, the Company and its subsidiaries paid the audit fee to Ernst & Young Company Limited as follows:

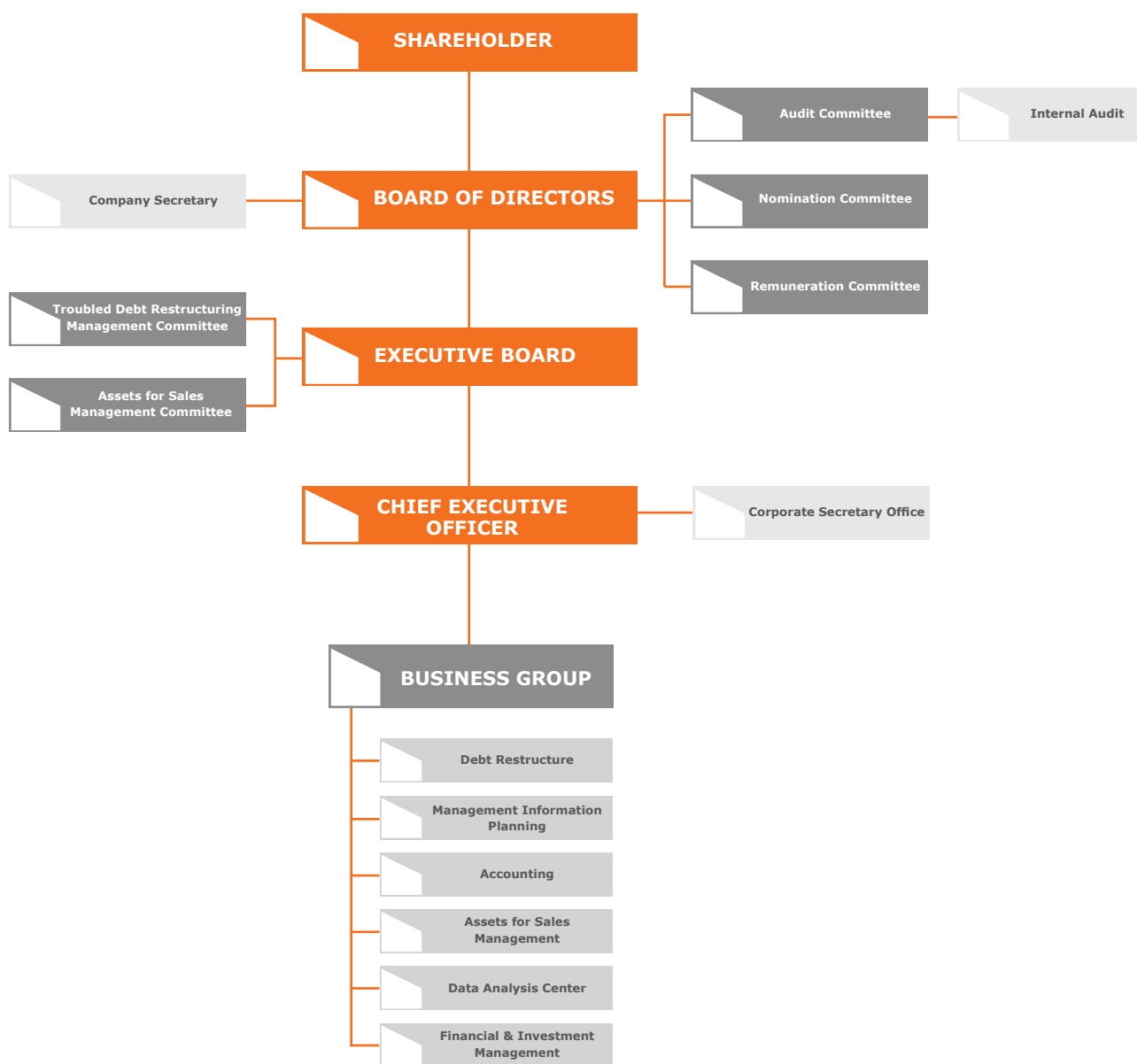
- 1.1 Audit fee of the Company equaled 1,470,000 baht.
- 1.2 Audit fee of the Company's 19 subsidiaries equaled 27,370,000 baht.

2. Non - audit Fee

In the year 2011, the Company and its subsidiaries paid the following non-audit fee to Ernst & Young Office Limited including special audit, audit of the electronic funds transfer system to confer with the BOT regulations, review and report of the evaluation of the internal control system submitting to the Office of Insurance Commission (OIC), and review of the operation regarding the taxation. The fee paid during the year 2011 was 561,750 baht, and the fee that must be paid for uncompleted services in the future under the agreement was equal to 4,917,250 baht.

SUPERVISION AND MANAGEMENT STRUCTURES

Thanachart Capital Public Company Limited



Information as at 31 December 2011



BOARD OF DIRECTORS AND EXECUTIVES MANAGEMENT OF THE COMPANY

(Information as at 31 December 2011)

The Board of Directors

Mr. Banterng Tantivit Chairman (Non-Executive Director)

Age	67 years
Education(s)	<ul style="list-style-type: none">• Master of Science (Finance) in Management, Massachusetts Institute of Technology, USA• Bachelor of Science in Electrical Engineering, Massachusetts Institute of Technology, USA
Directorship and Executive Training Program(s)	<u>Thai Institute of Directors Association</u> <ul style="list-style-type: none">• Certificate, Director Accreditation Program (DAP), Class 25/2004
Experience(s) in the past 5 years	
2006 - Present	<ul style="list-style-type: none">• Vice Chairman, Thanachart Insurance Company Limited• Director, Siam Piwat Holding Company Limited
2005 - Present	<ul style="list-style-type: none">• Chairman, Thanachart Life Assurance Company Limited
2003 - Present	<ul style="list-style-type: none">• Chairman, MBK Resort Public Company Limited• Director, Siam Piwat Company Limited• Director, B.V. Holding Company Limited• Chairman, Plan Estate Company Limited
2002 - Present	<ul style="list-style-type: none">• Chairman, Thanachart Bank Public Company Limited
2001 - Present	<ul style="list-style-type: none">• Advisor, Dusit Thani Public Company Limited• Advisor, Pathum Ricemill & Granary Public Company Limited
1989 - Present	<ul style="list-style-type: none">• Chairman and Chairman of the Executive Committee, MBK Public Company Limited
1987 - Present	<ul style="list-style-type: none">• Director, Deebuk Company Limited• Director, Thai Farming Company Limited
2006 - 2010	<ul style="list-style-type: none">• Director, Arsom Silp Institution of the Arts Council
2010 - 2011	<ul style="list-style-type: none">• Chairman, Siam City Bank Public Company Limited (Currently named as SCIB Public Company Limited)
Family relationship with management	None
No. of TCAP share(s) held	0.1545% (2,060,000 Shares)

Mr. Suphadej Poonpipat
Vice Chairman, Chairman of the Executive Committee,
and Chief Executive Officer (Executive Director)

Age	61 years
Education(s)	<ul style="list-style-type: none"> • Master of Science, University of Wisconsin, USA • Bachelor of Business Administration and Accounting, Chulalongkorn University
Directorship and Executive Training Program(s)	<u>Thai Institute of Directors Association</u> <ul style="list-style-type: none"> • Certificate, Director Accreditation Program (DAP), Class 8/2004 <u>Capital Market Academy, The Stock Exchange of Thailand</u> <ul style="list-style-type: none"> • Certificate, Capital Market Academy Leadership Program, Class 8/2009
Experience(s) in the past 5 years	
2011 - Present	<ul style="list-style-type: none"> • Vice Chairman, and Chairman of the Executive Committee, Pathum Ricemill & Granary Public Company Limited
2007 - Present	<ul style="list-style-type: none"> • Director, Royal Orchid Hotel (Thailand) Public Company Limited • Director, Thai Royal Orchid Real Estate Company Limited
2006 - Present	<ul style="list-style-type: none"> • Director, Siam Piwat Holding Company Limited
2005 - Present	<ul style="list-style-type: none"> • Vice Chairman and Chairman of the Executive Committee, Thanachart Bank Public Company Limited • Director and Chairman of the Executive Committee, Thanachart Insurance Company Limited • Director, MBK Resort Public Company Limited
2003 - Present	<ul style="list-style-type: none"> • Director and Chairman of the Executive Committee, Thanachart Life Assurance Company Limited • Director, Plan Estate Company Limited • Director, Siam Piwat Company Limited
2002 - Present	<ul style="list-style-type: none"> • Vice Chairman, Member of the Compensation and the Nomination Committee, and Vice Chairman of the Executive Committee, MBK Public Company Limited
2010 - 2011	<ul style="list-style-type: none"> • Vice Chairman, Siam City Bank Public Company Limited (Currently named as SCIB Public Company Limited)
2005 - 2010	<ul style="list-style-type: none"> • Chief Executive Officer, Thanachart Bank Public Company Limited
2000 - 2011	<ul style="list-style-type: none"> • Advisor, Pathum Ricemill & Granary Public Company Limited
1992 - 2010	<ul style="list-style-type: none"> • Director, Advance Info Service Public Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Mrs. Siripen Sitasuwan
Chairperson of the Audit Committee, Member of the Nomination Committee,
and Member of the Remuneration Committee (Independent Director)

Age	63 years
Education(s)	<ul style="list-style-type: none"> • Master of Business Administration, Wichita State University, Kansas, USA • Bachelor of Art (Commerce), Chulalongkorn University
Directorship and Executive Training Program(s)	<u>Thai Institute of Directors Association</u> <ul style="list-style-type: none"> • Certificate, Audit Committee Program (ACP), Class 32/2010 • Certificate, Role of The Compensation Committee (RCC), Class 4/2007 • Certificate, Director Certification Program (DCP), Class 33/2003
Experience(s) in the past 5 years	
2008 - Present	<ul style="list-style-type: none"> • Chairperson, Seamico Asset Management Company Limited
2000 - 2007	<ul style="list-style-type: none"> • Director, Shin Satellite Public Company Limited (Currently named as Thaicom Public Company Limited)
1999 - 2007	<ul style="list-style-type: none"> • Director, Thanachart Insurance Company Limited • President, Shin Corporation Public Company Limited • Director, Advance Info Service Public Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Mr. Somkiat Sukdheva
Chairman of the Nomination Committee, Chairman of the Remuneration Committee, and Member of the Audit Committee (Independent Director)

Age	67 years
Education(s)	<ul style="list-style-type: none"> • Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University • Bachelor of Economics, Thammasat University
Directorship and Executive Training Program(s)	<p><u>Sloan School M.I.T., USA</u></p> <ul style="list-style-type: none"> • Senior Executive Program (SEP) <p><u>Thai Institute of Directors Association</u></p> <ul style="list-style-type: none"> • Certificate, Role of the Nomination and Governance Committee (RNG), Class 1/2011 • Certificate, Financial Institutions Governance Program (FGP), Class 3/2011 • Certificate, Monitoring Fraud Risk Management (MFM), Class 6/2011 • Certificate, Monitoring the Internal Audit Function (MIA), Class 11/2011 • Certificate, Monitoring the Quality of Financial Reporting (MFR), Class 13/2011 • Certificate, Role of the Chairman Program (RCP), Class 25/2011 • Certificate, Role of the Compensation Committee (RCC), Class 6/2008 • Certificate, Audit Committee Program (ACP), Class 3/2004 • Certificate, Director Certification Program (DCP), Class 40/2004 <p><u>Capital Market Academy, The Stock Exchange of Thailand</u></p> <ul style="list-style-type: none"> • Certificate, Capital Market Academy Leadership Program, Class 6/2008
Experience(s) in the past 5 years	
2003 - Present	<ul style="list-style-type: none"> • Chairman, Korvac (Thailand) Company Limited
2000 - Present	<ul style="list-style-type: none"> • Partner, P.T. and S Car Care Partnership Limited
2006 - 2009	<ul style="list-style-type: none"> • Chairman, Thai Mart Land Company Limited (Currently named as Thai Mart Land Retail Group Company Limited)
2003 - 2006	<ul style="list-style-type: none"> • Director, GPO-Merieux Biological Company Limited
2002 - 2008	<ul style="list-style-type: none"> • Director, Chairman of the Audit Committee, and Executive Director, Siam City Bank Public Company Limited (Currently named as SCIB Public Company Limited)
Family relationship with management	None
No. of TCAP share(s) held	None

Mrs. Puntip Surathin
Member of Audit Committee, Member of the Nomination Committee,
and Member of the Remuneration Committee (Independent Director)

Age	63 years
Education(s)	<ul style="list-style-type: none"> • Master of Business Administration, Fort Hays Kansas State College, USA • Bachelor of Art (Accounting), Second Class Honor, Chulalongkorn University
Directorship and Executive Training Program(s)	<u>Thai Institute of Directors Association</u> <ul style="list-style-type: none"> • Certificate, Audit Committee Program (ACP), Class 27/2009 • Certificate, Director Certification Program (DCP), Class 5/2001 <u>Capital Market Academy, The Stock Exchange of Thailand</u> <ul style="list-style-type: none"> • Certificate, Capital Market Academy Leadership Program, Class 3/2006 <u>The National Defense College</u> <ul style="list-style-type: none"> • The National Defense Course, Class 40
Experience(s) in the past 5 years	
2011 - Present	<ul style="list-style-type: none"> • Director, Defence Institute of Technology (Public Organization), Ministry of Defence
2010 - Present	<ul style="list-style-type: none"> • Advisor to the Board of Directors, TRIS Corporation Limited • Advisor to the Board of Directors, TRIS Rating Company Limited
2009 - Present	<ul style="list-style-type: none"> • Director and Member of the Audit Committee, YLG Bullion & Futures Company Limited
2007 - Present	<ul style="list-style-type: none"> • Executive Director, The Fiscal Policy Research Institute Foundation
2010 - 2011	<ul style="list-style-type: none"> • Advisor to the Board of Directors, Thailand Convention & Exhibition Bureau (Public Organization)
2008 - 2011	<ul style="list-style-type: none"> • Director and Member of the Audit Committee, IRPC Public Company Limited
2007 - 2008	<ul style="list-style-type: none"> • Chairperson, Dhanarak Asset Development Company Limited • Director General, The Treasury Department
2006 - 2008	<ul style="list-style-type: none"> • Director and Member of the Nomination Committee, PTT Public Company Limited
2005 - 2007	<ul style="list-style-type: none"> • Director, Bangkok Insurance Company Limited • Deputy Permanent Secretary, Ministry of Finance
2003 - 2009	<ul style="list-style-type: none"> • Director and Member of the Nomination Committee and Corporate Governance, Siam Commercial Bank Public Company Limited
2003 - 2007	<ul style="list-style-type: none"> • Director, Erawan Hotel Public Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Mr. Phimol Rattapat Director (Non-Executive Director)

Age	76 years
Education(s)	<ul style="list-style-type: none"> • Barrister at Law, Barrister Association of Thailand • Bachelor of Law, Thammasat University
Directorship and Executive Training Program(s)	<u>Thai Institute of Directors Association</u> <ul style="list-style-type: none"> • Certificate, Director Accreditation Program (DAP), Class 2/2003 • Certificate, Finance for Non-Finance Director (FND), Class 3/2003 • Certificate, Role of the Chairman Program (RCP), Class 9/2003
Experience(s) in the past 5 years	
2007 - Present	<ul style="list-style-type: none"> • Legal Advisor, Thanachart Bank Public Company Limited
2004 - Present	<ul style="list-style-type: none"> • Chairman, NL Development Public Company Limited
2002 - Present	<ul style="list-style-type: none"> • Director and Member of the Audit Committee, President Bakery Public Company Limited
1996 - Present	<ul style="list-style-type: none"> • Legal Advisor, Advance Info Service Public Company Limited
2008	<ul style="list-style-type: none"> • Chairman of the Advisory Committee, Ministry of Education
2004 - 2007	<ul style="list-style-type: none"> • Chairman, Office of The Attorney General
2000 - 2007	<ul style="list-style-type: none"> • Legal Advisor, Thanachart Capital Public Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Ms. Suvarnapha Suvarnaprathip Vice Chairperson of the Executive Committee (Executive Director)

Age	66 Years
Education(s)	Bachelor of Economics, Monash University, Australia
Directorship and Executive Training Program(s)	<u>Banker Trust, New York, USA</u> <ul style="list-style-type: none"> • Corporate Finance Training Program <u>Thai Institute of Directors Association</u> <ul style="list-style-type: none"> • Certificate, Director Accreditation Program (DAP), Class 20/2004
Experience(s) in the past 5 years	
2005 - Present	<ul style="list-style-type: none"> • Director and Member of the Executive Committee, Thanachart Life Assurance Company Limited
2002 - Present	<ul style="list-style-type: none"> • Director and Vice Chairperson of the Executive Committee, Thanachart Bank Public Company Limited
1991 - Present	<ul style="list-style-type: none"> • Director, Seacon Development Public Company Limited
2010 - 2011	<ul style="list-style-type: none"> • Director and Vice Chairperson of the Executive Committee, Siam City Bank Public Company Limited (Currently named as SCIB Public Company Limited)
Family relationship with management	None
No. of TCAP share(s) held	None

Mr. Somjate Moosirilert

Member of the Executive Committee and Senior Executive Vice President (Executive Director)

Age	55 years
Education(s)	<ul style="list-style-type: none"> • Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University • Bachelor of Business Administration, Thammasat University
Directorship and Executive Training Program(s)	<u>Thai Institute of Directors Association</u> <ul style="list-style-type: none"> • Certificate, Role of the Chairman Program (RCP), Class 5/2001 <u>Capital Market Academy, The Stock Exchange of Thailand</u> <ul style="list-style-type: none"> • Certificate, Capital Market Academy Leadership Program, Class 5/2007 <u>Judicial Training Institute, Courts of Justice</u> <ul style="list-style-type: none"> • The Program for Senior Executives on Justice Administration, Class 9/2005
Experience(s) in the past 5 years	
2011 - Present	<ul style="list-style-type: none"> • Chairman, TS Asset Management Company Limited • Vice Chairman of Thai Listed Companies Association • Governor, The Stock Exchange of Thailand • Executive Director, The Thai Bankers' Association
2010 - Present	<ul style="list-style-type: none"> • Chairman and Chairman of the Executive Committee, Siam City Life Assurance Company Limited • Director and Chairman of the Executive Committee, Thanachart Fund Management Company Limited • Director and Member of the Executive Committee, Thanachart Insurance Company Limited • Advisor, Association of Securities Companies
2009 - Present	<ul style="list-style-type: none"> • Director, Member of the Executive Committee, and Chief Executive Officer and President, Thanachart Bank Public Company Limited • Chairman, Thanachart Securities Public Company Limited
2010 - 2011	<ul style="list-style-type: none"> • Chairman, Siam City Asset Management Company Limited • Chairman, Siam City Securities Company Limited (Currently named as IT Absolute Company Limited) • Chairman, Thanachart Fund Management Company Limited • Director, Chairman of the Executive Committee, and Chief Executive Officer and President, Siam City Bank Public Company Limited (Currently named as SCIB Public Company Limited)
2010	<ul style="list-style-type: none"> • Director, Thanachart Life Assurance Company Limited
2009 - 2011	<ul style="list-style-type: none"> • Vice Chairman, The Stock Exchange of Thailand • Director, Thai Capital Market Development
2009 - 2010	<ul style="list-style-type: none"> • President & Chief Executive Officer, Thanachart Capital Public Company Limited • Senior Executive Vice President, Thanachart Bank Public Company Limited • Director, TSFC Securities Public Company Limited • Executive Director, Association of Securities Companies
2009	<ul style="list-style-type: none"> • Chairman of the Executive Committee, Thanachart Securities Public Company Limited
2002 - 2008	<ul style="list-style-type: none"> • President, Thai Asset Management Corporation
Family relationship with management	None
No. of TCAP share(s) held	None

Mr. Taweesak Saksirilarp
Member of the Executive Committee and Executive Vice President
(Executive Director)

Age	57 Years
Education(s)	<ul style="list-style-type: none"> • Master of Business Administration, National Institution of Development Administration • Bachelor of Economics, Thammasat University
Directorship and Executive Training Program(s)	<u>Thai Institute of Directors Association</u> <ul style="list-style-type: none"> • Certificate, Director Certification Program (DCP), Class 94/2007
Experience(s) in the past 5 years	
2011 - Present	<ul style="list-style-type: none"> • Director, TS Asset Management Company Limited
2007 - Present	<ul style="list-style-type: none"> • Chairman, Max Asset Management Company Limited
2003 - Present	<ul style="list-style-type: none"> • Investment Committee, NASSET Property Fund 6
2000 - Present	<ul style="list-style-type: none"> • Chairman and Chairman of the Executive Committee, NFS Asset Management Company Limited
2010 - 2011	<ul style="list-style-type: none"> • Executive, SMEs Business Groups, Siam City Bank Public Company Limited (Currently named as SCIB Public Company Limited)
2009 - 2011	<ul style="list-style-type: none"> • Director, Fuel Pipeline Transportation Limited
2005 - 2007	<ul style="list-style-type: none"> • Executive Vice President, Thanachart Bank Public Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Executives

Mr. Watchara Permthithak Senior Vice President, Business Division

Age	50 Years
Education(s)	<ul style="list-style-type: none">• Master of Business Administration, National Institution of Development Administration• Bachelor of Engineering (Electrical), Kasetsart University
Directorship and Executive Training Program(s)	None
Experience(s) in the past 5 years	
2011 - Present	<ul style="list-style-type: none">• Director, TS Asset Management Company Limited
2007 - Present	<ul style="list-style-type: none">• Director, Max Asset Management Company Limited• Investment Committee, NASSET Property Fund 6
2006 - Present	<ul style="list-style-type: none">• Director and Vice Chairman of the Executive Committee, NFS Asset Management Company Limited
2006 - 2007	<ul style="list-style-type: none">• Senior Vice President, Debt Restructuring Department, Thanachart Bank Public Company Limited
2005 - 2006	<ul style="list-style-type: none">• Senior Manager, Credit Department, Head Office, Bank of Ayudhya Public Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Ms. Rommanee Jenpinit First Vice President, Management Information Planning Department

Age	51 Years
Education(s)	Bachelor of Business Administration, Sukhothai Thammathirat Open University
Directorship and Executive Training Program(s)	<u>The Thai Institute of Banking and Finance Association</u> <ul style="list-style-type: none">• Modern Banking Executive Development Program
Experience(s) in the past 5 years	
2001 - 2007	<ul style="list-style-type: none">• First Vice President, Office of Planning and Accounting System Development, Thanachart Capital Public Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Ms. Darawan Bunnunstien

First Vice President, Debt Restructuring Department

Age	50 Years
Education(s)	Bachelor of Political Science, The Field of Public Administration Minor in Economic, Thammasat University
Directorship and Executive Training Program(s)	<u>The Bank of Thailand</u> <ul style="list-style-type: none"> • 2009 Seminar Program "Coping with and Looking beyond the Global Crisis" • Managing the Recovery Program • Debt Restructuring to Successful Program
Experience(s) in the past 5 years	
2007 - Present	• Director, Max Asset Management Company Limited
2005 - Present	• Director, NFS Asset Management Company Limited
2003 - Present	• Investment Committee, NASSET Property Fund 6
Family relationship with management	None
No. of TCAP share(s) held	0.000006% (800 Shares)

Mrs. Thanawan Chaisithikarnkha

Vice President, Accounting Department

Age	46 Years
Education(s)	<ul style="list-style-type: none"> • Master of Business Administration Program in Entrepreneurship Management, King Mongkut's University of Technology Thonburi • MINI MBA, Chulalongkorn University • Bachelor of Business (Accounting), Ramkhamhaeng University
Directorship and Executive Training Program(s)	<u>Thai Institute of Banking and Finance Association</u> <ul style="list-style-type: none"> • Young Banker's Executive Development Program YOBEX <u>Federation of Accounting Professions</u> <ul style="list-style-type: none"> • Step to "Year 2011 IFRS" <u>NIDA Business School/The Stock Exchange of Thailand/Market for Alternative Investment (MAI) and The Federation of Thai Industries</u> <ul style="list-style-type: none"> • CFO Professional Program
Experience(s) in the past 5 years	
2010 - Present	Director, Siam City Life Assurance Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Report on changes in shareholding of the Company's Directors and Executives in 2010 to 2011

(Information as at 31 December 2011)

No.	Name		Position	Number of Share(s) held as at 31 December 2011	Number of Share(s) held as at 31 December 2010	Increase (Decrease)	Percentage of shareholding (%)
1.	Mr. Banterngr	Tantivit	Chairman (Non-Executive Director)	2,060,000	2,060,000	-	0.1545
2.	Mr. Suphadej	Poonpipat	Vice Chairman, Chairman of the Executive Committee, and Chief Executive Office (Executive Director)	-	-	-	-
3.	Mrs. Siripen	Sitasuwan	Chairperson of the Audit Committee, Member of the Nomination Committee, and Member of the Remuneration Committee (Independent Director)	-	-	-	-
4.	Mr. Somkiat	Sukdheva	Chairman of the Nomination Committee, Chairman of the Remuneration Committee, and Member of the Audit Committee (Independent Director)	-	-	-	-
5.	Mrs. Puntip	Surathin	Member of the Audit Committee, Member of the Nomination Committee, and Member of the Remuneration Committee (Independent Director)	-	-	-	-
6.	Mr. Phimol	Rattapat	Director (Non-Executive Director)	-	-	-	-
7.	Ms. Suvarnapha	Suvarnaphrathip	Vice Chairperson of the Executive Committee (Executive Director)	-	-	-	-
8.	Mr. Somjate	Moosirilert	Member of the Executive Committee and Senior Executive Vice President (Executive Director)	-	-	-	-
9.	Mr. Taweesak	Saksirilarp	Member of the Executive Committee and Executive Vice President (Executive Director)	-	-	-	-
10.	Mr. Watchara	Permphithak	Senior Vice President, Business Division	-	-	-	-
11.	Ms. Rommanee	Jenpinit	First Vice President, Management Information Planning Department	-	-	-	-
12.	Ms. Darawan	Bunnumstien	First Vice President, Debt Restructuring Department	800	800	-	0.000006
13.	Mrs. Thanawan	Chaisithikarnkha	Vice President, Accounting Department	-	-	-	-

The information of the Executive and authorized persons' position in Subsidiary, Associated and Related companies

(Information as at 31 December 2011)

Name	TCAP	Subsidiary										Associated	Related Companies														
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
Mr. Banterng	Tantivit	xxx			xx	xxx					xxx ///	x	x	x	xxx	x	x	x									
Mr. Suphadej	Poonpipat	xx /// B	xx ///		x ///	x ///					xx //	x	x	x	x				xx ///	x	x						
Mrs. Siripen	Sitasuwan	x																			xxx						
Mr. Somkiat	Sukdheva	x																				xxx					
Mrs. Puntip	Surathin	x																				xxx					
Mr. Phimol	Rattapat	x																					x				
Ms. Suvarnapha	Suvarnaprathip	x //	x //			x /																		xxx	x		x
Mr. Somjate	Moosiriert	x / C	x / A	xxx	x ///	x /		xxx ///		xxx																	
Mr. Taweesak	Saksirilarp	x / D				xxx ///	xxx	xxx		x																	
Mr. Watchara	Permpithak	E				x //	x	x		x																	
Ms. Rommanee	Jenpinit	F																									
Ms. Darawan	Bunnumstien	F				x	x	x																			
Mrs. Thanawan	Chaisithikamkha	G							x																		

Note: xxx Chairman xx Vice Chairman x Director /// Chairman of the Executive Committee // Vice Chairman of the Executive Committee / Executive Committee
A CEO & President B CEO C Senior Executive Vice President D Executive Vice President E Senior Vice President F First Vice President
G Vice President

List of subsidiary and associated companies

(Information as at 31 December 2011)

Subsidiary Companies

- | | |
|---|---|
| 1. Thanachart Bank Public Company Limited* | 6. NFS Asset Management Company Limited |
| 2. Thanachart Securities Public Company Limited | 7. MAX Asset Management Company Limited |
| 3. Thanachart Fund Management Company Limited | 8. Siam City Life Assurance Company Limited |
| 4. Thanachart Insurance Company Limited | 9. TS Asset Management Company Limited |
| 5. Thanachart Life Assurance Company Limited | |

Associated Companies

10. MBK Public Company Limited

Related Companies

- | | |
|--|--|
| 11. MBK Resort Public Company Limited | 19. Royal Orchid Hotel (Thailand) Public Company Limited |
| 12. Siam Piwat Holding Company Limited | 20. Thai Royal Orchid Real Estate Company Limited |
| 13. Siam Piwat Company Limited | 21. Seamico Asset Management Company Limited |
| 14. Plan Estate Company Limited | 22. Korvac (Thailand) Company Limited |
| 15. Dee Buk Company Limited | 23. YLG Bullion & Futures Company Limited |
| 16. Thai Farming Company Limited | 24. NL Development Public Company Limited |
| 17. B.V. Holding Company Limited | 25. President Bakery Public Company Limited |
| 18. Pathum Ricemill & Granary Public Company Limited | 26. Seacon Development Public Company Limited |

Note: * A Subsidiary Company that significantly generated income more than 10 percent of total income in consolidated comprehensive income statements of the latest accounting year.



RELATED PARTY TRANSACTIONS

Thanachart Capital Public Company Limited has put a policy and regulations in place, aimed at protecting conflicts of interest as well as related party transactions and related transactions in line with the requirements imposed by the authorities concerned. In considering a transaction, TCAP uses the same procedure as applied to general customers or trade partners and appropriately follows the normal process that has been established. The service of the related party will be used only as necessary for the purpose of supporting the Company's business operations. In determining the price of related party transactions, to prevent potential conflict of interest, TCAP uses a fair price that is appropriated and in line with the authority's requirement, taking into consideration mainly the maximum benefit to be received by the Company and its shareholders.

During 2011, TCAP and its subsidiaries executed a number of key transactions with their related parties. These parties included associated companies or parties that had significant influence on the Company and its subsidiaries, as well as key executives, directors or staff of the Company and its subsidiaries, who had authority in developing plans and managing the business operations of the Company and its subsidiaries. The related party transactions are disclosed in the notes to the consolidated financial statements for the year ended 31 December 2011 under item 43 on related party transactions. Key related party transactions of the Company that might result in a conflict of interest in line with the criteria established by the Office of the Securities and Exchange Commission "SEC" are as follows:

The Related Transactions between Thanachart Group

1. Companies in Thanachart Group and Relationship

Company	Relationship	Directors with Stakeholding
1. NFS Asset Management Company Limited (NFS AMC)	A subsidiary of TCAP with TCAP holding 100%	1. Mr. Banterng Tantivit
2. Max Asset Management Company Limited (MAX AMC)	A subsidiary of TCAP with TCAP holding 83.44%	2. Mr. Suphadej Poonpipat
3. Thanachart Bank Public Company Limited (TBANK)	A subsidiary of TCAP with TCAP holding 50.96%	3. Ms. Suvannapha Suvannapraphip
4. Thanachart Securities Public Company Limited (TNS)	An indirect subsidiary of TCAP with TBANK holding share of 100%	4. Mr. Somjate Moosirilert
5. Thanachart Fund Management Company Limited (TFUND)	An indirect subsidiary of TCAP with TBANK holding share of 75%	
6. Thanachart Insurance Company Limited (TNI)	An indirect subsidiary of TCAP with TBANK holding 100%	
7. Thanachart Life Assurance Company Limited (TLIFE)	An indirect subsidiary of TCAP with TBANK holding share of 100%	
8. Siam City Life Assurance Company Limited (SCILIFE)	An indirect subsidiary of TCAP with TBANK holding share of 100%	
9. Thanachart Group Leasing Company Limited (TGL)	An indirect subsidiary of TCAP with TBANK holding share of 100%	
10. Ratchthani Leasing Public Company Limited (THANI)	An indirect subsidiary of TCAP with TBANK holding share of 65.18%	
11. National Leasing Company Limited (NL)	An indirect subsidiary of TCAP with TGL holding share of 100%	
12. TS Asset Management Company Limited (TS AMC)	An indirect subsidiary of TCAP with TBANK holding share of 100%	

Company	Relationship	Directors with Stakeholding
13. Thanachart Broker Company Limited (TBROKE)	An indirect subsidiary of TCAP with TBANK holding share of 100%	
14. Thanachart Training and Development Company Limited (TTD)	An indirect subsidiary of TCAP with TBANK holding share of 100%	
15. Thanachart Management and Service Company Limited (TMS)	An indirect subsidiary of TCAP with TBANK holding share of 100%	
16. SCIB Services Company Limited (SSV)	An indirect subsidiary of TCAP with TBANK holding share of 100%	
17. Thanachart Legal and Appraisal Company Limited (TLA)	An indirect subsidiary of TCAP with TBANK holding share of 100%	

2. The related transactions between Thanachart Group Companies

2.1 Loans between Thanachart Group

- Type and value of transaction

TCAP provided loans in terms of Promissory Notes at call to NFS AMC with the interest at the minimum loan rate (MLR) and the transaction value of 1,000 million baht. Also, TBANK provided loans in terms of Promissory Notes at call to TGL, NL, THANI, and TS AMC worth 353 million baht, 22 million baht, 7,867 million baht, and 9,822 million baht, respectively with the interest rate charged in line with TBANK's cost of fund plus a fixed percentage per annum.

- Necessities and rationales of the transaction

The transactions were considered as Loans provided to member companies within the Group for normal business operations of each member company. Boards of Directors of TCAP and TBANK were responsible for approving the transactions with the agreement from the Credit Committee and the Executive Committee. Those having a conflict of interest in the transactions were not allowed to participate in the consideration and approval of the transactions. Applicable interest rate and terms of the transactions were the same as those applied to general customers with prices also comparable to general customers with the same level of risks. The approval of credit line was within the limit imposed by the Bank of Thailand.

2.2 Asset Rental between Thanachart Group

- Type and value of transaction

The companies under the Group rented out the office spaces for using as their headquarters and branches as follows:

(Unit : Million Baht)

Company/Location	Tenant	Value
1. Thanachart Capital Public Company Limited	Thanachart Insurance Company Limited.	0.77
	Thanachart Bank Public Company Limited	24.06
	Thanachart Securities Public Company Limited	0.75
	NFS Asset Management Company Limited	1.85
	Thanachart Group Leasing Company Limited	0.07
2. Thanachart Bank Public Company Limited	NFS Asset Management Company Limited	23.70
	Thanachart Securities Public Company Limited	1.63
	Thanachart Insurance Company Limited	0.16

- Necessities and rationales of the transaction

These transactions were to utilize TCAP unused assets by leasing the office space to member companies of the Group to use as their office headquarters and office branches. These transaction were considered as normal business operations and preventing the economic waste. The rental fees were based on rental charges that TCAP charged to general tenants. Such transactions were therefore, reasonable and justified.

2.3 Immovable Assets Transferred from NASSET Property Fund 6 (Transferor) to TCAP (Transferee)

- Type and value of transaction

The Company took transfer of immovable assets from NASSET Property Fund 6 in the total of 8 plots of land worth 30.97 million baht.

- Necessities and rationales of the transaction

The transactions were to transfer immovable assets for repayment of Unit Trusts that the Company owned in NASSET Property Fund 6. The transfer price was in accordance with the report of appraisal value that the appraisal company proposed and also in line with the standards specified by the Capital Market Supervisory Board. Such transactions were, therefore, reasonable and justified.

2.4 Selling Assets or Transferring Rental Rights in Assets between TCAP (Seller) and TBANK (Buyer)

- Type and value of transaction

TCAP (Seller) sold its assets or transfer its rental rights to TBANK (Buyer) for using as office branches with transaction value of 99.79 million baht.

- Necessities and rationales of the transaction

The transactions were to sell unused assets or transfer rental rights in unused assets of TCAP (Seller) to TBANK (Buyer) for using as office branches. The transfer prices were set by the average prices evaluated by independent assessors or the average prices of the number of days that TCAP had the right in (in case of transferring the rental rights). Such transactions were, therefore, reasonable and justified.

2.5 Insuring the assets of TCAP and member companies of the Group (Insured) with Thanachart Insurance (Insurer).

- Type and value of transaction

TCAP and member companies of the Group underwent Property All Risks Policy with Thanachart

Insurance with the total premium of 5.86 million baht in 2011.

- Necessities and rationales of the transaction

Property All Risks Policy was to reduce the risks in all aspects to assets of TCAP and member companies of the Group. The insurance premium paid to Thanachart Insurance was at the same rate applied to general customers. Such transactions were, therefore, reasonable and justified.

2.6 Directors and Officers Liability Insurance of TCAP and member companies of the Group (Insured) with Thanachart Insurance (Insurer).

- Type and value of transaction

These transactions related to Directors and Officers Liability Insurance Policies with coverage over directors and officers of TCAP and member companies of the Group. The total premium amounted to 8 million baht in 2011.

- Necessities and rationales of the transaction

TCAP and member companies of the Group insured their directors and officers with Thanachart Insurance to protect those directors and officers who performed their duties to the level of capacity and responsibilities required for their respective roles, from possible liabilities. This type of insurance was considered a normal insurance that generally insured in the industry. The insurance premiums paid to Thanachart Insurance were normal rates applicable to general customers. Such transactions were, therefore, reasonable and justified.

2.7 Officers Liability Insurance in terms of misconduct in financial professionals and protection of deception of the employees within the organization between subsidiary companies; TBANK, TNS, and TFUND (Insured) and Thanachart Insurance (Insurer).

- Type and value of transaction

TBANK, TNS, and TFUND insured to protect their employees in terms of misconduct in financial professionals and deception with Thanachart Insurance. The premiums paid were 1.96 million baht.

- Necessities and rationales of the transaction

It is to prevent all risks in business professionals and deception among officers. The insurance premiums paid to Thanachart Insurance were normal rates applicable to general customers. Such transactions were, therefore, reasonable and justified.



2.8 Group Health Insurance, Group Life Insurance, and Group Accident Insurance for employees of TCAP and member companies of the Group (Insured) with Thanachart Life Assurance (Insurer).

- Type and value of transaction

These transactions related to group health insurance, group life insurance, and group accident insurance for employees with the total premium of 91.68 million baht.

- Necessities and rationales of the transaction

TCAP and member companies of the Group insured group health insurance, group life insurance, and group accident insurance with Thanachart Life Assurance for protecting employee's health and welfare. This was beneficial for all employees. Comparing to other insurance companies under the same terms and conditions, the premium rate was reasonable. Such transactions were, therefore, justified.

2.9 Group Life Insurance and Group Accident Insurance for employees of TCAP and member companies of the Group (Insured) with SCILIFE (Insurer).

- Type and value of transaction

These transactions related to group life insurance and group accident insurance for employees with the total premium of 1.75 million baht.

- Necessities and rationales of the transaction

TCAP and member companies of the Group insured group life insurance and group accident insurance with SCILIFE for protecting employee's health and welfare. This was beneficial for all employees. Comparing to other insurance companies under the same terms and conditions, the premium rate was reasonable. Such transactions were, therefore, justified.

2.10 Commission and Fee of TCAP and member companies of the Group paid to TNS

- Type and value of transaction

TCAP and member companies of the Group paid commission and brokerage fee to TNS in the amount of 33.61 million baht.

- Necessities and rationales of the transaction

These transactions related to commission and fee paid to Thanachart Securities for brokerage trading under the general terms and conditions in line with the

normal rate that TNS charged to general customers. Such transactions were, therefore, reasonable and justified.

3. Related transactions between the Company and member companies of the Group with executives and related-to-executive persons

3.1 Loans and Deposits

- Type of transaction and transaction value

- TCAP and member companies of the Group had total outstanding loans to the executives of companies in the Group including related persons in the amount of 49 million baht.

- TCAP and member companies of the Group received deposits from the executives of companies in the Group including related persons in the amount of 535 million baht.

- Necessities and rationales of the transaction

These transactions were considered as normal business operations of TCAP and member companies of the Group. Terms and conditions as well as interest rates were in line with those applicable to general customers.

3.2 Life insurance of executives (Insured) with SCILIFE (Insurer)

- Type and value of transaction

The executives and related persons insured with SCILIFE with the total premium of 8.99 million baht in 2011

- Necessities and rationales of the transaction

The transactions were considered a common insurance with the same rate of premium offered to general customers under the same terms and conditions. Such transactions were, therefore, reasonable and justified.

4. Supporting services between member companies within the Group

Thanachart Group had a policy on putting together all supporting works into one company. This was for economies of scale and economies of scope, and also to utilize the resources to its highest benefit with a policy emphasized on calculating service fees from operating cost of each work (Cost Plus) or market price. The service fees are subject to reconsider every year and propose for approval from Board of Directors of each company in the Group. The services were as follows:

Thanachart Bank Public Company Limited

It provides services on system and regulation development, human resources, compliance, building and premises management, procurement, internal audit, IT quality control, public relations, customer relations, operation, loan operation, hire purchase operation, accounting, risk control, debt collection, appraisal of collateral, legal service, bringing cases to court of law, legal enforcement, and IT system.

Thanachart Management and Service Company Limited

Providing service staff.

Thanachart Legal and Appraisal Company Limited

Providing legal advice, contract, prosecution and enforcement, and collateral appraisal.

Thanachart Training and Development Company Limited

Providing services on Thanachart group's employees training.

SCIB Services Company Limited

Providing services on cleaning service, security service, messenger service, car rental service, and etc.

Transactions between member companies of Thanachart Group with companies related to executives

1. MBK Group Public Company Limited "MBK Group"

Related businesses and relationships

Company	Relationship	Directors with Stakeholding
1. MBK Public Company Limited (MBK)	Member companies in Thanachart Group holding 19.90%	1. Mr. Banterng Tantivit
2. Patum Rice Mill and Granary Public Company Limited (PRG)	A subsidiary of MBK with MBK holding 74.52 %	2. Mr. Suphadej Poonpipat
3. Riverdale Golf and Country Club Company Limited (RDGC)	A subsidiary of MBK with MBK holding 99.99%	3. Mr. Piyaphong Artmangkorn
4. MBK Hotels and Resorts Company Limited (MBK-HR)	A subsidiary of MBK with MBK holding 100%	
5. Sapsinthanee Company Limited (SSTN)	A subsidiary of MBK with MBK holding 100%	
6. Glas Haus Ratchada Company Limited (GHR) (formerly named as Koratthani Company Limited)	A subsidiary of MBK with MBK holding 100%	
7. MBK Smart Force Company Limited (MBK-SF)	A subsidiary of MBK with MBK holding 99.93%	
8. Apple Auto Auction(Thailand) Company Limited (AAA)	A joint venture company of MBK and Apple Auto Auction with MBK holding 49.99% in AAA	
9. Siam Piwat Company Limited (SPW)	An subsidiary of MBK with MBK holding 30.72%	

Company	Relationship	Directors with Stakeholding
10. MBK Square Company Limited (MBK-SQ)	A subsidiary of MBK with MBK holding 99.93%	
11. Paradise Park Company Limited (PDP)	A subsidiary of MBK with MBK holding 50%	
12. MBK Hospitality Management Company Limited (MBK-H)	A subsidiary of MBK with MBK holding 99.99%	
13. T Leasing Company Limited (TLS)	A subsidiary of MBK with MBK holding 99.99 %	
14. X-Gen Premium Company Limited (X-Gen)	A subsidiary of MBK with MBK holding 99.97 %	
15. MBK Premium Company Limited (MBK-P)	A subsidiary of MBK with MBK holding 100 %	
16. MBK Guarantee Company Limited	An indirect subsidiary of MBK with MBK holding 99.98% via a subsidiary	
17. MBK Entertainment Company Limited (MBK-E)	An indirect subsidiary of MBK with MBK holding 81.23% in MBK-E via a subsidiary	
18. Lan Bangna Company Limited (LAN)	An indirect subsidiary of MBK with MBK holding 72.60% in LAN via a subsidiary	
19. Plan Estate Company Limited (PST)	An indirect subsidiary of MBK with MBK holding 72.60% in PST via a subsidiary	
20. MBK Resort Public Company Limited (MBK-R)	An indirect subsidiary of MBK with MBK holding 72.60% in MBK-R via a subsidiary	
21. Absolute Travel Company Limited (ALT)	An indirect subsidiary of MBK with MBK holding 99.99% in ALT via a subsidiary	
22. PRG Granary Company Limited	An indirect subsidiary of MBK with MBK holding 74.51% via a subsidiary	
23. Sima Pac Company Limited	An indirect subsidiary of MBK with MBK holding 37.25% via a subsidiary	
24. Glas Haus Building Company Limited (GHB)	An indirect subsidiary of MBK with MBK holding 99.99% via a subsidiary	
25. The Nine Center Company Limited	An indirect subsidiary of MBK with MBK holding 99.98% via a subsidiary	

Related Party Transactions

1. The office space rental between TCAP, TBANK, a subsidiary company (Tenant) with member companies of MBK Group including MBK Public Company Limited, Glas Haus Building Ratchada Company Limited, Plan Estate Company Limited, Siam Piwat Company Limited, Paradise Park Company Limited, Apple Auto Auction(Thailand) Company Limited, MBK Resort Public Company Limited, and The Nine Center Company Limited (Lessors)

- Type and value of transaction

- MBK Tower Building, 444 Phayathai Road, Wangmai, Pathumwan, Bangkok

The office rental agreement between TCAP or TBANK (Tenant) with member companies of MBK Group (Lessors) to use as headquarters was a transaction resulting from a transfer of rental rights of MBK Tower from Pathumwan Real Estate Company Limited (former tenant) during a period from 30 June 2000 to 12 August 2012 (total of 12 years 1 month 12 days). As of 2011, the contract was values at 24.45 million baht.

- Necessities and rationales of the transaction

The transfer of rental rights of MBK Tower from debt restructuring of the former tenant for the remaining time of contract resulted in TCAP becoming a contracting party to MBK. Thus, the transaction was considered a normal transfer of rental rights.

- Other Buildings

TBANK rented office spaces for using as its headquarters, branches, exchange booths, ATM installation spaces, and advertisement sign installation spaces. The transaction value was 8.93 million baht in 2011.

Thanachart Insurance, Thanachart Life Assurance, and Thanachart Broker rented office spaces for using as their offices and branches. The transaction value was 10.74 million baht in 2011.

- Necessities and rationales of the transaction

These rental transactions were for normal business operations and rental fees were calculated based on market rental rate of other buildings nearby. Such transactions were, therefore, reasonable and justified.

Total value of transactions in 2011 amounted to 19.77 million baht.

2. Services on Supporting Information Technology System between TBANK (Service Provider) and T Leasing Company Limited (User)

- Type and value of transaction

TBANK provided service on supporting information technology system to T Leasing. The service fee in 2011 was 1.64 million baht

- Necessities and rationales of the transaction

This transaction was a service of information technology system for supporting business operations of T Leasing (previously a subsidiary of TBANK which was sold to MBK Public Company Limited) as well as for ensuring the smooth running with no effects to customers after TBANK sold T Leasing. The service charge was also applied to this transaction. Such transaction was, therefore, reasonable and justified.

3. Rental office spaces between TBANK (Lessor) and T Leasing (Tenant)

- Types and values of transaction

TBANK rented out some office spaces at Thanachart Rama 7 Office Building to T Leasing. The rental

fee and service charge amounted to 2.68 million baht in 2011.

- Necessities and rationales of the transaction

TBANK rented out some office spaces at Thanachart Rama 7 Office Building to T Leasing (previously a subsidiary of TBANK which was sold to MBK Public Company Limited) for using as an office for T Leasing as well as ensuring the smooth running with no effects to customers after TBANK sold T Leasing. The fee charge was also applied to this transaction. Such transaction was, therefore, reasonable and justified.

4. Providing service of price setting for motorcycles between TBANK (Service provider) and T Leasing (User)

- Type and value of transaction

TBANK provided service of price setting for motorcycles to use as selling prices. The service charge in 2011 equaled 0.1 million baht.

- Necessities and rationales of the transaction

This transaction was to provide the price information to T Leasing (previously a subsidiary of TBANK which was sold to MBK Public Company Limited) for using as selling prices. The fee charge was also applied to this transaction. Such transaction was, therefore, reasonable and justified.

5. Life Insurance and Accident Insurance Contracts between Thanachart Life Assurance (Insurer) and MBK and member companies including Pathum Ricemill and Granary, MBK Smart Force, MBK Entertainment, and Absolute Travel (Insured Companies)

- Type and value of transaction

Thanachart Life Assurance provided life insurance and accident insurance to employees of MBK and member companies with premium amounting to 1.39 million baht.

- Necessities and rationales of the transaction

These transactions related to normal business operations of Thanachart Life Assurance. The premiums were in line with those applicable to general customers. Such transactions were, therefore, reasonable and justified.

6. Life Insurance and Accident Insurance Contracts between Siam City Life Assurance (Insurer) and member companies of MBK Group including Supsinthanee, T Leasing, PRG Granary, Riverdale Golf and Country Club,

Lan Bangna, Sima Pac, MBK Guarantee, MBK Square, MBK Smart Force, MBK Hospitality Management, MBK Resort, MBK Entertainment, Absolute Travel, Apple Auto Auction, and Patum Rice Mill and Granary (Insured Companies)

- Type and value of transaction

Thanachart Life Assurance provided life insurance and accident insurance to employees of member companies of MBK Group with premium amounting to 0.98 million baht.

- Necessities and rationales of the transaction

These transactions related to normal business operations of Siam City Life Assurance. The premiums were in line with those applicable to general customers. Such transactions were, therefore, reasonable and justified.

7. Insurance Contracts between Thanachart Insurance (Insurer) and MBK and member companies including MBK Resort, MBK Hotels and Resorts, MBK Premium, Supsinthanee, Plan Estate Company Limited, Siam Piwat Company Limited, Plan Estate, Riverdale Golf and Country Club, and X-Gen Premium (Insured Companies)

- Type and value of transaction

Insurances types of Thanachart Insurance were as follows:

- Car Insurance of MBK, MBK Resort, MBK Hotels and Resorts, MBK Premium, Supsinthanee, Plan Estate, and Riverdale Golf and Country Club. The total premium amounted to 1.08 million baht.
- Industrial All Risk Insurance of X-Gen Premium. The premium valued 0.01 million baht.
- Damage risk insurance properties during construction of Paradise Park. The total premium amounted to 90,239.52 baht.
- Directors and Officers Liability Insurance had total premium of 0.55 million baht.

- Necessities and rationales of the transaction

These transactions related to normal business operations of Thanachart Insurance. Terms and conditions coverage as well as premiums were in line with those applicable to general customers. Such transactions were, therefore, reasonable and justified.

8. Project management fees that TBANK, NFS Asset Management, Max Asset Management, NASSET Property Fund 6, and TS Asset Management (employer) paid to Plan Estate (employer)

- Type and value of transaction

Member Companies of the Group hired Plan Estate to manage and distribute asset for sale. In 2011, the management fees were as follows:

(Unit : Million Baht)

Company	2011
1. Thanachart Capital Public Company Limited	24.40
2. Thanachart Bank Public Company Limited	6.13
3. NFS Asset Management Company Limited	24.94
4. MAX Asset Management Company Limited	10.10
5. NASSET Property Fund 6	3.40
6. TS Asset Management Company Limited	2.48

- Necessities and rationales of the transaction

These transactions were project management fees charged at cost price plus profit which was considered as a normal rate that Plan Estate charged to general customers. Such transactions were, therefore, reasonable and justified.

9. Other expenses that TCAP, NFS Asset Management, MAX Asset Management, and Thanachart Fund Management paid to Plan Estate in the form of prize money for selling asset for sale.

- Type and value of transaction

Member companies in the Group paid the prize money for selling asset for sale to Plan Estate in 2011 as follows:

(Unit : Million Baht)

Company	2011
1. Thanachart Capital Public Company Limited	2.56
2. Thanachart Bank Public Company Limited	0.59
3. NFS Asset Management Company Limited	5.63
4. MAX Asset Management Company Limited	2.29
5. Thanachart Fund Management Company Limited	0.16

- Necessities and rationales of the transaction

These transactions related to the prize money for selling asset for sale in line with the rates and conditions notified to general public in order to introduce buyers to buy asset for sale of TCAP. The prize money was calculated from percentage of asset price. Such transactions were, therefore, reasonable and justified.

10. TNS (Service Provider) provided the services of debentures underwriting and firm underwriting to MBK (Customer)

- Type and value of transaction

This transaction was to provide the services of debentures underwriting and firm underwriting issued by MBK. The transaction fee was 0.93 million baht

- Necessities and rationales of the transaction

This transaction related to normal business operations of TNS. The service charge was in line with those applicable to general customers. Such transaction was, therefore, reasonable and justified.

11. TCAP, TNS, and TBANK (Sellers) sold ordinary shares of Lam Luk Ka Golf and Country Club Company Limited to MBK (Buyer)

- Type and value of transaction

This transaction was to sell the ordinary shares amounting to 13,232,114 shares of Lam Luk Ka Golf and Country Club Company Limited held by companies under Thanachart Group, consisting of TCAP, TNS, and TBANK. The selling process was done by Union Auction Company Limited through the open auction. MBK was the winner and paid 60.87 million baht for the price.

- Necessities and rationales of the transaction

Holding Lam Luk Ka Golf and Country Club Company Limited did not make any income or benefit to TBANK. On the other hand, TBANK had not received dividend income from investment in such company because the company had been operating with net loss. The best way to divest non-listed shares which neither traded in any secondary markets nor had a market price was to sell through the auction. Such transaction was, therefore, reasonable and justified

12. TBANK (Service Provider) provided the custodian service to TS AMC (Customer)

- Type and value of transaction

This transaction was to accept taking care of assets of T Leasing. The transaction fee in 2011 was 0.2 million baht.

- Necessities and rationales of the transaction

This transaction related to normal business operations of TBANK. The service charge was in line with those applicable to general customers. Such transaction was, therefore, reasonable and justified.

2. Krungthai Card Company Limited

- Details of Related Parties

Company	Relationship	Directors with Stakeholding
Krungthai Card Public Company Limited	Chief Executive Officer of Siam City Life Assurance was a Deputy Chief Executive Officer	Mrs. Chancharas Boonkhun
Siam City Life Assurance Company Limited	A subsidiary of TBANK with TBANK holding 100%	

- Type and value of transaction

Lending and borrowing between TBANK and Krungthai Card was considered as normal business operation of TBANK. The lending outstanding as of 31 December 2011 was 1,933 million baht.

- Necessities and rationales of the transaction

TBANK gave loan to Krungthai Card was considered as normal business operation of TBANK. The fees and conditions were in line with those applicable to general customers. Such transactions were, therefore, reasonable and justified.

Measures or Procedures for Approving Related Party Transactions

TCAP has put in place a policy and regulations aimed at protecting conflicts of interest as well as related party transactions and related transactions in line with the requirements imposed by the SET. It has also announced regulations, to which both its staff and executives are required to adhere to, in relation to the Company's transactions with individuals who may have a conflict of interest in line with the criteria of the SEC.

In considering the execution of related party transactions, TCAP uses the same procedure as applied to general customers or trade partners and appropriately follows the normal process that has been established. The service of the related party will be used only as necessary for the purpose of supporting TCAP's business operations. In determining the price of the related party transactions, to prevent a conflict of interest, TCAP uses a fair price that is appropriated and in line with the authority's requirements, taking into consideration mainly the maximum benefit to be received by TCAP and its shareholders.

In approving related party transactions, directors or employees having a conflict of interest in the transaction are prohibited from participating in decision making. The transactions are also subjected to unanimous approval by the Company's Board of Directors. The Company's directors or high-ranking executives having any conflict of interest are prohibited from participating in the approval process. The approval of the transaction has to be within the power and limit determined by TCAP and also in compliance with the requirements of the authorities concerned.

In carrying out their duties relation to the approval of loans or investment, payments, renting or renting out of movable or immovable property, securities trading, related party transactions, transactions relating to acquisition or disposal of assets, TCAP is required to act prudently, aiming to prevent conflicts of interest and to strictly adhere to rules and regulations imposed by the authorities concerned. Information disclosure of relating to such transactions shall be in line with the requirements imposed by the authorities, accounting standards as well as the Company's regulations.

Policies and Trends on Related Party Transactions in the Future

Related party transactions between TCAP and member companies of the Group or related persons will be normal business transactions. Related party transactions also cover supporting services given between member companies of the Group in line with the Group's policy including the related party transactions between Thanachart Group and Siam City Bank Public Company Limited and its subsidiaries in accordance with the Entire Business Transfer Plan. TCAP has no policy encouraging parties who have a conflict of interest to execute related party transactions.



GENERAL INFORMATION

Investment of the Company in Other Companies

Information at as 31 December 2011

The company had investment in other companies. The proportion of shareholding and values of shares the Company holds at least 10 percent of the paid shares are as follows:

Company/Location	Type of Business	Type of Shares	Registered capital (Baht)	Paid-up capital (Baht)	Number of Issued Shares	Number of Shares Held	Percentage of Shareholding
Thanachart Bank Public Company Limited 900 Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Tel. +66 (0) 2655 9000 Fax : +66 (0) 2655 9001	Banking	Ordinary	59,346,192,720	55,136,649,030	5,513,664,903	2,809,726,575	50.96
NFS Asset Management Company Limited 444 MBK Tower, 17 th Floor Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2217 8199 Fax : +66 (0) 2217 8289	Asset Management	Ordinary	1,000,000,000	1,000,000,000	100,000,000	99,999,993	100.00
MAX Asset Management Company Limited 444 MBK Tower, 17 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2611 9533-44 Fax : +66 (0) 2611 9494	Asset Management	Ordinary	572,000,000	572,000,000	57,200,000	47,727,674	83.44
Thiravanit Company Limited 444 MBK Tower, 10 th (Zone 4) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2611 6606 Fax : +66 (0) 2611 9516	Being Liquidated	Ordinary	6,250,000	6,250,000	1,000,000	998,993	99.90
Bangkok Home Company Limited 444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2217 8000 Fax : +66 (0) 2611 9486	Being Liquidated	Ordinary	15,000,000	15,000,000	1,000,000	998,679	99.87

Company/Location	Type of Business	Type of Shares	Registered capital (Baht)	Paid-up capital (Baht)	Number of Issued Shares	Number of Shares Held	Percentage of Shareholding
HTR Corporation Limited 32/46 Floor 18 th , Shino-Thai Tower, Soi Sukhumvit 21 Road (Asoke), North Klongtoey, Wattana, Bangkok 10110 Tel. +66 (0) 2259 8911-6, 2261 0809 Fax : +66 (0) 2259 8919	Office Building & Property Development	Ordinary	500,000,000	500,000,000	50,000,000	5,000,000	10.00
Thanachart SPV 01 Company Limited 444 MBK Tower, 11 th (Zone D) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2217 8160	Securitization	Ordinary	1,700,000	1,700,000	170,000	169,993	100.00

Thanachart Capital Public Company Limited References

Head Office	:	444 MBK Tower, 10 th -11 th and 15 th -20 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND
Registration No.	:	0107536000510
Registered Capital	:	13,331,540,030 baht
Paid-up Capital	:	13,331,540,030 baht
Website	:	www.thanachart.co.th
E-mail	:	tcap_ir@thanachart.co.th
Tel.	:	+66 (0) 2217 8000, 2217 8199, 2217 8444
Fax	:	+66 (0) 2217 8312
Contact Center	:	1770

Office Name Location Contact and Fax Number of other References

Securities	:	Ordinary Shares and Preferred Shares
Securities Registrar	:	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel: +66 (0) 2229 2800 Fax: +66 (0) 2359 1259 Call Center: +66 (0) 2229 2888 Website: www.tsd.co.th
Securities	:	Debenture Holders TCAP131A and Debenture Holders TCAP14NA
Representatives of Debenture Registrar	:	CIMB Thai Bank Public Company Limited 44 Langsuan Road, Lumpini, Pathumwan, Bangkok 10330, THAILAND Tel: +66 (0) 2626 7503-4, 2626 7218 Fax: +66 (0) 2626 7587, 2626 7543 Website: www.cimbthai.com
Auditor	:	Ernst & Young Office Limited 193/136-137 Lake Ratchada Building, 33 rd Floor, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel: +66 (0) 2264 0777 Fax: +66 (0) 2264 0789-90
Auditor's Name	:	Ms. Phuphun Charoensuk, Certified Public Accountant No. 4590
Legal Advisor	:	None
Financial Advisor	:	None
Advisor or Management Under Management Contract	:	None

Structure of Major Shareholders of Thanachart Capital Public Company Limited

Below is the list of the Company's first ten major ordinary shareholders or groups of ordinary shareholders, the number of their shares, and the percentage of their shareholding as at 11 October 2011 (which was the most recent closure date of the register book).

Name of Shareholders/Group of Shareholders	Ordinary Shares	Preferred Shares	Total	Percentage
1. MBK Public Company Limited	129,914,400	-	129,914,400	9.74
2. THAI NVDR Company Limited	109,985,875	-	109,985,875	8.25
3. Chase Nominees Limited 42	56,429,000	-	56,429,000	4.23
4. Thanachart Capital Public Company Limited	55,324,300	-	55,324,300	4.15
5. Daiwa Securities Capital Markets Co., LTD-Clients Account	42,000,000	-	42,000,000	3.15
6. State Street Bank and Trust Company	34,531,756	-	34,531,756	2.59
7. Nortrust Nominees LTD.	29,667,700	-	29,667,700	2.22
8. State Street Bank and Trust Company for Australia	26,557,900	-	26,557,900	1.99
9. HSBC (Singapore) Nominees pte LTD	26,426,900	-	26,426,900	1.98
10. J.P.Morgan Bank Luxembourg S.A.Lend	24,699,052	-	24,699,052	1.85
11. Other Shareholders	797,603,784	13,336	797,617,120	59.85
Issued and Paid-up Capital	1,333,140,667	13,336	1,333,154,003	100.00
Thai Shareholders	867,366,080	13,276	867,379,356	61.63
Foreign Shareholders	465,774,587	60	465,774,647	38.37

Source: Report of the Company's Major Shareholders as at 11 October 2011, which was prepared by Thailand Securities Depository Company Limited.

Company's Ordinary Shares and Preferred Shares

As at 31 December 2011, the Company had registered capital and paid-up capital as follows :

Registered Capital	THB 13,331,540,030
Paid-up Capital	THB 13,331,540,030
Ordinary Shares	1,333,140,667 shares, per share value of THB 10
Preferred Shares*	13,336 shares, per share value of THB 10

Note: * Preferred shareholders have right to convert preferred shares into ordinary shares at the ratio of 1 : 1 without any costs, and can subscribe conversion on every 15th of February, May, August, and November of every year.

Dividend Policy

Dividend Policy of the Company

In considering dividend payments, the Company takes into consideration its performance and the long-term benefits to its shareholders, as well as its capital adequacy. The dividend payments must also receive approval at the shareholders' meeting. However, the Board of Directors may pay an interim dividend to shareholders occasionally when it considers that the Company has made enough profit to make the payment. The Board of Directors is required to report the interim dividend payment to the shareholders at their next meeting.

The details of the Company's dividend payments in 2011 are as follows:

- At the Board of Directors' Meeting No. 9/2011 held on 26 September 2011, the Board adopted a resolution approving payment of an interim dividend of THB 0.50 per share to shareholders on 20 October 2011 for the performance of the first half of the year from 1 January 2011 to 30 June 2011. The payment was paid to both ordinary shareholders and preferred shareholders at the same rate. The total payment amounted to THB 638,914,851.50 with 1,277,829,703 shares* receiving the dividend.

- At the Annual General Meeting of Shareholders for the year 2011 held on 8 April 2011, the shareholders adopted a resolution approving the final dividend payment for the second half year performance from 1 July 2010 to 31 December 2010 to both ordinary and preferred shareholders at the same rate of THB 0.70 per share. The dividend was made on 3 May 2011, to 1,277,829,703 shares*, a total amount of THB 894,480,792.10. Taking into consideration the interim dividend payment of THB 0.50 per share or THB 638,914,851.50 in total, which was made on 26 October 2010, for the period from 1 January 2010 to 30 June 2010 of which the resolution was adopted at the Board of Directors' Meeting No. 11/2010 on 27 September 2010, the total dividend paid for the performance of 2010 amounted to THB 1,533,395,643.60 or THB 1.20 per share.

Note: * The calculation of the above dividend payments is based on the sum of total shares of the Company less 55,324,300 ordinary shares repurchased under the Treasury Stock Project.

Dividend Policy of the Subsidiary Companies

Thanachart Bank's dividend payment policy is to pay a dividend to shareholders when the Bank has made what it deems to be an adequate profit. In order to make a dividend payment, the Bank has to take the capital adequacy for supporting the Bank's businesses and legal reserve into account. The Bank's Board of Directors may pay an interim dividend to shareholders occasionally when it considers that the Bank has adequate profit to do so. The Bank's Board of Directors is required to report the interim dividend payment to the shareholders at their next meeting.

MAX Asset Management Co., Ltd. and NFS Asset Management Co., Ltd. have a dividend payment policy and pay a dividend to shareholders when they have announced a profit. In order to make payments, they have to take the surplus cash from its business operations and legal reserve into consideration. Their respective Board of Directors may pay an interim dividend to shareholders occasionally when they consider that they have made an adequate profit. They are required to report the interim dividend payment to their shareholders at their next meeting.

Major Shareholders Whose Behavior Exhibits Significant Control Over Management Policy Setting

- None

Companies in Thanachart Group

Thanachart Capital Public Company Limited

444 MBK Tower, 10th-11th and 15th-20th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND

Tel: +66 (0) 2217 8000, 2217 8444

Fax: +66 (0) 2217 8312

Registration No. 0107536000510

www.thanachart.co.th

NFS Asset Management Company Limited

444 MBK Tower, 17th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND

Tel: +66 (0) 2217 8000

Fax: +66 (0) 2217 8289

Registration No. 0105540086022

MAX Asset Management Company Limited

444 MBK Tower, 17th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND

Tel: +66 (0) 2661 9539-45

Fax: +66 (0) 2611 9494

Registration No. 0105540093282

Thanachart Bank Public Company Limited

900 Tonson Tower, Ploenchit Road, Lumpini, Pathumwan,
Bangkok 10330, THAILAND

Tel: +66 (0) 2655 9000

Fax: +66 (0) 2655 9001

Registration No. 0107536001401

www.thanachartbank.co.th

Thanachart Fund Management Company Limited

231 Thanachart Parkplace Building, 5th-7th Floor,
Ratchadamri Road, Lumpini, Pathumwan,
Bangkok 10330, THAILAND

Tel: +66 (0) 2126 8300

Fax: +66 (0) 2252 1733

Registration No. 0105535049696

www.thanachartfund.com

Thanachart Insurance Company Limited

999/1 The Nine Tower, 2nd-3rd, 5th Floor
999/2, 4th Floor, 993/3, 4th Floor, Rama 9 Road,
Suan Luang Bangkok 10250, THAILAND

Tel: +66 (0) 2308 9300

Fax: +66 (0) 2308 9333

Registration No. 0105540060091

www.thanachartinsurance.co.th

Thanachart Life Assurance Company Limited

999/1 The Nine Tower, 1st, 4th-5th Floor
999/4, 4th Floor, Rama 9 Road, Suan Luang
Bangkok 10250, THAILAND

Tel: +66 (0) 2308 9400

Fax: +66 (0) 2308 9444

Registration No. 0105540057090

www.thanachartlife.co.th

Siam City Life Assurance Company Limited

231 Thanachart Park Place Building, 9th-11th Floor,
Ratchadamri Road, Lumpini, Pathumwan
Bangkok 10330, THAILAND

Tel: +66 (0) 2616 2324

Fax: +66 (0) 2616 2343

Registration No. 0105540057138

www.scilife.co.th

Thanachart Securities Public Company Limited

444 MBK Tower, 14th, 18th and 19th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND
Tel: +66 (0) 2217 8888, 2611 9222, 2217 9595
Fax: +66 (0) 2217 9642
Registration No. 0107547000591
www.tnsitrade.com

Thanachart Group Leasing Company Limited

444 MBK Tower, 11th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND
Tel: +66 (0) 2613 6000 Exe. 1869
Fax: +66 (0) 2217 8098
Registration No. 0105538045861

Thanachart Management and Service Company Limited

128/23 Phayathai Plaza Building, Phayathai,
Thungphayathai, Pathumwan
Bangkok 10330, THAILAND
Tel: +66 (0) 2216 6677
Fax: +66 (0) 2217 6997
Registration No. 0105533119077

Thanachart Training and Development Company Limited

207/6 Thanachart Building, 5th Floor
Rachadapisek Road, Dindaeng,
Dindeang, Bangkok 10400
Tel: +66 (0) 2290 3400
Fax: +66 (0) 2290 3419
Registration No. 0105550042966

TS Asset Management Company Limited

1101 Petchaburi Building, 9th Floor,
Petchaburitatmai Road, Makkasan, Ratchathewi,
Bangkok 10400, THAILAND
Tel: +66 (0) 2208 5000
Fax: +66 (0) 2253 6130
Registration No. 0105554031624

Ratchthani Leasing Public Company Limited

77/35-36 Sinsathorn Tower, 11th UP Floor,
Krungthonburi Road, Khlongtonnai, Khlongsan,
Bangkok 10600, THAILAND
Tel: +66 (0) 2440 0844
Fax: +66 (0) 2440 0848
Registration No. 0105531039980
www.ratchthani.com

Thanachart Broker Company Limited

1 Glas Haus Building 4th Floor, Soi Sukhumvit 25,
North Khlong Toei, Vadhana
Bangkok 10110
Tel: +66 (0) 2685 0349
Fax: +66 (0) 2685 0322, 685 0333
Registration No. 0105540075314

Scib Service Company Limited

1031/230 New Phetchaburi Road,
Makkasan, Ratchathewi,
Bangkok 10400
Tel: +66 (0) 2268 5061
Fax: +66 (0) 2651 6611
Registration No. 0105534009895



GENERAL INFORMATION

Investment of the Company in Other Companies

Information at as 31 December 2011

The company had investment in other companies. The proportion of shareholding and values of shares the Company holds at least 10 percent of the paid shares are as follows:

Company/Location	Type of Business	Type of Shares	Registered capital (Baht)	Paid-up capital (Baht)	Number of Issued Shares	Number of Shares Held	Percentage of Shareholding
Thanachart Bank Public Company Limited 900 Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Tel. +66 (0) 2655 9000 Fax : +66 (0) 2655 9001	Banking	Ordinary	59,346,192,720	55,136,649,030	5,513,664,903	2,809,726,575	50.96
NFS Asset Management Company Limited 444 MBK Tower, 17 th Floor Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2217 8199 Fax : +66 (0) 2217 8289	Asset Management	Ordinary	1,000,000,000	1,000,000,000	100,000,000	99,999,993	100.00
MAX Asset Management Company Limited 444 MBK Tower, 17 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2611 9533-44 Fax : +66 (0) 2611 9494	Asset Management	Ordinary	572,000,000	572,000,000	57,200,000	47,727,674	83.44
Thiravanit Company Limited 444 MBK Tower, 10 th (Zone 4) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2611 6606 Fax : +66 (0) 2611 9516	Being Liquidated	Ordinary	6,250,000	6,250,000	1,000,000	998,993	99.90
Bangkok Home Company Limited 444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2217 8000 Fax : +66 (0) 2611 9486	Being Liquidated	Ordinary	15,000,000	15,000,000	1,000,000	998,679	99.87

Company/Location	Type of Business	Type of Shares	Registered capital (Baht)	Paid-up capital (Baht)	Number of Issued Shares	Number of Shares Held	Percentage of Shareholding
HTR Corporation Limited 32/46 Floor 18 th , Shino-Thai Tower, Soi Sukhumvit 21 Road (Asoke), North Klongtoey, Wattana, Bangkok 10110 Tel. +66 (0) 2259 8911-6, 2261 0809 Fax : +66 (0) 2259 8919	Office Building & Property Development	Ordinary	500,000,000	500,000,000	50,000,000	5,000,000	10.00
Thanachart SPV 01 Company Limited 444 MBK Tower, 11 th (Zone D) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2217 8160	Securitization	Ordinary	1,700,000	1,700,000	170,000	169,993	100.00

Thanachart Capital Public Company Limited References

Head Office	:	444 MBK Tower, 10 th -11 th and 15 th -20 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND
Registration No.	:	0107536000510
Registered Capital	:	13,331,540,030 baht
Paid-up Capital	:	13,331,540,030 baht
Website	:	www.thanachart.co.th
E-mail	:	tcap_ir@thanachart.co.th
Tel.	:	+66 (0) 2217 8000, 2217 8199, 2217 8444
Fax	:	+66 (0) 2217 8312
Contact Center	:	1770

Company/Location	Type of Business	Type of Shares	Registered capital (Baht)	Paid-up capital (Baht)	Number of Issued Shares	Number of Shares Held	Percentage of Shareholding
HTR Corporation Limited 32/46 Floor 18 th , Shino-Thai Tower, Soi Sukhumvit 21 Road (Asoke), North Klongtoey, Wattana, Bangkok 10110 Tel. +66 (0) 2259 8911-6, 2261 0809 Fax : +66 (0) 2259 8919	Office Building & Property Development	Ordinary	500,000,000	500,000,000	50,000,000	5,000,000	10.00
Thanachart SPV 01 Company Limited 444 MBK Tower, 11 th (Zone D) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2217 8160	Securitization	Ordinary	1,700,000	1,700,000	170,000	169,993	100.00

Thanachart Capital Public Company Limited References

Head Office	:	444 MBK Tower, 10 th -11 th and 15 th -20 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND
Registration No.	:	0107536000510
Registered Capital	:	13,331,540,030 baht
Paid-up Capital	:	13,331,540,030 baht
Website	:	www.thanachart.co.th
E-mail	:	tcap_ir@thanachart.co.th
Tel.	:	+66 (0) 2217 8000, 2217 8199, 2217 8444
Fax	:	+66 (0) 2217 8312
Contact Center	:	1770

Office Name Location Contact and Fax Number of other References

Securities	:	Ordinary Shares and Preferred Shares
Securities Registrar	:	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel: +66 (0) 2229 2800 Fax: +66 (0) 2359 1259 Call Center: +66 (0) 2229 2888 Website: www.tsd.co.th
Securities	:	Debenture Holders TCAP131A and Debenture Holders TCAP14NA
Representatives of Debenture Registrar	:	CIMB Thai Bank Public Company Limited 44 Langsuan Road, Lumpini, Pathumwan, Bangkok 10330, THAILAND Tel: +66 (0) 2626 7503-4, 2626 7218 Fax: +66 (0) 2626 7587, 2626 7543 Website: www.cimbthai.com
Auditor	:	Ernst & Young Office Limited 193/136-137 Lake Ratchada Building, 33 rd Floor, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel: +66 (0) 2264 0777 Fax: +66 (0) 2264 0789-90
Auditor's Name	:	Ms. Phuphun Charoensuk, Certified Public Accountant No. 4590
Legal Advisor	:	None
Financial Advisor	:	None
Advisor or Management Under Management Contract	:	None

Structure of Major Shareholders of Thanachart Capital Public Company Limited

Below is the list of the Company's first ten major ordinary shareholders or groups of ordinary shareholders, the number of their shares, and the percentage of their shareholding as at 11 October 2011 (which was the most recent closure date of the register book).

Name of Shareholders/Group of Shareholders	Ordinary Shares	Preferred Shares	Total	Percentage
1. MBK Public Company Limited	129,914,400	-	129,914,400	9.74
2. THAI NVDR Company Limited	109,985,875	-	109,985,875	8.25
3. Chase Nominees Limited 42	56,429,000	-	56,429,000	4.23
4. Thanachart Capital Public Company Limited	55,324,300	-	55,324,300	4.15
5. Daiwa Securities Capital Markets Co., LTD-Clients Account	42,000,000	-	42,000,000	3.15
6. State Street Bank and Trust Company	34,531,756	-	34,531,756	2.59
7. Nortrust Nominees LTD.	29,667,700	-	29,667,700	2.22
8. State Street Bank and Trust Company for Australia	26,557,900	-	26,557,900	1.99
9. HSBC (Singapore) Nominees pte LTD	26,426,900	-	26,426,900	1.98
10. J.P.Morgan Bank Luxembourg S.A.Lend	24,699,052	-	24,699,052	1.85
11. Other Shareholders	797,603,784	13,336	797,617,120	59.85
Issued and Paid-up Capital	1,333,140,667	13,336	1,333,154,003	100.00
Thai Shareholders	867,366,080	13,276	867,379,356	61.63
Foreign Shareholders	465,774,587	60	465,774,647	38.37

Source: Report of the Company's Major Shareholders as at 11 October 2011, which was prepared by Thailand Securities Depository Company Limited.

Company's Ordinary Shares and Preferred Shares

As at 31 December 2011, the Company had registered capital and paid-up capital as follows :

Registered Capital	THB 13,331,540,030
Paid-up Capital	THB 13,331,540,030
Ordinary Shares	1,333,140,667 shares, per share value of THB 10
Preferred Shares*	13,336 shares, per share value of THB 10

Note: * Preferred shareholders have right to convert preferred shares into ordinary shares at the ratio of 1 : 1 without any costs, and can subscribe conversion on every 15th of February, May, August, and November of every year.

Dividend Policy

Dividend Policy of the Company

In considering dividend payments, the Company takes into consideration its performance and the long-term benefits to its shareholders, as well as its capital adequacy. The dividend payments must also receive approval at the shareholders' meeting. However, the Board of Directors may pay an interim dividend to shareholders occasionally when it considers that the Company has made enough profit to make the payment. The Board of Directors is required to report the interim dividend payment to the shareholders at their next meeting.

The details of the Company's dividend payments in 2011 are as follows:

- At the Board of Directors' Meeting No. 9/2011 held on 26 September 2011, the Board adopted a resolution approving payment of an interim dividend of THB 0.50 per share to shareholders on 20 October 2011 for the performance of the first half of the year from 1 January 2011 to 30 June 2011. The payment was paid to both ordinary shareholders and preferred shareholders at the same rate. The total payment amounted to THB 638,914,851.50 with 1,277,829,703 shares* receiving the dividend.

- At the Annual General Meeting of Shareholders for the year 2011 held on 8 April 2011, the shareholders adopted a resolution approving the final dividend payment for the second half year performance from 1 July 2010 to 31 December 2010 to both ordinary and preferred shareholders at the same rate of THB 0.70 per share. The dividend was made on 3 May 2011, to 1,277,829,703 shares*, a total amount of THB 894,480,792.10. Taking into consideration the interim dividend payment of THB 0.50 per share or THB 638,914,851.50 in total, which was made on 26 October 2010, for the period from 1 January 2010 to 30 June 2010 of which the resolution was adopted at the Board of Directors' Meeting No. 11/2010 on 27 September 2010, the total dividend paid for the performance of 2010 amounted to THB 1,533,395,643.60 or THB 1.20 per share.

Note: * The calculation of the above dividend payments is based on the sum of total shares of the Company less 55,324,300 ordinary shares repurchased under the Treasury Stock Project.

Dividend Policy of the Subsidiary Companies

Thanachart Bank's dividend payment policy is to pay a dividend to shareholders when the Bank has made what it deems to be an adequate profit. In order to make a dividend payment, the Bank has to take the capital adequacy for supporting the Bank's businesses and legal reserve into account. The Bank's Board of Directors may pay an interim dividend to shareholders occasionally when it considers that the Bank has adequate profit to do so. The Bank's Board of Directors is required to report the interim dividend payment to the shareholders at their next meeting.

MAX Asset Management Co., Ltd. and NFS Asset Management Co., Ltd. have a dividend payment policy and pay a dividend to shareholders when they have announced a profit. In order to make payments, they have to take the surplus cash from its business operations and legal reserve into consideration. Their respective Board of Directors may pay an interim dividend to shareholders occasionally when they consider that they have made an adequate profit. They are required to report the interim dividend payment to their shareholders at their next meeting.

Major Shareholders Whose Behavior Exhibits Significant Control Over Management Policy Setting

- None

Companies in Thanachart Group

Thanachart Capital Public Company Limited

444 MBK Tower, 10th-11th and 15th-20th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND

Tel: +66 (0) 2217 8000, 2217 8444

Fax: +66 (0) 2217 8312

Registration No. 0107536000510

www.thanachart.co.th

NFS Asset Management Company Limited

444 MBK Tower, 17th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND

Tel: +66 (0) 2217 8000

Fax: +66 (0) 2217 8289

Registration No. 0105540086022

MAX Asset Management Company Limited

444 MBK Tower, 17th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND

Tel: +66 (0) 2661 9539-45

Fax: +66 (0) 2611 9494

Registration No. 0105540093282

Thanachart Bank Public Company Limited

900 Tonson Tower, Ploenchit Road, Lumpini, Pathumwan,
Bangkok 10330, THAILAND

Tel: +66 (0) 2655 9000

Fax: +66 (0) 2655 9001

Registration No. 0107536001401

www.thanachartbank.co.th

Thanachart Fund Management Company Limited

231 Thanachart Parkplace Building, 5th-7th Floor,
Ratchadamri Road, Lumpini, Pathumwan,
Bangkok 10330, THAILAND

Tel: +66 (0) 2126 8300

Fax: +66 (0) 2252 1733

Registration No. 0105535049696

www.thanachartfund.com

Thanachart Insurance Company Limited

999/1 The Nine Tower, 2nd-3rd, 5th Floor
999/2, 4th Floor, 993/3, 4th Floor, Rama 9 Road,
Suan Luang Bangkok 10250, THAILAND

Tel: +66 (0) 2308 9300

Fax: +66 (0) 2308 9333

Registration No. 0105540060091

www.thanachartinsurance.co.th

Thanachart Life Assurance Company Limited

999/1 The Nine Tower, 1st, 4th-5th Floor
999/4, 4th Floor, Rama 9 Road, Suan Luang
Bangkok 10250, THAILAND

Tel: +66 (0) 2308 9400

Fax: +66 (0) 2308 9444

Registration No. 0105540057090

www.thanachartlife.co.th

Siam City Life Assurance Company Limited

231 Thanachart Park Place Building, 9th-11th Floor,
Ratchadamri Road, Lumpini, Pathumwan
Bangkok 10330, THAILAND

Tel: +66 (0) 2616 2324

Fax: +66 (0) 2616 2343

Registration No. 0105540057138

www.scilife.co.th

Thanachart Securities Public Company Limited

444 MBK Tower, 14th, 18th and 19th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND
Tel: +66 (0) 2217 8888, 2611 9222, 2217 9595
Fax: +66 (0) 2217 9642
Registration No. 0107547000591
www.tnsitrade.com

Thanachart Group Leasing Company Limited

444 MBK Tower, 11th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND
Tel: +66 (0) 2613 6000 Exe. 1869
Fax: +66 (0) 2217 8098
Registration No. 0105538045861

Thanachart Management and Service Company Limited

128/23 Phayathai Plaza Building, Phayathai,
Thungphayathai, Pathumwan
Bangkok 10330, THAILAND
Tel: +66 (0) 2216 6677
Fax: +66 (0) 2217 6997
Registration No. 0105533119077

Thanachart Training and Development Company Limited

207/6 Thanachart Building, 5th Floor
Rachadapisek Road, Dindaeng,
Dindeang, Bangkok 10400
Tel: +66 (0) 2290 3400
Fax: +66 (0) 2290 3419
Registration No. 0105550042966

TS Asset Management Company Limited

1101 Petchaburi Building, 9th Floor,
Petchaburitatmai Road, Makkasan, Ratchathewi,
Bangkok 10400, THAILAND
Tel: +66 (0) 2208 5000
Fax: +66 (0) 2253 6130
Registration No. 0105554031624

Ratchthani Leasing Public Company Limited

77/35-36 Sinsathorn Tower, 11th UP Floor,
Krunghonburi Road, Khlongtoisai, Khlongsan,
Bangkok 10600, THAILAND
Tel: +66 (0) 2440 0844
Fax: +66 (0) 2440 0848
Registration No. 0105531039980
www.ratchthani.com

Thanachart Broker Company Limited

1 Glas Haus Building 4th Floor, Soi Sukhumvit 25,
North Khlong Toei, Vadhana
Bangkok 10110
Tel: +66 (0) 2685 0349
Fax: +66 (0) 2685 0322, 685 0333
Registration No. 0105540075314

Scib Service Company Limited

1031/230 New Phetchaburi Road,
Makkasan, Ratchathewi,
Bangkok 10400
Tel: +66 (0) 2268 5061
Fax: +66 (0) 2651 6611
Registration No. 0105534009895



REPORT OF THE NOMINATION COMMITTEE

The Board of Directors of Thanachart Capital Public Company Limited approved the establishment of the Nomination Committee in 2002. The Committee consists of three independent directors whose names are as follows:

1. Mr. Somkiat	Sukdheva	Chairman
2. Mrs. Siripen	Sitasuwan	Member
3. Mrs. Puntip	Surathin	Member

The Nomination Committee members have carried out their duties in a cautious and careful manner, selecting and nominating persons with knowledge, competency, experience, and versatility, abiding with the law and in line with all legal and/or official announcements. The Nomination Committee nominates names to be appointed as members of the Board of Directors, members of various sub-committees, the chief executive officer, and executives ranked executive vice president and above. It also oversees the Committee to ensure the appropriate structure is in place for corporate governance, in compliance with the Charter of the Nomination Committee and Nomination Policy as announced by the Board of Directors. In 2011, the Nomination Committee held 2 meetings to discuss the following important matters:

1. To review the regulations, procedures, and means for giving shareholders the opportunity to nominate a qualified person for appointment as a director, and proposing the agendas for the 2012 Annual General Meeting of Shareholders.
2. To select and nominate names of qualified persons to be appointed as directors replacing directors retiring by rotation, and to propose them to the Company's Board of Directors for appointment at the 2012 Annual General Meeting of Shareholders.
3. To review the qualifications required to extend the contract of the chief executive officer of the Company, and to propose that reappointment to the Company's Board of Directors.

The Nomination Policy and details of the nomination procedure have been specified in this annual report.

(Mr. Somkiat Sukdheva)

Chairman of the Nomination Committee



REPORT OF THE REMUNERATION COMMITTEE

The Board of Directors of Thanachart Capital Public Company Limited approved the establishment of the Remuneration Committee in 2002. The Committee consists of three independent directors whose names are as follows:

- | | | |
|-----------------|-----------|----------|
| 1. Mr. Somkiat | Sukdheva | Chairman |
| 2. Mrs. Siripen | Sitasuwan | Member |
| 3. Mrs. Puntip | Surathin | Member |

The Remuneration Committee members have carried out their duties in cautious and careful manner, reviewing the remuneration packages for the directors, members of sub-committees, the chief executive officer, and executives ranked executive vice president and above as appropriate with duties and responsibilities, in comparison to industry peers, and fair to all shareholders. The Committee also proposes to organize an evaluation of the overall Board of Directors' performance, the chief executive officer's performance, and the performance of executives ranked executive vice president and above, in compliance with the Charter of the Remuneration Committee and Remuneration Policy as announced by the Board of Directors. In 2011, the Remuneration Committee held three meetings to process the following important matters:

1. To determine a Remuneration Policy that covers guidelines for assessing remuneration and Remuneration Policy to present to the Board of Directors for approval in order to announce the Remuneration Policy in a written statement acknowledged by all directors, executives, and staff.
2. To review and adjust the remuneration packages for directors and members of sub-committees, taking into account the responsibilities and industry peers.
3. To evaluate the performance and pay the annum remuneration to the chief executive officer, executive vice president, and high-level executives.

The Remuneration Policy and details of the remuneration procedure have been specified in this annual report.

(Mr. Somkiat Sukdheva)

Chairman of the Remuneration Committee



REPORT OF THE AUDIT COMMITTEE

The Company's Audit Committee consists of three committee members. Each member is an independent director, qualified in the field of accountancy and finance, and experienced with financial institutions and large organizations. The members are as follows:

- | | | |
|-----------------|-----------|-------------|
| 1. Mrs. Siripen | Sitasuwan | Chairperson |
| 2. Mr. Somkiat | Sukdheva | Member |
| 3. Mrs. Puntip | Surathin | Member |

The Audit Committee acts out the duties and responsibilities as assigned to it by the Board of Directors, and according with the regulations of the authorities, which are specified in the Board of Directors' charter.

In the performance of its duties, the Audit Committee is assisted by an internal audit office which reports directly to the Committee. The Committee is then free to function in correlation with the law and good governance so as to guard the Company's best interests and obtain information unconditionally.

In 2010, the Audit Committee received good cooperation from the Executives and associated employees, meeting with the auditors, internal auditors and management 20 times in total, 13 of which were regular meetings and 7 were extraordinary meetings, to be informed of and to consider the various issues, which are summarized as follows:

1. To evaluate each quarterly and annual financial report, the Committee conferred with the Auditors and the management for correct and complete financial reporting in accordance with the Generally Accepted Accounting Principle and participated in one meeting with the Auditors without the management present.

2. To ensure the Company has an efficient internal control system and efficient internal audit, the Committee conferred with internal auditors in strategizing and approving annual audit process plans with monitoring and evaluation each quarter.

3. In compliance with the law, the Committee closely monitored the enforcement of rules and regulations so as the Company may operate in accordance with the regulations of authorities such as the Securities and Exchange Commission, the Stock Exchange of Thailand and the Bank of Thailand, and also in accordance with the Company regulations.

4. To manage risks, the Committee gave precedence to risk management, acknowledging the impact of the current economic situation, political climate and social issues on the Company's strategy in handling risk. The Committee arranged meetings with executives of risk management to acknowledge risk management report in all aspects. This was to ensure that the Company has a comprehensive risk management system that is substantial and sufficient.

5. To examine the related transactions or transaction which may lead to a conflict of interest by holding the principles of rationale, transparency and sufficiency of disclosure to related parties as reported by related departments before reporting to the Board of directors.

6. To evaluate the performance of the Audit Committee, the Committee functioned in accordance with the charter and yielded good and appropriate results that helped achieve good corporate governance.

7. The Committee recommended Ernst & Young Co., Ltd. to continue on as internal auditing office the following year seeing that the office is a reliable and leading law firm in the country with a thorough understanding of the business and knowledgeable and experienced personnel, proposing to the Company's shareholders to employ the growth of Ernst & Young Co., Ltd. as auditor of the Company in the year 2012.

The Audit Committee participates in the Board of Directors' meetings so as to be informed of the operations in each department and other companies in Thanachart Group.

Finally, the Audit Committee has evaluated all aspects of the audit and has come to the conclusion that the Company's financial reporting of the financial budget is sufficient, correct, reliable and in accordance with the Generally Accepted Accounting Principle. Internal control systems are concise, sufficient and appropriate. The Company's risk management system and risk control are efficient. The Company operates strictly abiding by the laws and regulations of the authorities. The related transactions or transaction which may lead to a conflict of interest are in accordance with laws and regulations with sufficient disclosure. In addition, external auditor is independent, and performs with audit professional.

(Mrs. Siripen Sitasuwan)

Chairperson of the Audit Committee



RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THIS FINANCIAL REPORT

Thanachart Capital's Board of Directors is responsible for the Company's separated and consolidated financial statements and for financial information presented in this annual report. The aforementioned financial statements were prepared in accordance with internationally accepted accounting principles, applying appropriate and consistent accounting policies along with careful judgments and reasonable estimates. Important information is fully disclosed to shareholders and other investors in the notes to financial statements reflecting the Company's strong financial status and performance and its commitment to transparency.

Thanachart Capital's Board of Directors has established and maintained appropriate and effective risk management and internal control systems in order to guarantee that the accounting information is accurately recorded and insuring there is sufficient risk protection in every field to sustain Thanachart Capital's assets, as well as to prevent any material irregularity in its operations and/or fraud.

Thanachart Capital's Board of Directors has appointed an Audit Committee comprising Independent Directors who have knowledge and expertise in finance and accounting. They are responsible for revision of accounting policies and the quality of the Company's financial statements, internal controls, and internal audits, as well as the disclosure of related party transactions. The Committee's comments on these issues are included in the Audit Committee Report in this annual report.

Thanachart Capital's separated and consolidated financial statements were independently audited by the Certified Public Accountant of Ernst & Young Office Limited. The Board of Directors had provided the auditing team with all information and support document in order to ensure they would be able to complete their task to the highest auditing standards. The Auditor expressed an unqualified opinion that the Company's separated and consolidated financial statements had complied with the highest accounting standards. This opinion is included in the Report of Independent Auditor in this annual report.

Thanachart Capital's Board of Directors is of the opinion that the Company's overall internal controls are both adequate and appropriate and ensure the reliability of its separated and consolidated financial statements for the year ended 31 December 2011. Those controls are in complete compliance with internationally accepted accounting principles and rules and regulations.

(Mr. Banterng Tantivit)
Chairman

(Mr. Suphadej Poonpipat)
Chief Executive Officer



REPORT OF INDEPENDENT AUDITOR

To the Shareholders of Thanachart Capital Public Company Limited

I have audited the accompanying consolidated statement of financial position of Thanachart Capital Public Company Limited and its subsidiaries as at 31 December 2011, the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and have also audited the separate financial statements of Thanachart Capital Public Company Limited for the same period. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Capital Public Company Limited and its subsidiaries and of Thanachart Capital Public Company Limited as at 31 December 2011, the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 4 to the financial statements, during the current year, the Company and its subsidiaries adopted a number of revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of its financial statements.

The consolidated financial statements of Thanachart Capital Public Company Limited and its subsidiaries and the separate financial statements of Thanachart Capital Public Company Limited as at 31 December 2010 and for the year then ended were audited in accordance with generally accepted auditing standards by another auditor of our firm who expressed an unqualified opinion on those statements, under her report dated 21 February 2011. However, the Company has restated the consolidated financial statements regarding the allocation cost of business combination from the purchase of investment in a subsidiary company within the period for measurement allowed by the related accounting standard (as described in Note 2.3 to the financial statements). I have audited the adjustment and believed that it is correctly and appropriately recorded.



(Phuphun Charoensuk)

Certified Public Accountant (Thailand) No. 4950

Ernst & Young Office Limited
Bangkok: 20 February 2012



FINANCIAL POSITION

Thanachart Capital Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010 (Restated)	2011	2010
Assets					
Cash		16,005,678	15,298,105	-	-
Interbank and money market items - net	8	63,232,094	85,105,455	75,753	88,998
Derivative assets	9	1,536,490	3,117,370	-	-
Investments - net	10	152,511,228	145,376,125	5,657,335	7,526,441
Investments in subsidiaries and associates - net	11	1,672,981	2,238,701	31,598,119	31,622,673
Loans to customers and accrued interest receivables	12				
Loans to customers		676,790,337	642,006,841	1,344,436	1,557,760
Accrued interest receivables		979,725	955,544	9,245	9,269
Total loans to customers and accrued interest receivables		677,770,062	642,962,385	1,353,681	1,567,029
Less: Deferred revenue		(39,686,523)	(32,360,381)	(7,847)	(12,891)
Less: Allowance for doubtful accounts	13	(26,900,029)	(27,494,509)	(258,777)	(505,432)
Less: Revaluation allowance for debt restructuring	14	(385,980)	(464,255)	-	(30)
Net loans to customers and accrued interest receivables		610,797,530	582,643,240	1,087,057	1,048,676
Customers' liability under acceptance		90,531	72,156	-	-
Properties foreclosed - net	16	11,560,136	12,855,919	2,006,953	2,056,336
Land, premises and equipment - net	17	8,814,746	9,111,001	55,150	123,520
Intangible assets - net	18	4,709,482	4,805,332	400	342
Goodwill	19	13,981,349	13,671,360	-	-
Leasehold right - net		412,976	466,904	28,721	64,263
Receivables from purchase and sale of securities and derivatives		858,326	2,006,851	664	-
Accrued interest receivables		1,050,831	1,024,991	78,922	70,405
Reinsurance assets		2,573,393	532,773	-	-
Other assets - net	20	5,348,866	4,431,144	53,874	42,587
Total assets		895,156,637	882,757,427	40,642,948	42,644,241

The accompanying notes are an integral part of the financial statements.

FINANCIAL POSITION (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2011 and 2010

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
Note		2011	2010	2011	2010
			(Restated)		
Liabilities and shareholders' equity					
Deposits	21	435,864,954	532,382,410	-	-
Interbank and money market items	22	60,151,091	40,545,086	246	492
Liability payable on demand		2,130,716	3,126,945	-	-
Derivatives liabilities	9	2,885,848	941,073	-	-
Debts issued and borrowings	23	262,653,021	184,717,457	12,000,000	13,500,000
Bank's liability under acceptances		90,531	72,156	-	-
Provisions	24	3,143,979	1,204,974	210,118	193,643
Accrued interest payable		3,267,864	1,873,369	79,960	89,454
Payables from purchase and sale of securities and derivatives		850,724	4,053,940	-	603,600
Insurance contract liabilities	25	36,154,060	29,773,671	-	-
Other liabilities	26	12,282,710	12,346,786	147,750	152,606
Total liabilities		819,475,498	811,037,867	12,438,074	14,539,795

The accompanying notes are an integral part of the financial statements.

FINANCIAL POSITION (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010 (Restated)	2011	2010
Equity					
Share capital	27				
Registered, issued and paid-up					
13,336 preferred shares of Baht 10 each					
(2010: 15,856 preferred shares					
of Baht 10 each)		133	159	133	159
1,333,140,667 common shares of Baht 10 each					
(2010: 1,333,138,147 common					
shares of Baht 10 each)		13,331,407	13,331,381	13,331,407	13,331,381
		13,331,540	13,331,540	13,331,540	13,331,540
Premium on common share		2,065,645	2,065,645	2,065,645	2,065,645
Other components of equity	28	1,563,281	1,696,490	300,712	289,997
Retained earnings					
Appropriated - statutory reserve	29	1,202,176	1,120,420	1,202,176	1,120,420
- treasury share reserve		387,501	387,501	387,501	387,501
Unappropriated		20,096,019	17,878,079	11,304,801	11,296,844
Less: Treasury share - common share	27	(387,501)	(387,501)	(387,501)	(387,501)
Equity attributable to owners					
of the Company		38,258,661	36,092,174	28,204,874	28,104,446
Non-controlling interests		37,422,478	35,627,386	-	-
Total equity		75,681,139	71,719,560	28,204,874	28,104,446
Total liabilities and equity		895,156,637	882,757,427	40,642,948	42,644,241

The accompanying notes are an integral part of the financial statements.



COMPREHENSIVE INCOME

Thanachart Capital Public Company Limited and its subsidiaries

Statements of comprehensive income

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht except earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Profit or loss:					
Interest income	32	44,419,375	35,027,354	432,811	425,851
Interest expenses	33	(20,104,446)	(11,998,531)	(612,786)	(704,124)
Net interest income		24,314,929	23,028,823	(179,975)	(278,273)
Fees and service income		3,872,906	3,401,738	10,906	49,862
Fees and service expenses		(500,930)	(520,417)	(887)	(1,751)
Net fees and service income	34	3,371,976	2,881,321	10,019	48,111
Gains on trading and foreign exchange transactions (loss)	35	891,302	570,951	235	(28)
Gains on investments	36	1,139,226	522,640	83,129	2,338,750
Share of profit from investments in associated companies accounted for under equity method	11.2	257,924	369,400	-	-
Gains on properties foreclosed and other assets		47,083	663,574	95,959	413,174
Insurance premium/Life insurance premium income		12,853,156	11,185,218	-	-
Dividend income		754,598	492,298	1,538,141	975,865
Other operating income		2,840,603	3,028,510	248,622	403,935
Total operating income		46,470,797	42,742,735	1,796,130	3,901,534
Insurance expenses		(10,725,748)	(8,834,249)	-	-
Net operating income		35,745,049	33,908,486	1,796,130	3,901,534
Other operating expenses					
Personnel expenses		10,849,565	8,576,307	108,961	99,690
Directors' remuneration	37	67,802	65,945	24,579	21,079
Premises and equipment expenses		3,438,033	3,092,114	81,294	104,780
Taxes and duties		911,738	634,922	6,182	4,739
Other expenses		6,492,666	4,740,157	114,733	156,021
Total other operating expenses		21,759,804	17,109,445	335,749	386,309
Impairment loss of loans and debt securities (reversal of impairment loss of loans and debt securities)	38	2,077,347	1,653,147	(176,071)	(69,855)
Profit before income tax		11,907,898	15,145,894	1,636,452	3,585,080
Income tax	39	(3,135,765)	(4,843,450)	(1,319)	(767,456)
Profit for the year		8,772,133	10,302,444	1,635,133	2,817,624

The accompanying notes are an integral part of the financial statements.

COMPREHENSIVE INCOME (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

Statements of comprehensive income (continued)

For the years ended 31 December 2011 and 2010

		(Unit: Thousand Baht except earnings per share expressed in Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
	Note	2011	2010	2011	2010
Other comprehensive incomes:	40				
Gains (losses) on remeasuring available-for-sale investments		(299,228)	(1,128,934)	10,715	(1,830,822)
Share of other comprehensive income (losses) of associates		324	(226,308)	-	-
Total other comprehensive income (losses)		(298,904)	(1,355,242)	10,715	(1,830,822)
Total comprehensive income		8,473,229	8,947,202	1,645,848	986,802
Profit attributable to					
The Company		5,002,433	5,638,853	1,635,133	2,817,624
Non-controlling interests		3,769,700	4,663,591	-	-
		8,772,133	10,302,444	1,635,133	2,817,624
Total comprehensive income attributable to					
The Company		4,869,224	4,174,218	1,645,848	986,802
Non-controlling interests		3,604,005	4,772,984	-	-
		8,473,229	8,947,202	1,645,848	986,802
Earnings per share of the Company	41				
Basic earnings per share					
Profit attributable to the Company (Baht per share)		3.91	4.41	1.28	2.21
Diluted earnings per share					
Profit attributable to the Company (Baht per share)		3.91	4.41	1.28	2.21

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

Thanachart Capital Public Company Limited and its subsidiaries

Statements of changes in equity

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

Consolidated financial statements													
Equity attributable to the Company's shareholders													
Other components of equity													
	Issued and paid-up share capital		Premium on common share	Premium of a subsidiary company's share	Amount by which the value of investment in subsidiary lower than attributable net book value		Revaluation surplus on investments	Share of other comprehensive income (losses) of associates	Retained earnings			Non-controlling interests	Total
	Preferred shares	Common shares							Appropriated	Treasury shares	Unappropriated		
									Statutory reserve	Treasury shares reserve			
Balance as at 1 January 2010	159	13,331,381	2,065,645	775,814	226,460	2,006,578	152,273	979,539	387,501	13,784,815	(387,501)	14,083,952	47,406,616
Dividend paid (Note 31)	-	-	-	-	-	-	-	-	-	-	(1,405,613)	-	(1,405,613)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	-	905	-	905
Transfer of retained earnings to statutory reserve (Note 29)	-	-	-	-	-	-	-	140,881	-	(140,881)	-	-	-
Increase in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	16,770,450	16,770,450
Total comprehensive income for the year (losses)	-	-	-	-	-	(1,293,091)	(171,544)	-	-	5,638,853	-	4,772,984	8,947,202
Balance as at 31 December 2010	159	13,331,381	2,065,645	775,814	226,460	713,487	(19,271)	1,120,420	387,501	17,878,079	(387,501)	35,627,386	71,719,560
Balance as at 1 January 2011 - as previously reported	159	13,331,381	2,065,645	775,814	226,460	713,487	(19,271)	1,120,420	387,501	17,878,079	(387,501)	35,625,805	71,717,979
The allocation of cost of business combination adjustment (Note 2.3)	-	-	-	-	-	-	-	-	-	-	-	1,581	1,581
Balance as at 1 January 2011 - as restated	159	13,331,381	2,065,645	775,814	226,460	713,487	(19,271)	1,120,420	387,501	17,878,079	(387,501)	35,627,386	71,719,560
Cumulative effect of change in accounting policy for employee benefits (Note 4)	-	-	-	-	-	-	-	-	-	(1,170,458)	-	(1,117,685)	(2,288,143)
Dividend paid (Note 31)	-	-	-	-	-	-	-	-	-	(1,533,396)	-	-	(1,533,396)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	-	1,117	-	1,117
Transfer of retained earnings to statutory reserve (Note 29)	-	-	-	-	-	-	-	81,756	-	(81,756)	-	-	-
Conversion of preference shares to ordinary shares (Note 27)	(26)	26	-	-	-	-	-	-	-	-	-	-	-
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(691,228)	(691,228)
Total comprehensive income for the year (losses)	-	-	-	-	-	(133,826)	617	-	-	5,002,433	-	3,604,005	8,473,229
Balance as at 31 December 2011	133	13,331,407	2,065,645	775,814	226,460	579,661	(18,654)	1,202,176	387,501	20,096,019	(387,501)	37,422,478	75,681,139

The accompanying notes are an integral part of the financial statements.



STATEMENTS OF CHANGES IN EQUITY

Thanachart Capital Public Company Limited and its subsidiaries

Statements of changes in equity

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

	Separate financial statements								
	Issued and paid-up share capital			Other components	Retained earnings				
	Preferred	Common	Premium on	of equity					
	shares	shares	common share	Revaluation	Appropriated				
				surplus	Statutory	Treasury shares	Unappropriated	Treasury shares	Total
				on investments	reserve	reserve			
Balance as at 1 January 2010	159	13,331,381	2,065,645	2,120,819	979,539	387,501	10,024,808	(387,501)	28,522,351
Dividend paid (Note 31)	-	-	-	-	-	-	(1,405,613)	-	(1,405,613)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	906	-	906
Transfer of retained earnings to statutory reserve (Note 29)	-	-	-	-	140,881	-	(140,881)	-	-
Total comprehensive income for the year (losses)	-	-	-	(1,830,822)	-	-	2,817,624	-	986,802
Balance as at 31 December 2010	159	13,331,381	2,065,645	289,997	1,120,420	387,501	11,296,844	(387,501)	28,104,446
Balance as at 1 January 2011	159	13,331,381	2,065,645	289,997	1,120,420	387,501	11,296,844	(387,501)	28,104,446
Cumulative effect of change in accounting policy for employee benefits (Note 4)	-	-	-	-	-	-	(13,141)	-	(13,141)
Dividend paid (Note 31)	-	-	-	-	-	-	(1,533,396)	-	(1,533,396)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	1,117	-	1,117
Transfer of retained earnings to statutory reserve (Note 29)	-	-	-	-	81,756	-	(81,756)	-	-
Conversion of preference shares to ordinary shares (Note 27)	(26)	26	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	10,715	-	-	1,635,133	-	1,645,848
Balance as at 31 December 2011	133	13,331,407	2,065,645	300,712	1,202,176	387,501	11,304,801	(387,501)	28,204,874

The accompanying notes are an integral part of the financial statements.

CASH FLOWS STATEMENTS

Thanachart Capital Public Company Limited and its subsidiaries

Cash flows statements

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Cash flows from operating activities				
Profit before income tax	11,907,898	15,145,894	1,636,452	3,585,080
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities				
Share of profit from investments in associates accounted for under equity method	(257,924)	(369,400)	-	-
Depreciation and amortisation	1,756,275	1,338,712	52,945	74,642
Impairment loss of loans and debt securities (reversal)	2,077,347	1,653,147	(176,071)	(69,855)
Decrease in provision for impairment of properties foreclosed	(59,872)	(5,883)	(71,731)	(46,745)
Increase (decrease) in provision for impairment of equipment/other assets	(148,547)	148,230	529	(1,957)
Increase (decrease) in provision for impairment/ revaluation of investments	89,835	(15,669)	(163)	172
Amortisation of deferred gain on disposal of properties foreclosed	(30,356)	(11,079)	-	-
Unrealised loss (gain) on foreign exchange and financial derivatives	(1,536,625)	1,304,774	-	-
Increase in unearned premium reserve/ life insurance premium reserve	4,260,484	4,908,473	-	-
Gain on sales of/capital return from investments in subsidiary and associated companies	(494,407)	(27,351)	(6,516)	(2,143,541)
Loss (gain) on transfers of assets for debt repayment	4,552	(21,350)	-	-
Gain on disposal of equipment	(39,130)	(100,154)	(32,375)	(125,303)
Decrease (increase) in accrued other income receivable	(123,780)	(188,608)	(6,545)	13,410
	17,405,750	23,759,736	1,396,525	1,285,903
Net interest income	(24,314,929)	(23,028,823)	179,975	278,273
Dividend income	(754,598)	(492,298)	(1,538,141)	(975,865)
Cash received from interest on operating activities	40,317,956	31,084,477	82,396	83,689
Cash paid for interest on operating activities	(11,962,976)	(8,859,324)	(15)	(14)
Cash paid for income tax	(3,935,905)	(5,274,631)	(15,273)	(766,145)
Income (losses) from operating activities before changes in operating assets and liabilities	16,755,298	17,189,137	105,467	(94,159)

The accompanying notes are an integral part of the financial statements.

CASH FLOWS STATEMENTS (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

Cash flows statements (continued)

For the years ended 31 December 2011 and 2010

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	2011	2010
	2011	2010
Cash flows from operating activities (continued)		
Operating assets (increase) decrease		
Interbank and money market items	23,198,723	42,722,845
Derivative assets	2,094,487	(680,785)
Investments in trading securities	(12,816,953)	3,378,437
Receivables from clearing house	365,889	173,587
Loans to customers	(21,858,774)	(48,958,437)
Properties foreclosed	4,776,633	4,537,732
Receivables from purchase and sale of securities and derivatives	1,148,525	(708,788)
Other assets	(2,707,881)	3,202,713
Operating liabilities increase (decrease)		
Deposits	(96,517,456)	(41,792,087)
Interbank and money market items	9,891,914	(22,028,968)
Derivatives liabilities	652,276	245,789
Payable from clearing house	207,480	2,298,263
Liability payable on demand	(996,228)	120,125
Payable from purchase and sales of securities and derivatives	(3,203,216)	(80,294)
Other liabilities	2,154,042	1,732,703
Net cash provided from (used in) operating activities	(76,855,241)	(38,648,028)
Cash flows from investing activities		
Decrease in investments in securities	6,322,104	26,190,109
Cash received from disposal of investments in subsidiary and associated companies	480,055	212,766
Capital returned from subsidiary companies	-	-
Cash paid for purchase of investments in subsidiary companies	(16,313)	(55,879,977)
Cash received from interest	4,554,576	6,513,535
Cash received from dividend	965,830	757,478
Cash paid for purchase of land and equipment/ intangible assets	(1,411,139)	(891,823)
Cash received from disposal of equipment/ intangible assets	92,327	470,288
Net cash provided from (used in) investing activities	10,987,440	(22,627,624)

The accompanying notes are an integral part of the financial statements.

CASH FLOWS STATEMENTS (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

Cash flows statements (continued)

For the years ended 31 December 2011 and 2010

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2011	2010	2011	2010
Cash flows from financing activities				
Cash received from debts issued and borrowings	1,046,133,464	525,431,336	-	5,989,260
Cash paid for debts issued and borrowings	(969,088,201)	(462,821,144)	(1,500,000)	(9,500,000)
Cash paid for interest expenses on debt issued and borrowings	(7,764,642)	(5,196,113)	(620,250)	(718,627)
Cash received from non-controlling interest for shares capital issuance of a subsidiary company	-	17,542,017	-	-
Cash paid to non-controlling interest for decrease shares capital of a subsidiary company	(41)	-	-	-
Cash paid for dividend	(1,532,279)	(1,499,612)	(1,532,279)	(1,499,612)
Cash paid for dividend to non-controlling interests	(1,172,927)	(603,001)	-	-
Net cash provided from (used in) financing activities	66,575,374	72,853,483	(3,652,529)	(5,728,979)
Net increase (decrease) in cash	707,573	11,577,831	-	(40)
Cash at beginning of the year	15,298,105	3,720,274	-	40
Cash at ending of the year	16,005,678	15,298,105	-	-
Supplemental cash flows information				
Non-cash transactions				
Properties foreclosed transferred from loans, other receivable and investments in receivables purchased	3,421,731	4,090,092	2,312	136,115
Bad debt written off	424,174	1,172,526	3,193	5,505

The accompanying notes are an integral part of the financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Thanachart Capital Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the years ended 31 December 2011 and 2010

1. General information

Thanachart Capital Public Company Limited (“the Company”) is a public company incorporated and operated its business in Thailand. The Company is mainly engaged in investment holding and is the parent company of the Thanachart Group. The registered office of the Company is at 444 MBK Tower, 10-11 and 15-20 Floors, Phayathai Road, Wangmai, Pathumwan, Bangkok.

All subsidiaries are registered limited or public limited companies under Thai laws and operate their businesses in Thailand. The subsidiaries businesses include commercial bank, non-performing assets management business, securities business, leasing and hire purchase business, non-life insurance business, life insurance business, fund management business and others.

2. Thanachart Bank Plc.’s project to purchase Siam City Bank Plc.’s ordinary shares with the purpose of transferring Siam City Bank Plc.’s entire business to Thanachart Bank Plc.

2.1 The purchase of the ordinary shares of Siam City Bank Plc. from the Financial Institutions Development Fund

On 11 March 2010, Thanachart Bank Plc. (“Thanachart Bank”) entered into a share purchase agreement with the Financial Institutions Development Fund (“FIDF”) to purchase 1,005,330,950 shares of Siam City Bank Plc. (“SCIB”), or 47.58 percent of the total issued and paid-up share capital, at a price of Baht 32.50 per share, or for total of Baht 32,673 million. On 9 April 2010, Thanachart Bank paid FIDF for SCIB’s shares. Combined with 104,964,000 SCIB’s shares held by the Company, as at 9 April 2010, the Company and Thanachart Bank’s shareholding in SCIB was totaling 52.55 percent. The purchased of SCIB’s shares was approved by the 2010 Annual General Meeting of the Company and Thanachart Bank’s shareholders, and the Bank of Thailand (“BOT”). BOT also approved the Thanachart Bank to hold the shares of SCIB in accordance with certain specified conditions, i.e. SCIB is to continue operating as commercial bank but has to return its license within 31 December 2011, the requirements on capital funds calculation, the structure of the financial business group, and holdings in companies in the financial business group.

The Share Purchase Agreement between Thanachart Bank as “the Purchaser” and the FIDF as “the Seller”, dated 11 March 2010, states that the obligations, guarantees, liabilities or indemnities of the Seller to SCIB under any arrangements, agreements or documents in connection with the merger between SCIB and Bangkok Metropolitan Bank Public Company Limited (“BMB”) (the “Seller’s Obligations”) including funds deposited in accounts opened and maintained with SCIB to compensate for any losses or damages suffered or incurred by SCIB arising out of or in connection with the merger between SCIB and BMB will continue in full force and effect after completion of the sale and purchase of SCIB’s shares. Rights and obligations of SCIB related to the Seller’s Obligation, including funds deposited in the accounts opened and maintained with SCIB, will be transferred to and/or assumed by Thanachart Bank, with effect from the completion date of the entire business transfer from SCIB to Thanachart Bank. In addition, in case of the liquidation of the Seller, the Seller’s Obligations will be transferred and/or assumed by another government agency.

2.2 Additional tender offer for ordinary shares of SCIB in 2010

In June 2010, Thanachart Bank made an additional tender offer to the minority shareholders of SCIB, at the same price as it paid to purchase shares of SCIB at auction from FIDF. Other shareholders sold 1,091,439,949 shares, or for a total of Baht 35,472 million, or 51.66 percent of the issued and paid-up shares of SCIB as a result of the tender offer, and combined with its existing holding, Thanachart Bank’s shareholding in SCIB reached 99.24 percent. Such additional purchase of SCIB’s shares included 104,964,000 shares purchased from the Company, the Company therefore recognised a gain on sale of Baht 2,136 million, and related income tax expenses of Baht 629 million, in the separate financial statement for the year 2010. The gain on sale of Baht 2,113 million in the consolidated financial statement has been deferred and presented netting of goodwill from business combination, and the related income tax has been presented as “suspense account - deferred tax from business combination” which is continuously recognised based on the decreasing in assets.

In November 2010, Thanachart Bank acquired 14,907,658 additional shares of SCIB for a total of Baht 484 million, increasing its shareholding to 99.95 percent of the issued and paid-up shares of SCIB. The Stock Exchange of Thailand announced the voluntary delisting of SCIB’s shares on 13 December 2010.

2.3 Allocating the cost of business combination

Thanachart Bank acquired 47.58 percent of SCIB's shares in April 2010, and combined with the Company's existing holding at 4.97 percent, the Thanachart Group held 52.55 percent interest in SCIB's shares, and on the same day, management of Thanachart Bank were assigned as directors of SCIB in a number that gave Thanachart Bank voting control over of SCIB. Because of acquiring the control over SCIB through shareholding and management, the Company and Thanachart Bank have treated SCIB's shares as investment in a subsidiary company since then. As a result of purchasing additional shares to increase its shareholding in SCIB to 99.24 percent in June 2010 and 99.95 percent in November 2010, the total cost of investment in SCIB was Baht 68,801 million in the consolidated financial statements (including expenses in business combination and after deducting inter company transactions). On 9 April 2010, Thanachart's management preliminarily estimated the fair value of each asset and liability of SCIB for the purpose of allocating the cost of business combination and recognised the difference between the cost of business combination and the fair value of assets, liabilities, contingent liabilities and intangible assets in proportion to its shareholding as goodwill from business combination in the consolidated financial statements.

However, after the purchase, Thanachart Bank adjusted the estimated fair value of the assets and liabilities because of additional information that was received. This is in line with the related financial reporting standard that allows the purchaser to adjust the fair value for up to one year from the purchase date. The revised fair values of assets and liabilities are as follows:

1. Assets and liabilities in SCIB and its subsidiaries' account were valued and noted that the fair value of assets and liabilities of SCIB and its subsidiaries as at investment payment date were totaled of Baht 48,635 million, which was Baht 4,264 million higher than book value.
2. Intangible assets are assets that will generate future economic benefits. Thanachart Bank estimated the fair value of the intangible assets of SCIB at Baht 4,100 million, comprised of (a) Core Deposit Intangibles which are evaluated using the incremental cash-flows from low cost deposit, and considering the cost saving from current and saving deposits; and (b) Customer Relationships which are valued on the base of future revenues that will be earned from SCIB's existing customers.

3. For liabilities specify at acquisition date and contingent liabilities, Thanachart Bank estimated these and concluded that no additional contingent liabilities need to be recognised.

Differences between the cost of business combination and the fair value of assets, liabilities, contingent liabilities and intangible assets in proportion to the shareholding, amounting to Baht 15,740 million, are recognised as goodwill from business combination in the consolidated financial statements. The Company has retrospectively adjusted the comparative financial information in the previous year's financial statements as if the accounting records for business combination had completed since the acquisition date.

The fair value of the assets and liabilities of SCIB and its subsidiaries and the carrying value of each significant account as at the date the Company and Thanachart Bank assumed control over SCIB are as follow:

(Unit: Million Baht)			
	Book value	Fair value	
		Previous balance	Revised
Intangible assets	293	4,393	4,393
Other assets	435,702	437,016	439,966
Total liabilities	391,495	391,495	391,495
Non-controlling interests	129	129	129
Net assets value	44,371	49,785	52,735
Cost of business combination		68,801	68,801
Goodwill from business combination		18,688	15,740

In allocating the purchase price, the Company and Thanachart Bank did not recognise deferred tax liabilities of Baht 2,466 million arising from the adjustment of assets to fair value (if the Company recognised deferred tax liabilities on the date of business combination, the balance of such liabilities as at 31 December 2011 would be decreased to Baht 1,644 million, calculated using the tax rates enacted at the year-end date), and did not recognise the employee benefits of SCIB and its subsidiaries payable under labour law, amounting to Baht 1,804 million, since the two relevant accounting standards are not yet effective for the year of business combination.

Since the fair value adjustment of assets and liabilities mentioned above and the recalculation of goodwill, the Company and Thanachart Bank has retrospectively adjusted the comparative financial information in the previous year's financial statements as if the Company and Thanachart Bank have completely accounted for the business combination on the acquisition date, resulted in the following revisions to the consolidate comparative financial statements as of 31 December 2010:

(Unit: Million Baht)

	31 December 2010	
	Before adjustment	After adjustment
Net investment	143,312	145,376
Properties foreclosed	11,970	12,856
Intangible assets	4,805	4,805
Goodwill	16,620	13,671
Non-controlling interests	35,626	35,627

2.4 Key operation after the tender offer for SCIB's shares in 2011

On 10 March 2011, BOT approved Thanachart Bank's proposed plan for an entire business transfer of SCIB's business to the Thanachart Bank. The significant conditions of such approval are that SCIB must complete the entire business transfer and return the banking licenses and banking authorisations to the Ministry of Finance within 31 December 2011, and promptly proceed with the liquidation process, and that obligations between the Thanachart Bank and FIDF are to comply with the Share Purchase Agreement dated 11 March 2010.

On 7 April 2011, the 2011 Annual General Meeting of the Shareholders of SCIB and Thanachart Bank passed resolutions approving the transfer of SCIB's entire business to Thanachart Bank, and the BOT has already approved this transaction. The Meetings also delegated the related authorities to SCIB's Board of Directors and Thanachart Bank's Board of Directors for further arrangement. On 30 June 2011, a meeting of the Thanachart Bank's Board of Directors passed a resolution to perform the entire business transfer from SCIB to the Thanachart Bank on 1 October 2011 (entire business transfer date).

On 30 September 2011, Thanachart Bank entered into the Entire Business Transfer Agreement, legally effective on 1 October 2011, to transfer SCIB's business to Thanachart Bank. The transferred business consisted of the assets, liabilities and commitments of SCIB as of 1 October 2011 and/or contingent liabilities that may arise in the future, with the parties agreeing a transfer price of Baht 50,134 million. The transfer price was set in accordance with the guidelines for setting transfer prices of financial assets among companies in the Thanachart group, and an independent financial advisor opined that is fair value. SCIB recognised gain on the entire business transfer of Baht 5,299 million which has been eliminated in the consolidated financial statements.

Significant guidelines of the transfer prices of financial assets and liabilities are as follow:

- Loans: The transfer values were based on the outstanding loan balances net of related allowance for doubtful accounts.
- Investments: The fair values of marketable securities were based on the latest bid prices, while the fair value of debt securities is determined using the yield rate quoted by the Thai Bond Market Association, and the fair values of other investments were determined from expected future cash flows or expected dividend to be received or net book value.
- Property foreclosed: The fair values were based on the values appraised by independent appraisers in accordance with the BOT guidelines, after deduction of a discount determined on the basis of past selling experience.
- Deposits/debt issued and borrowings: Almost all deposits and short-term borrowings have floating rate interest and therefore the fair value is deemed to be close to the book value. Long-term deposits and borrowings have interest yields that closest to market interest rates, therefore the fair values is determined close to the book values.
- Other assets/liabilities: The fair value approximates the book values.
- Off-balance sheet items and commitments under various exchange contracts are transferred at book value.

Significant assets and liabilities at the transferred date are as follow:

	(Unit: Million Baht)
Interbank and money market items - net	67,649
Investments - net	47,852
Loans to customers and accrued interest receivables	236,689
Properties foreclosed	3,303
Land, premises and equipment	7,830
Other assets	17,754
Deposits	255,968
Debts issued and borrowings	58,366
Other liabilities	16,609
Entire business transfer price - net	50,134

Since 1 October 2011, SCIB has ceased all business operation. On 1 November 2011, the Board of Directors of SCIB passed the resolution to pay interim dividend at Baht 7.50 per share to its shareholders, totaling Baht 15,846 million. In November 2011, Thanachart Bank purchased additional SCIB's shares from the minority shareholders to give those minority shareholders a change to sell SCIB's shares before dissolution. SCIB's shareholders sold totaling 696,865 shares, amounting to Baht 16 million, Thanachart Bank therefore holds 2,112,375,422 share or 99.98% of the paid-up shares.

On 6 December 2011, an extraordinary meeting of SCIB's shareholders passes a resolution to approve the change of its company's name to "SCIB Plc.". On 8 December 2011, SCIB returned its banking license and banking authorisations to the Ministry of Finance, and registered the changes in the company name to be "SCIB Plc.". SCIB registered its dissolution on 9 December 2011.

2.5 Transfer business of subsidiaries in the group

Siam City Securities Co., Ltd.

On 28 October 2010, the Boards of Directors of Thanachart Bank and SCIB passed resolutions to approve a plan for a business combination between Thanachart Securities Plc. ("Thanachart Securities") and Siam City Securities Co., Ltd. ("SCIB Securities"), which is a subsidiary in the Group, by means of a partial business transfer of the assets of SCIB Securities to Thanachart Securities. The price of the transfer was to be not less than the book value, with reference to the latest adjusted book value before the transaction date. In November 2010, an extraordinary meeting of SCIB Securities' shareholders approved the partial business transfer. On 30 December 2010, SCIB Securities entered into agreements to transfer assets relating to the securities business and obligations relating to the investment banking business, amounting to Baht 11 million, effective from 31 December 2010, while transfers of claims under agreements appointing an agent and/or broker for securities trading, including securities business receivables and payables with a net balance of Baht 206 million, and cash collateral for settlements amounting to Baht 216 million, were effective on 1 January 2011. SCIB Securities also transferred certain employees to Thanachart Securities on the same day.

SCIB Securities temporary discontinue of its operations since 1 January 2011. The Annual General Meeting of the shareholders of SCIB Securities, held on 27 April 2011, approved the reduction of the registered and paid-up share capital of SCIB Securities from Baht 2,000 million to Baht 900 million. SCIB Securities registered the shares reduction on 7 June 2011.

In August 2011, SCIB disposed investment in common shares of SCIB Securities at a price of Baht 168 million and recognised gains on the disposal of Baht 40 million in the consolidated financial statements. This disposal is in accordance with the approval by the Board of Directors of SCIB on 23 June 2011.

Siam City Asset Management Co., Ltd.

On 27 January 2011, the Board of Directors of SCIB passed a resolution to approve an offer to purchase and/or to sell shares of Siam City Asset Management Co., Ltd. to Government Pension Fund, a former shareholder. During May 2011, SCIB disposed all of its shares to the purchaser at a price of Baht 198 million and recognised gain on the disposal of Baht 26 million in the consolidated financial statements.

Siam City Bank Plc. / TS Asset Management Co., Ltd.

During the year 2011, SCIB and TS Asset Management Co., Ltd. ("TS AMC") (the new company, which was licensed by BOT and set up to receive the transfer of SCIB's non-performing loans and property foreclosed, for further management) entered into an agreement to transfer rights in loan receivables and property foreclosed, and transfers the assets are as follows:

	Fair value
	(Million Baht)
- Non-performing assets	9,062
- Property foreclosed	3,083

The transfer of such financial assets was treated as a true sale in both financial statements of the transferee and the transferor since the transferor surrendered control over the assets. The selling prices were mutually agreed among companies in Thanachart Group with reference to what in the opinions of a financial advisor were fair values. Compensation for this transfer will be considered the fair value when recognising the selling price and the values of the transferred assets, which are as follows:

- For non-performing loans, the fair values are referred to the outstanding loan balance net of related allowance for doubtful accounts.
- For property foreclosed, the fair values are referred to the value appraised by independent appraisers in accordance with the BOT guidelines, after deduction by an amount determined on the basis of past experience.

Under the conditions of the agreement, the transferee is entitled to claim compensation if conditions specified in the agreement are breached. However, gains (losses) from transfers of assets and the balance of such assets between SCIB and TS AMC are eliminated when preparing the consolidated financial statements because the transfers are intercompany transactions.

Siam City Insurance Co., Ltd.

On 27 July 2011, the Board of Directors of SCIB passed a resolution approving the sale of SCIB's investments in shares of Siam City Insurance Co., Ltd. SCIB subsequently sold all the shares to purchasers on 19 August 2011 at a total price of Baht 114 million. The gain on disposal of Baht 22 million was recognised in the consolidated financial statement.

3. Basis of preparation of the financial statements

3.1 Basis of preparation of the financial statements

These financial statements have been prepared in accordance with accounting standard enunciated under the Accounting Professions Act B.E. 2547 with reference to accounting practice of "Transferring/Transferred of financial assets" and the principles stipulated by the Bank of Thailand ("BOT"). The presentation of the financial statements has been made in compliance with the BOT's Notification relating to the preparation and format of the financial statements of commercial banks and holding company of financial business groups, dated 3 December 2010. Hence, the Company reclassified certain items of the comparative financial statements.

The financial statements in Thai language are the official financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3.2 Basis of preparation of the consolidated financial statements

- a) The consolidated financial statements included the financial statements of the Company and the following subsidiary companies (“the subsidiaries”).

	Percentage of holding by the Company		Percentage of holding by the subsidiaries	
	2011	2010	2011	2010
<u>Subsidiaries directly held by the Company</u>				
Thanachart Bank Plc.	50.96	50.96	-	-
NFS Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	83.44	83.44	-	-
NASSET Property Fund 6	99.80	99.80	0.06	0.06
Thiravanit Co., Ltd.	99.90	99.90	-	-
Thanachart SPV 01 Co., Ltd.	100.00	100.00	-	-
<u>Subsidiaries indirectly held by the Company</u>				
SCIB Plc. (Formerly known as “Siam City Bank Plc.”)	-	-	99.98	99.95
Thanachart Securities Plc.	-	-	100.00	100.00
Thanachart Insurance Co., Ltd.	-	-	100.00	100.00
Thanachart Life Assurance Co., Ltd.	-	-	100.00	100.00
Thanachart Fund Management Co., Ltd.	-	-	75.00	75.00
Thanachart Broker Co., Ltd.	-	-	100.00	100.00
Thanachart Group Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Management and Services Co., Ltd.	-	-	100.00	100.00
Thanachart Legal and Appraisal Co., Ltd.	-	-	100.00	100.00
Thanachart Training and Development Co., Ltd.	-	-	100.00	100.00
TS Asset Management Co., Ltd.	-	-	100.00	-
Ratchthani Leasing Plc.	-	-	65.18	-
National Leasing Co., Ltd.	-	-	100.00	100.00
Siam City Life Assurance Co., Ltd.	-	-	100.00	100.00
SCIB Service Co., Ltd.	-	-	100.00	100.00
Siam City Securities Co., Ltd.	-	-	-	99.79
Siam City Asset Management Co., Ltd.	-	-	-	60.00

- b) Total assets and net operating income of the subsidiaries that have significant impact to and are included in the consolidated financial statements as at 31 December 2011 and 2010 and for the years then ended, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Net operating income	
	2011	2010	2011	2010
Thanachart Bank Plc.	818,978	406,663	18,848	16,729
SCIB Plc.	-	406,974	8,603	9,980
Thanachart Life Assurance Co., Ltd.	20,285	19,753	1,962	1,467
Siam City Life Assurance Co., Ltd.	11,195	11,008	(89)	482
Thanachart Insurance Co., Ltd.	7,142	5,148	1,974	1,520
Thanachart Securities Plc.	3,873	3,953	1,377	1,343
TS Asset Management Co., Ltd.	11,361	-	284	-
Ratchthani Leasing Plc.	12,033	-	171	-
NFS Asset Management Co., Ltd.	3,915	3,653	396	379

- c) Thanachart Bank invested in 100 percents shareholding in TS Asset Management Co., Ltd., which was newly established in March 2011.
- d) In October 2011, Thanachart Bank received the transfer of investments in 437,250,000 ordinary shares of Ratchthani Leasing Plc. from SCIB for Baht 536 million, in accordance with the terms of the entire business transfer agreement. As a result, Thanachart Bank's interest in Ratchathani Leasing Plc. is 48.35 percent. On 1 November 2011, Thanachart Bank also purchased 437,486,500 additional shares, at the price of Baht 1.52 per share, or for a total of Baht 665 million, resulting in Thanachart Bank's shareholding increased to 65.18 percent of total shares in issue. The investment was therefore treated as investment in subsidiary. Such purchase of additional ordinary shares is deemed to be a step acquisition. Under the financial reporting standard, Thanachart Bank had to assess the value of investment in equity held on the date before the business combination, using the fair value at the purchase date, and then realised gain of Baht 33 million in profit or loss in the comprehensive income statements.

	Amount
	(Million Baht)
Fair value of investment in equity as at the purchase date before business combination	556
Less: Investment value at equity before business combination	(523)
Gain on revaluation of investments recognised in profit or loss	33

In addition, under the business combination, Thanachart bank has to estimate the fair value of each asset and liabilities for the purpose of allocating the cost of business combination. The fair value of the assets and liabilities of Ratchthani Leasing Plc. and the carrying value of each significant account as at the date Thanachart Bank obtained control over Ratchthani Leasing Plc. are as follow:

	(Unit: Million Baht)	
	Book Value	Fair Value
Loans to customers	11,842	11,576
Land, premises and equipment	45	62
Other assets	1,502	1,512
Total liabilities	11,278	11,278
Net asset value	2,111	1,872
Cost of business combination		1,221

In allocating the purchase price, the cost of business combination does not differ from the net adjusted book value of the assets and liabilities at the purchase date, at the purchase portion, and thus no goodwill arose from this business combination. In addition, the Company did not recognise deferred tax assets of Baht 72 million arising from the adjustment of assets to fair value since accounting standard regarding income tax is not yet effective in the year of business combination. However, if the Company had applied such standard on that date, deferred tax assets as at 31 December 2011 would decrease to be Baht 48 million (effect from the tax rates enacted at the year-end date).

Therefore, the consolidated financial statements includes the statement of financial position of Ratchthani Leasing Plc. as at 31 December 2011 and the consolidated statement of comprehensive income includes income and expenses of such company from 1 November 2011 (the date that Thanachart Bank assumed control) to 31 December 2011. The consolidated statement of comprehensive income recognised net loss from Ratchthani Leasing Plc. totaling Baht 14 million from the date that Thanachart Bank assumed control, based on its shareholding interest.

For additional information to facilitate evaluation of the financial impact of the business combination, proforma consolidated total income and profit of the Company and its subsidiaries for the year are presented below, inclusive of income and profit of Ratchthani Leasing Plc. had occurred since the beginning of the year.

(Unit: Million Baht)

For the year ended 31 December 2011

Total income as if business combination occurred on	
1 January 2011	67,989
Profit attributable to the Company as if business	
combination occurred on 1 January 2011 (exclude	
adjustment transactions before the purchase date)	5,019

- e) The consolidated statements of comprehensive income for the year ended 31 December 2010 included the operating results of SCIB and the subsidiaries held by SCIB from 9 April 2010 to 31 December 2010 because the Thanachart Bank purchased the ordinary shares of SCIB and assumed control over SCIB in April 2010.
- f) In May 2011, SCIB disposed of investments in ordinary shares of Siam City Asset Management Co., Ltd. to a former shareholder for Baht 198 million. Gain on disposal of Baht 26 million was recognised in the consolidated financial statements. In addition in August 2011, SCIB disposed of investments in ordinary shares of Siam City Securities Co., Ltd. for Baht 168 million, with gain of Baht 40 million recognised in the consolidated financial statements.
- g) The consolidated statements of comprehensive income for the year ended 31 December 2010 included the operating results of T Leasing Co., Ltd. from 1 January 2010 till 30 April 2010 (the disposal date). Thanachart Bank disposed such investment for a total of Baht 213 million and recognised gain of Baht 27 million in the consolidated financial statements.

- h) All subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. However, the consolidated financial statements as at 31 December 2010 and the consolidated statements of comprehensive income for the years ended 31 December 2011 and 2010 did not include the financial statements of a subsidiary, Chada Thong Properties Co., Ltd., in which SCIB has indirectly held at 70 percent, because that subsidiary has ceased its operations and is in the process of being liquidated. SCIB has already made a full allowance for impairment in the value of its investment in that subsidiary. However, during the third quarter of 2011, SCIB sold out all of its investment.
- i) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using the same significant accounting policies. In case where there are different accounting policies the Company has adjusted the effect of these in the consolidated financial statements.
- j) The outstanding balances and significant intercompany transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements. The investments in subsidiaries as recorded in the Company's and subsidiaries' books of accounts have been eliminated against equity of the subsidiaries.
- k) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

3.3 The separate financial statements, which present investments in subsidiary and associated companies under the cost method, have been prepared solely for the benefit of the public.

4. Adoption of new accounting standards during the year

During the current year, the Company and its subsidiaries adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
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Accounting Standard Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
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These accounting standards do not have any significant impact on the financial statements for the current year, except for TAS 19 “Employee Benefits”.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. The Company and its subsidiaries previously accounted for such employee benefits when they were incurred.

The Company and its subsidiaries have changed this accounting policy in the current year and recognise the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. The change will have the effect of decreasing the beginning balance of retained earnings of the Company and its subsidiaries (1 January 2011) by Baht 1,170 million (separate financial statements: decreasing retained earnings by Baht 13 million). The cumulative effect of the changes in accounting policy has been presented in “Cumulative effect of change in accounting policy for employee benefits” in the statement of changes in equity.

In addition, the change has the effect of decreasing the profit of the Company and its subsidiaries for the year ended 31 December 2011 by Baht 101 million, or Baht 0.08 per share (separate financial statements: decreasing profit by Baht 7 million or Baht 0.006 per share).

5. New accounting standards issued during the year not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Accounting Standard Interpretations:

- SIC 10 Government Assistance - No Specific Relation to Operating Activities
- SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets
- SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company and its subsidiaries' management believe that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for TAS 12 "Income Taxes"

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset and liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the Company and its subsidiaries' management is evaluating the impact on the financial statements in the year when this standard is adopted.

6. Significant accounting policies

6.1 Revenue recognition

a) Interest and discounts on loans

Interest on loan is recognised as income on an accrual basis, based on the amount of principal outstanding. Interest on hire purchase and financial lease is recognised on the effective interest rate.

For loans on which principal or interest payments have been defaulted for more than three months past the due date, the Company and its subsidiaries cease accrual of interest income, and accrued interest already recorded is reversed from the Company and its subsidiaries' accounts. Interest is then recognised as income on a cash basis until settlement of such overdue balance has been received from the debtors.

Interest income on restructured loans is recognised as income on an accrual basis, with reference to the interest rate stipulated in the agreements, with the exception of interest on loans that are subject to monitoring for compliance with restructuring conditions, which the Company and its subsidiaries recognise as income on a cash basis until the receivable is able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

The Company and its subsidiaries recognise interest income on investments in purchased/transferred loans for which loan repayment is received during the year based on the effective yield rate of the portfolio by the new book value (acquisition cost) of the outstanding balances of receivables. After the restructuring, interest income is recognised by the effective interest rate method for those receivables from which collection is made during the year.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred interest and taken up as income evenly throughout the term of the notes or loans or in proportion of debt repayment.

Interest received in advance on hire purchase represents discounted on interest given to debtors by dealers, is recognised based on the effective interest method, in the same manner as interest income on hire purchase receivables.

b) Interest and dividends on investments

Interest on investments is recognised as income on an accrual basis based on the effective interest rate. Dividends are recognised as income when the right to receive the dividend is established.

c) Brokerage fee income

Brokerage fees on trading of securities and derivatives are recognised as income on the transaction date.

d) Interest on margin loans for purchase of securities

Interest on margin loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary companies cease accruing interest for certain loans that fall under the conditions set by the Securities and Exchange Commission ("SEC").

- e) Gains (losses) on investments and derivatives

Gains (losses) on investments and derivatives are recognised as income/ expenses on the transaction date.

- f) Fees and service income

Fees and service income are recognised as income on an accrual basis.

- g) Insurance/life insurance premium income

Non-life insurance contract

Insurance premium income is recognised on the date the insurance policy comes into effect, after deducting premium ceded and refunded for insurance policies with coverage periods of up to 1 year. For long-term insurance policies with coverage periods of longer than 1 year, related revenues and expenses are recorded as unearned and prepaid items, and amortised to income or expenses over the coverage period.

Insurance premium income is presented after deducting unearned premium reserve.

Reinsurance premium income is recognised when the reinsurer places the reinsurance application or statement of accounts.

Life insurance contract

Premium income is recognised as income on the date the insurance policy comes into effect, after deducting premium ceded and refunded. For renewal policy, premium income is recognised as income when the premium is due, only if the policy is still in force at the year-end date.

6.2 Expenses recognition

- a) Interest expenses

Interest expenses are charged to expenses on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

b) Commission and expenses charged on hire purchase/financial leases

For hire purchase/financial lease contracts originating on or after 1 January 2007, initial direct expenses at the inception of a hire purchase/financial lease contract (i.e. commission expenses and stamp duty expenses) are to be deferred and amortised using the effective interest method, with amortisation deducted from interest income throughout the contract period, in order to reflect the effective rate of return on the contracts.

Unearned income on hire purchase/financial leases is presented net of commission expenses and initial direct cost on the inception of the contracts.

c) Fees and service expenses

Fees and service expenses are recognised as expenses on an accrual basis.

6.3 Investments

Investments in securities held for trading are stated at fair value. Changes in the value of these securities is recognised as part of profit or loss in the statements of comprehensive income.

Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities is recognised as part of other comprehensive income in the statements of comprehensive income, and will be recognised as part of profit or loss when the securities are sold.

Investments in held-to-maturity debt securities are stated at amortised cost. The Company and its subsidiaries are amortised premium/discount on debt securities by the effective rate method with the amortised/accreted amount is presented as an adjustment to the interest income.

Investments in non-marketable equity securities which are classified as other investments are stated at cost net of allowance for loss on impairment (if any).

The Company and its subsidiaries do not treat the investments in mutual funds in which they hold more than 20 percent of the units issued as being investments in subsidiary or associated companies because the Company and its subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund manager in accordance with the details of each fund project and are under the supervision of SEC.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt instruments is determined based on the yield rates quoted by the Thai Bond Market Association, other market or yield rate of government bond adjusted by an appropriate risk factor, as the case may be. The fair value of unit trusts is determined based on their net asset value.

The fair value of investments with embedded derivatives that have no active market or quoted market price are not available, is determined by using internal model (2010: the fair value was determined by using the fair value as determined by the seller). Gain/losses arising from revaluation is recognised as part of profit or loss in the statements of comprehensive income. This method of measurement is in compliance with the BOT's notification.

The Company and its subsidiaries recognise loss on impairment (if any) of available-for-sale securities, held-to-maturity debt securities and other investments as part of profit or loss in the statements of comprehensive income.

If investments are reclassified, the Company and its subsidiaries adjust the values of such investments to their fair values as at the reclassification date. Differences between the carrying amounts of the investments and their fair value are recorded as part of profit or loss in the statements of comprehensive income or recorded as surplus (deficit) from changes in the value of investments in shareholders' equity, depending on the type of investment being reclassified. Differences between the carrying amount of the investments and their fair value recorded in shareholders' equity are amortised over the remaining period to maturity of the debt securities.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as part of profit or loss in the statements of comprehensive income. In case of disposal part of the investment, the carrying value per share used to calculate the cost of the portion sold is determined using the weighted average method.

6.4 Investments in receivables purchased and allowance for impairment

Investments in receivables purchased are presented at their acquisition cost net of allowance for impairment (if any). Loss on impairment is recognised as an expense as part of profit or loss in the statements of comprehensive income.

In case that the receivables purchased enter into troubled debt restructuring agreements, they are transferred to loans and presented at fair value. The fair value is determined based on the outstanding balance of investments as at the transfer date or as at the date of restructuring.

Allowance for impairment of investments in receivables purchased is determined based on the fair value, with reference to the collateral value.

6.5 Investments in subsidiary and associated companies

Investments in subsidiary and associated companies in the separate financial statements are accounted for under the cost method, net of allowance for impairment (if any). Loss on impairment is recognised as expenses in part of profit or loss in the statements of comprehensive income.

Investments in associated companies in the consolidated financial statements are accounted for under the equity method. Under this method, investments are initially recorded at acquisition cost and are adjusted to reflect the attributable share of the net income from the operations of associated companies in proportion to the investment.

6.6 Loans to customers

Loans are presented at the principal amounts, excluding accrued interest receivables, except for overdrafts which are presented at the principal amount plus accrued interest receivables. Unrecognised deferred income/discounts on loans are deducted from the loan balances.

Hire purchase and finance lease receivables are stated at the contract value of the hire purchase and finance lease receivables net of unearned income, which is presented after netting commission expenses and initial direct costs at the inception of the contracts.

Securities and derivatives business receivables comprise the net securities business receivables and derivatives business receivables. Securities business receivables comprise credit balance receivables for which the securities purchased are used as collateral, securities borrowing and lending receivables and guarantee deposit receivables (which comprise cash placed as guarantee for borrowers of securities or Thailand Securities Depository) as well as other receivables such as overdue cash customers accounts and receivables which are under legal proceedings, are undergoing restructuring, or are being settled in installments. The receivable balances of cash accounts are presented under the caption of “Receivables from purchase and sale of securities and derivatives”.

6.7 Allowance for doubtful accounts

- a) The Company and its subsidiaries that operate in banking and asset management business provide allowance for doubtful accounts in accordance with the Notifications of the BOT and adjust these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral. Increase (decrease) in allowance for doubtful accounts is recognised as expenses during the year.

The Company and its subsidiaries set provision for normal loans (including restructured receivables) and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivables) after net of collateral value. Collateral values include vehicles under hire purchase/financial lease contracts. For non-performing loans, the Company and the subsidiaries provide provision at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, based on the use of a discount rate and assumptions as to the time needed to dispose of the collateral, in accordance with the BOT's guideline. However, non-performing hire purchase or financial lease receivables are treated as uncollateralised.

- b) Subsidiaries engaged in securities business provide an allowance for doubtful accounts based on a review of the debtors' repayment capability, taking into consideration the risk of recovery and the value of collaterals. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classification and provisions are made in accordance with the Notifications of the SEC.

- c) Subsidiaries engaged in hire purchase and leasing businesses have provided allowance for doubtful accounts at percentages of the amount of principal outstanding net of unearned income, based on the number of months overdue (with reference to the classification of loans under the BOT's guidelines). Allowance for doubtful accounts is provided based on the loan balances after net of collateral value for receivables overdue no more than 3 months, while provided without deducting collateral value for receivables overdue more than 3 months.
- d) Allowance for doubtful accounts of other receivables is based on the amount of debts that may not be collectible, determined from a review of the current status of the receivables as at the financial statement date.
- e) The Company and its subsidiaries write off debtors when the relevant criteria under tax law are met, except for hire purchase receivables of subsidiaries engaged in commercial bank business will be written off when full allowance for doubtful accounts has been made for such receivables. Amounts written off as bad debts, or bad debt recovery, are deducted from or added to the allowance for doubtful accounts.

6.8 Troubled debt restructuring

In cases where the debt restructuring involves modifications of the terms of repayment, the fair value of the receivables after restructuring is based on the net present values of expected future cash flows, discounted by the market minimum loan rate for credit to large customers prevailing at the restructuring date. The differences between the fair value of receivables as of the restructuring date and their previous book value is recorded as "Revaluation allowance for debt restructuring", and recognised as an expense as part of profit or loss in the statements of comprehensive income in the restructuring period. Such allowance is reviewed based on the present value of future cash flows over the remaining period to maturity, recognising adjustments against bad debt and doubtful accounts.

In case where the troubled debt restructuring involves the transfer of assets or equity, the Company and its subsidiaries record the assets or equity interest received as a result of debt restructuring at their fair value (based on the value appraised by internal appraisers or external independent appraisers) providing this does not exceed the amount of principal legally claimable from the debtors (including interest of which recognition has ceased until the restructuring date). Any excess of the fair value of the assets over the book value is recognised as a gain from debt restructuring or an interest income as part of profit or loss in the statements of comprehensive income, as the case may be.

Losses arising from debt restructuring through waivers of part of principal or recorded accrued interest receivable are recognised as losses in part of profit or loss in the statements of comprehensive income when incurred.

6.9 Recognition and amortisation of customers' assets

Assets which customers have placed with subsidiary companies for securities trading, in term of cash accounts and credit balance accounts, including amounts which customers have placed as security for derivative trading, are recorded as assets and liabilities of subsidiary companies for internal control purpose. As at the financial statement date, subsidiary companies write off those amounts which there are no guarantee obligations for both assets and liabilities, and present only those assets which belong to subsidiary companies.

6.10 Property foreclosed

Property foreclosed is stated at the lower of cost (fair value with reference to appraisal value, providing this does not exceed the legally claimable amount of debt) or net realisable value, which is determined with reference to the latest appraisal value less estimated selling expenses, adjust these in accordance with the BOT's guideline and taking into consideration the type and the nature of the assets.

Gains on disposal of property foreclosed are recognised as income in part of profit or loss in the statements of comprehensive income on the disposal date, unless the purchase is made with a loan. In such cases, gains are recognised in accordance with the BOT's guideline. Losses on disposal and impairment loss are recognised as expenses in part of profit or loss in the statements of comprehensive income.

6.11 Land, premises and equipment and depreciation

- a) Land and assets in progress are stated at cost and depreciation is not provided.
- b) Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Depreciation is calculated with reference to cost on a straight-line basis over the following estimated useful lives:

Buildings	-	20 - 30 years
Building improvements	-	5 - 10 years
Furniture, fixtures and equipment	-	3 - 10 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

- c) An item of land, premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in part of profit or loss in the statements of comprehensive income.

6.12 Intangible assets and amortisation

The Company and its subsidiaries initially recognised intangible assets acquired through business combination at fair value on the date of business acquisition. Other intangible assets are initially measured at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The Company and its subsidiaries amortised intangible assets with finite lives on a systematic basis over their economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense and impairment of losses are realised as expenses in part of profit or loss in the statements of comprehensive income.

The intangible assets with finite useful lives have useful lives of approximately 3 - 10 years.

No amortisation for computer software under development.

6.13 Leasehold rights

Leasehold rights are stated at cost less accumulated amortisation. Leasehold rights are amortised on a straight-line basis over the lease period and the amortisation amounts are recognised as expenses in part of profit or loss in the statements of comprehensive income.

6.14 Business combination and goodwill

Business combination accounted for under purchase method.

Goodwill is initially measured at cost, which equals to the excess of the cost of the business combination over the Company's portion in the net fair value of the net assets acquired. Goodwill is carried at cost less any accumulated impairment losses (if any), and is tested for impairment annually or when circumstances indicate that the carrying value may be impaired.

6.15 Receivables from/Payable to Clearing House

Receivables from/Payable to clearing house comprises the net balance receivable/payable in respect of securities trades settled and derivatives business including amounts pledged with the derivative clearing house as security for derivatives trading.

6.16 Securities purchased under resale agreements/Securities sold under repurchase agreements

Subsidiary companies enter into agreements to purchase/sell securities on the private repurchase market with agreements to sell back/buy back the securities at certain dates and at a fixed price. Amounts paid for the securities purchased are presented as assets under the caption of "Interbank and money market items" or "Loans to customers", depending on the counterparty, and the underlying securities are treated as collateral to such receivables. The securities sold under repurchase agreement is presented as liabilities under the caption of "Interbank and money market items" in the statements of financial position at the amount received and the underlying securities are treated as collateral.

6.17 Premium due and uncollected, and allowance for doubtful accounts

Premium due and uncollected is stated at its net realisable value. Subsidiaries provide an allowance for doubtful accounts based on the estimated loss that may be incurred in the collection of the premium due, on the basis of collection experience and a review of current status of the premium due as at the financial statement date.

6.18 Asset/Liabilities from insurance

Reinsurance assets represent balances due from reinsurance companies, deposits placed for reinsurance and insurance reserve to recover from reinsurers. Insurance reserve to recover from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies, and are in accordance with the related reinsurance contracts.

Reinsurance liabilities represent balances due to reinsurance companies and deposits for reinsurance held by the subsidiaries. The amounts payable on reinsurance are estimated in a manner consistent with the related reinsurance contracts.

6.19 Unearned premium/life insurance premium reserve

Non-life insurance contract

The subsidiaries set up gross unearned premium reserve in accordance with the followings:

Marine and transportation (cargo)	- Net premium written for the last ninety days
Traveling accident with coverage of not more than 6 months	- Net premium written for the last thirty days
Others	- Monthly average basis (the one-twenty fourth basis)

In 2011, the Office of the Insurance Commission ("OIC") has required that insurers allocate an additional gross unexpired risk reserve in an amount not less than the difference between gross unexpired risk reserve and unearned premium reserve, in cases where gross unexpired risk reserve is higher than unearned premium reserve. Gross unexpired risk reserve is calculated based on an actuarial method using a best estimate of expected claims over the remainder of the insured period, based on historical data.

Life insurance contract

Life assurance policy reserve represents the accumulated total liabilities for estimated future claims under all policies in force as at the financial statement date.

Subsidiaries determine life assurance policy reserve under long-term policies by using the higher of the net level premium valuation method (NPV) and gross premium valuation method (GPV).

Life assurance policy reserve under NPV method is a type of actuarial method with the main assumptions used relating to mortality rate, morbidity rate, longevity and discount rates.

Calculation of life assurance policy reserve under GPV method is another type of actuarial method with main assumptions used relating to lapse rate or surrender rate, selling and administrative expenses, mortality and morbidity rate, discount rates and non-guaranteed dividend rate. This calculation method is in compliance with the bases stipulated in the OIC's notification regarding valuation of assets and liabilities of life insurance company (2011).

6.20 Loss reserve and outstanding claims/Benefits payment to life policy

Non-life insurance contract

Outstanding claims are recorded at the actual amount to be paid. Loss reserve is recorded upon the receipt of the claims advice from the insured based on the number of claims notified by the insured and estimates made by a subsidiary's management. The estimated value of losses is limited to not more than the sum insured of the related insurance policies.

In addition, in 2011, the OIC changed the method to be used for setting additional reserve for incurred but not reported (IBNR) claims. The reserve is calculated using an international standard actuarial method, based on the best estimated of claims expected to be paid in the future for losses occurring before or as at the financial statement date, including both reported and unreported claims, net of loss reserve already recorded (formerly, the subsidiary set up additional provision for IBNR at the higher of the reserve calculated using actuarial method minus the recorded amount or outstanding claims, and 2.5 percent of total net premiums written in the previous twelve months).

Life insurance contract

Benefits paid under life policies are provided for upon receipt of the claims advices from the insured or in accordance with the conditions of the policy.

6.21 Long-term leases

Leases that transfer substantially all the risks and rewards of ownership to the Company and its subsidiaries are classified as financial leases. Financial leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other payables, while the interest element is charged to profit or loss in the statement of comprehensive income over the lease period. Assets acquired under finance leases are depreciated over their estimated useful lives.

Lease not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Advance payments made under operating leases is recorded as leasehold rights, and then amortise as expenses over the term of the leases on the straight - line basis. Moreover, payments made under operating leases are recognised as expenses over the term of the leases on the straight-line basis.

6.22 Sales of commercial paper

Subsidiary company which operates in banking business recorded commercial paper with an aval the bank, or without an aval or acceptance which is sold with recourse, as a liability under the caption of "Liabilities under commercial paper sold". Commercial paper sold at a discount with recourse, which is avaled by or has acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of "Contingent liabilities".

6.23 Financial derivatives

The Company and its subsidiaries have entered into derivative financial instruments in order to manage the financial risk and in response to customer needs.

Forward foreign currency contracts which originated for trading purposes are recorded as off-balance transactions. Gains or losses arising from changes in the fair value of the contracts are recognised in part of profit or loss in the statements of comprehensive income.

Forward foreign currency contracts, interest rate swap contracts and cross currency and interest rate swap contracts which are not originated for trading purposes are recorded as off-balance items, and presented on an accrual basis. Foreign currency components are translated at the year-end exchange rate, in the same manner as the hedged items, with unrealised gains or losses on translation recognised as part of profit or loss in the statements of comprehensive income. Interest rate components are presented on an accrual basis, in the same manner as the hedged assets or liabilities, with gains or losses recorded to interest income and interest expense over the terms of the contracts. Receivables and payables under exchange contracts are presented at the net amount in the statements of financial position.

The subsidiaries record obligations in respect of futures contracts made for trading purposes as off-balance transactions items. Gains (losses) from changes in the fair value of financial derivatives contracts are recorded as profit or loss. Fair value is determined based on the daily settlement price quoted by Thailand Futures Exchange Public Company Limited. If the fair value of financial derivatives cannot be determined with reference to market price, it is determined by a technical and valuation model, in which the variables used will be derived from the observable markets.

6.24 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company and its subsidiaries, whether directly or indirectly, or which are under common control with the Company and its subsidiaries.

They also include associated company and individuals which directly or indirectly own a voting interest in the Company and its subsidiaries that give them significant influence over the Company and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the Company's and its subsidiaries' operations.

6.25 Impairment of assets

The Company and its subsidiaries assess at each financial reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company and its subsidiaries realise loss on impairment when the asset's recoverable amount is less than the book value. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell reflects the amount that the Company and its subsidiaries could obtain at the financial reporting date from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company and its subsidiaries recognise impairment losses as expenses in part of profit or loss in the statement of comprehensive income.

In assessing impairment of asset other than goodwill, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss for assets other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in part of profit or loss in the statement of comprehensive income.

6.26 Employee benefits

a) Short-term employee benefits

The Company and its subsidiaries recognised short-term employee benefits, such as salary, wages, bonuses and contributions to the social security fund, and vacation, as expenses when incurred.

b) Post-employment benefits (Defined contribution plans)

The Company, its subsidiaries and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund, and the Company and its subsidiaries's contributions are recognised as expenses when incurred.

c) Post-employment benefits (Defined benefit plans)

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary, using the projected unit credit method.

Actuarial gains and losses arising from post employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

6.27 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and commitment transactions, which were outstanding on the financial reporting date, have been translated into Baht at the rates ruling at the financial reporting date.

Exchange gains and losses arising from trading or translation of foreign currencies are included in determining income.

6.28 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

6.29 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

7. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant accounting judgments and estimates are as follows:

7.1 Recognition and derecognition of assets and liabilities

In considering whether to recognise and derecognise assets or liabilities, the management is required to make judgment on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

7.2 Allowance for doubtful accounts for loans and allowance for impairment of investment in receivables

Allowance for doubtful accounts for loans and allowance for impairment of investment in receivables are intended to adjust the value of loans for probable credit losses. The management uses the BOT's and SEC's regulations regarding the provision of allowance for doubtful accounts and judgments to estimate losses on outstanding loans when there is any doubt about the borrower's capability to repay the principal and/or the interest. The allowances for loan losses are determined through a combination of specific reviews, probability of default, value of collateral and current economic conditions.

7.3 Allowance for impairment of investments in securities

The Company and its subsidiaries review an impairment of investments in securities when indication of impairment exists. The determination of what is indication of impairment requires the management's judgment.

7.4 Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercised judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

7.5 Allowance for impairment of property foreclosed

The Company and its subsidiaries assess allowance for impairment of property foreclosed when net realisable value falls below the book value. The management uses the BOT's regulation and judgment to estimate impairment losses, taking into consideration the latest appraisal value, the type and the nature of the assets.

7.6 Land, premises and equipment/Depreciation

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and salvage values of the premises and equipment, and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review impairment of land, premises and equipment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amounts are lower than the carrying amounts. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

7.7 Goodwill and intangible assets

The initial recognition and measurement of goodwill and intangible assets requires the management to exercise judgment as to the recoverable amount to be generated by the asset, using the discounted cash flows method, and including the selection of a suitable discount rate in order to determine the present value of that cash flow. The estimated cash flows may differ as a result of competitive forces, or changes in revenue trends, cost structures, and the discount rate, industry circumstances or related market conditions. In addition, the management estimates the useful life of those assets which have finite useful lives and revises such useful lives if there are any changes.

7.8 Finance lease/Operating lease

When entering into lease agreement, the management is required to access and consider the scope of significant risk and rewards of ownership of the leased assets. Leases that transfer substantially all the risks and rewards of ownership to the leasee are classified as financial leases. In the other hand, leases not transferring a significant portion of the risks and rewards of ownership to the leasee are classified as operating leases.

7.9 Loss sharing from transfer of non-performing loans to TAMC

In estimating losses arising from the transfer of non-performing loans to the Thai Asset Management Corporation (“TAMC”), the Company and its subsidiaries uses the latest information received from TAMC and projections of the amounts expected to be received from the debtors or from debtors’ collateral value. The management uses judgment in determining the assumptions as to the percentage on the amount expected to be recovered from the debt restructuring agreement, or as to collateral value. The management considers these assumptions to be appropriate given the current available information and current situation.

7.10 Unearned premium/Life insurance premium reserve

Unexpired risk reserve is calculated under an actuarial method, which reflects the best estimate of losses expected to be incurred over the remaining period of the insurance. Estimating these reserves requires management to exercise judgment, with reference made to historical data and current best estimates at that time.

Life assurance policy reserve is calculated under an actuarial method, and adjusted upwards to reflect risk factors and deviations. The main assumptions used relate to policy termination or surrender rates, selling and administrative expenses, mortality, morbidity, longevity, expenses and discount rates. Estimating these reserves requires management to exercise judgments with reference made to historical data and current best estimates at that time.

7.11 Loss reserve and outstanding claims

At each reporting date, subsidiaries estimate loss reserves and outstanding claims in 2 parts; loss incurred for which the claims advice has been received from the insured, and loss incurred but not yet reported (IBNR). The IBNR reserve is calculating by using an international standard actuarial method. The main assumptions underlying these techniques relate to historical claims experience, including development of estimates of paid and incurred losses, average costs per claim, and claim numbers. Estimating these reserve requires management to exercise judgment reflecting the best estimates available at that time.

7.12 Employee benefits

Obligations under defined benefit plan are determined by using actuarial technique, with the determination made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates, based on their best knowledge of current situation.

7.13 Litigation and contingent liabilities

The Company and its subsidiaries have contingent liabilities as a result of litigation and contingent liabilities as a result of transfer of business and transfer of non-performing assets. The management has used judgment to assess of the results of the litigation case, and in case where they believe that there will be no losses, they will provide no provisions and contingent liabilities at the financial reporting date.

8. Interbank and money market items (assets)

(Unit: Million Baht)

Consolidated financial statements						
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	5,492	2,000	7,492	4,821	26,000	30,821
Commercial banks	579	8,518	9,097	879	21,022	21,901
Specialised financial institutions	40	8,238	8,278	43	14,545	14,588
Other financial institutions	197	22,618	22,815	150	16,099	16,249
Total	6,308	41,374	47,682	5,893	77,666	83,559
Add: Accrued interest receivables	-	11	11	-	34	34
Less: Allowance for doubtful accounts	-	(193)	(193)	-	(162)	(162)
Total domestic items	6,308	41,192	47,500	5,893	77,538	83,431
Foreign						
US Dollar	1,449	13,470	14,919	776	169	945
Euro	119	-	119	119	-	119
Others	523	103	626	495	114	609
Total	2,091	13,573	15,664	1,390	283	1,673
Add: Accrued interest receivables	-	68	68	-	1	1
Total foreign items	2,091	13,641	15,732	1,390	284	1,674
Total	8,399	54,833	63,232	7,283	77,822	85,105

(Unit: Million Baht)

Separate financial statements						
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	75	-	75	68	-	68
Specialised financial institutions	1	-	1	1	-	1
Other financial institutions	-	-	-	-	20	20
Total domestic items	76	-	76	69	20	89

As at 31 December 2011, the Company had deposits with a subsidiary company of Baht 68 million in the separate financial statements (2010: Baht 57 million).

9. Derivatives

As at 31 December 2011 and 2010, notional amount, fair value of trading derivatives and the adjustment of accrual basis of hedging derivatives (banking book) classified by type of risk as follows:

(Unit: Million Baht)

Type of risk	Consolidated financial statements					
	2011			2010		
	Fair value/Adjustment of accrual basis		Notional amount*	Fair value/Adjustment of accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate						
Derivatives for trading	858	820	63,491	509	296	53,139
Derivatives for banking book	-	1,706	31,788	3	5	3,488
Interest rate						
Derivatives for trading	64	60	5,957	72	66	5,657
Derivatives for banking book	-	-	3,967	-	-	13,681
Foreign exchange rate and interest rate						
Derivatives for trading	29	9	2,212	959	235	8,533
Derivatives for banking book	585	291	15,445	1,574	339	21,529
Others						
Derivatives for trading	-	-	641	-	-	-
Total	1,536	2,886	123,501	3,117	941	106,027

* Disclosed only in case that the subsidiaries have an obligation to pay

Derivatives for banking book are obligations under contracts which are not held for trading, and are measured on an accrual basis. Gain (loss) on exchange rate at the end of the year is presented under derivative assets/derivative liabilities. Accrued interest receivables (payables) per the contracts are recorded as receivables and payables in other assets/liabilities.

Below are the proportions of trading derivatives transactions classified by counterparty, determined based notional amount, as at 31 December 2011 and 2010:

Counterparty	Consolidated financial statements	
	2011	2010
	Percent	Percent
Financial institutions	80.01	73.91
Third parties	19.99	26.09
Total	100.00	100.00

10. Investments

10.1 Classified by type of investment

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2011		2010		2011		2010	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Trading securities								
Government and state enterprises securities	10,883	10,855	324	325	-	-	-	-
Private debt securities	4,771	4,758	31	31	7	7	10	10
Foreign debt securities	642	637	3,015	3,023	-	-	-	-
Domestic marketable equity securities	38	45	78	87	-	-	-	-
	16,334	16,295	3,448	3,466	7	7	10	10
Add(Less): Allowance for change in value	(39)		18		-		-	
Net	16,295		3,466		7		10	
Available-for-sale securities								
Government and state enterprises securities	40,977	41,103	52,685	52,604	100	100	-	-
Private debt securities	18,409	18,553	9,853	10,017	20	20	-	-
Foreign debt securities	25,515	25,425	12,704	12,920	-	-	-	-
Domestic marketable equity securities	7,752	8,553	8,068	9,137	264	565	317	607
	92,653	93,634	83,310	84,678	384	685	317	607
Add: Allowance for change in value	985		1,372		301		290	
Less: Allowance for impairment	(4)		(4)		-		-	
Net	93,634		84,678		685		607	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2011		2010		2011		2010	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Held-to-maturity debt securities								
Government and state enterprises securities	28,575	29,434	39,102	39,446	419	419	2,270	2,266
Private debt securities	6,592	7,189	5,884	6,080	3,636	3,625	3,646	3,646
Foreign debt securities	1,500	1,488	5,704	5,719	-	-	-	-
Investment in receivables purchased	1,658	1,352	1,802	1,447	929	824	1,002	861
	38,325	39,463	52,492	52,692	4,984	4,868	6,918	6,773
Less: Allowance for impairment	(306)		(355)		(105)		(141)	
Net	38,019		52,137		4,879		6,777	
Other Investment								
Investment in property fund	671		845		-		-	
Domestic non-marketable equity securities	3,926		4,247		163		209	
Foreign non-marketable equity securities	84		84		-		-	
	4,681		5,176		163		209	
Less: Allowance for impairment	(118)		(81)		(77)		(77)	
Net	4,563		5,095		86		132	
Total investment - net	152,511		145,376		5,657		7,526	

10.2 Classified by due date of debt securities

(Unit: Million Baht)

Consolidated financial statements										
2011						2010				
Maturity						Maturity				
Less						Less				
than						than				
1 - 5						1 - 5				
Over						Over				
At call	1 year	years	5 years	Total		At call	1 year	years	5 years	Total
Available-for-sale securities										
Government and state enterprises securities										
-	20,131	20,828	18	40,977		-	31,163	21,491	31	52,685
Private debt securities										
-	1,557	14,856	1,996	18,409		-	4,130	5,600	123	9,853
Foreign debt securities										
-	19,020	6,495	-	25,515		-	904	11,800	-	12,704
Total						Total				
-	40,708	42,179	2,014	84,901		-	36,197	38,891	154	75,242
Add: Allowance for change in value										
-	36	103	41	180		-	13	278	8	299
Net						Net				
-	40,744	42,282	2,055	85,081		-	36,210	39,169	162	75,541
Held-to-maturity debt securities										
Government and state enterprises securities										
-	6,833	15,682	6,060	28,575		-	6,519	11,127	21,456	39,102
Private debt securities										
-	3,990	2,288	314	6,592		-	1,356	3,063	1,465	5,884
Foreign debt securities										
-	1,500	-	-	1,500		-	4,799	905	-	5,704
Investment in receivables ⁽¹⁾										
1,646	8	4	-	1,658		1,773	17	12	-	1,802
Total						Total				
1,646	12,331	17,974	6,374	38,325		1,773	12,691	15,107	22,921	52,492
Less: Allowance for impairment										
(306)	-	-	-	(306)		(355)	-	-	-	(355)
Net						Net				
1,340	12,331	17,974	6,374	38,019		1,418	12,691	15,107	22,921	52,137
Total debt securities						Total debt securities				
1,340	53,075	60,256	8,429	123,100		1,418	48,901	54,276	23,083	127,678

(1) The balance of investments in receivables purchased at call are the balance of loans receivable purchased which mainly default on repayment of principal and interest.

(Unit: Million Baht)

Separate financial statements

	2011					2010				
	Due within					Due within				
	Less than At call	1 - 5 1 year	Over years	5 years	Total	Less than At call	1 - 5 1 year	Over years	5 years	Total
Available-for-sale securities										
Government and state enterprises securities	-	100	-	-	100	-	-	-	-	-
Private debt securities	-	-	20	-	20	-	-	-	-	-
Net	-	100	20	-	120	-	-	-	-	-
Held-to-maturity debt securities										
Government and state enterprises securities	-	419	-	-	419	-	2,270	-	-	2,270
Private debt securities	-	-	-	3,636	3,636	-	10	-	3,636	3,646
Investment in receivables ⁽¹⁾	929	-	-	-	929	1,002	-	-	-	1,002
Total	929	419	-	3,636	4,984	1,002	2,280	-	3,636	6,918
Less: Allowance for impairment	(105)	-	-	-	(105)	(141)	-	-	-	(141)
Net	824	419	-	3,636	4,879	861	2,280	-	3,636	6,777
Total debt securities	824	519	20	3,636	4,999	861	2,280	-	3,636	6,777

(1) The balance of investments in receivables purchased at call are the balance of loans receivable purchased which mainly default on repayment of principal and interest

10.3 As at 31 December 2011, a revaluation surplus and a revaluation deficit in the consolidated equity amounting to Baht 15 million and Baht 71 million, respectively, are as a result of the recategorisation of debt securities (2010: outstanding revaluation surplus amounting to Baht 18 million and outstanding revaluation deficit amounting to Baht 125 million in the consolidated financial statements).

10.4 As at 31 December 2011, investments in held-to-maturity debt securities included non-transferable promissory notes amounting to Baht 4 million in the consolidated financial statements, which were received as a result of the transfer of non-performing loans to Thai Asset Management Corporation (“TAMC”) (2010: Baht 715 million in the consolidated financial statements, and Baht 320 million in the separate financial statements). However, the agreed transfer price received in the form of promissory notes could be revised up or down after TAMC reviews the prices, assesses the collateral or adjusts the prices.

As at 31 December 2011, the Company and its subsidiaries are still unable to assess the exact amount of such losses since TAMC has been dissolved and is in the process of liquidation. However, the Company and its subsidiaries estimated the contingent losses arising from the management of non-performing assets at approximately Baht 383 million in the consolidated financial statements, and Baht 183 million in the separate financial statements. Such amounts have been shown as a part of provisions for liabilities (2010: Baht 383 million in the consolidated financial statements, and Baht 183 million in the separate financial statements).

In addition, the Company and its subsidiaries also shares joint responsibility with TAMC for future profits or losses arising from TAMC’s management of the non-performing assets as mentioned in Note 46.2 to the financial statements.

10.5 As at 31 December 2011 and 2010, the Company has investments of Baht 3,636 million in perpetual non-cumulative subordinated hybrid bonds (Hybrid Tier I). These debentures are unsecured and non-convertible and will be redeemed only upon the dissolution of Thanachart Bank or when conditions specified are met. The debentures bear interest at a rate equal to the highest rate for a six-month fixed deposit plus 6 percent per annum, payable semi-annually.

10.6 Investments in securities in which the Company and its subsidiaries hold not less than 10 percent of the equity of the investee

As at 31 December 2011 and 2010, investments in companies which the Company and its subsidiaries hold not less than 10 percent of the equity of the investee, but which are not treated as subsidiaries or associated companies, separated by industry as follow:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Manufacturing and commerce	843	800	419	400
Banking and finance sector	761	1,307	-	-
Real estate and construction	21	21	20	20

The investments mentioned above include investments in unit trusts in which the subsidiaries hold not less than 20 percent of the units issued. The subsidiaries do not treat these investments as investments in subsidiaries or associates because the subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by fund managers in accordance with the details of each fund project, and are under the supervision of the SEC. The Company and its subsidiaries therefore record them as available-for-sale or other investments, based on their investment objectives.

Securities	Consolidated financial statements			
	2011		2010	
	Net book value	Percentage of holding	Net book value	Percentage of holding
	Million Baht	Percent	Million Baht	Percent
The Thai Business Fund 3	144	60.00	355	60.00
Sub Thawee Property Fund	36	56.00	76	56.00
Business Strategic Fund	278	67.33	278	67.33
Thanachart Long Term Fixed Income Fund	62	27.79	60	27.79
Thanachart Fixed Income FIF 51	50	22.63	50	22.63

10.7 Investments in receivables purchased

Investments in receivables purchased are loans receivable purchased through bidding from local financial institutions. The outstanding balances of loans receivable as at 31 December 2011 and 2010 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Investments in receivables purchased	1,658	1,802	929	1,002
Less: Allowance for impairment	(306)	(355)	(105)	(141)
Investments in receivables purchased - net	<u>1,352</u>	<u>1,447</u>	<u>824</u>	<u>861</u>

	2011				2010			
	Number of debtors	Balance per agreement Million Baht	Purchase price Million Baht	Yield Percent	Number of debtors	Balance per agreement Million Baht	Purchase price Million Baht	Yield Percent
<u>Consolidated financial statements</u>								
Total accumulated investments in receivables purchased	2,938	33,611	7,845	1.75 - 18.97	2,938	33,611	7,845	1.75 - 18.97
Outstanding investments in receivables purchased as at the end of the year	911	11,806	1,658		1,396	12,876	1,802	
<u>Separate financial statements</u>								
Total accumulated investments in receivables purchased	691	8,190	1,937	11.94 - 18.97	691	8,190	1,937	11.94 - 18.97
Outstanding investments in receivables purchased as at the end of the year	263	5,546	929		343	6,221	1,002	

During the years ended 31 December 2011 and 2010, the Company and its subsidiaries have entered into debt restructuring agreements with its investments in receivable purchased, by means of various types of restructuring, as summarised below.

Consolidated financial statements					
Type of restructuring	Number of debtors	Outstanding loan balance before restructuring Million Baht	Outstanding loan balance after restructuring Million Baht	Type of assets to be transferred	Fair value of assets to be transferred under agreement Million Baht
2011					
Modification of terms	7	35	35		
Total	7	35	35		

2010

Modification of terms	10	66	66		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	2	2	2	Land and premise thereon	4
Total	12	68	68		

Separate financial statements					
Type of restructuring	Number of debtors	Outstanding loan balance before restructuring Million Baht	Outstanding loan balance after restructuring Million Baht	Type of assets to be transferred	Fair value of assets to be transferred under agreement Million Baht
2011					
Modification of terms	1	2	2		
Total	1	2	2		

2010

Modification of terms	2	31	31		
Total	2	31	31		

The remaining periods to maturity of the restructured debts of the Company and its subsidiaries, counting from the end of the years 2011 and 2010 are as follows:

Consolidated financial statements				
Periods	2011		2010	
	Number of receivables	Outstanding loan balances after restructuring	Number of receivables	Outstanding loan balances after restructuring
		Million Baht		Million Baht
Defaulted after restructuring	-	-	1	-
Due within the year	7	35	11	68
Total	7	35	12	68

Separate financial statements				
Periods	2011		2010	
	Number of receivables	Outstanding loan balances after restructuring	Number of receivables	Outstanding loan balances after restructuring
		Million Baht		Million Baht
Due within the year	1	2	2	31
Total	1	2	2	31

Restructured receivables are transferred to the loans account on the debt restructuring agreement date, in accordance with the BOT's regulations. They are transferred at their book value, which is considered to be fair value. Therefore, as at 31 December 2011 and 2010, there were no outstanding restructured receivables in the investments in receivables purchased account.

10.8 Investments in companies having problems relating to financial position and operating results

As at 31 December 2011 and 2010, investments in securities of the Company and its subsidiaries included investments in securities of companies with having problems relating to financial position and operating results, summarised below.

Consolidated financial statements							
	Number of transactions		Cost		Fair value/ collateral value		Allowance for possible loss/impairment provided in the accounts
	2011	2010	2011	2010	2011	2010	2011
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Investments in receivables purchased</u>							
1. Closed financial institutions	7	7	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	3	3	-	-	3
3. Companies which have loan settlement problems or have defaulted on the repayment	215	251	1,218	1,279	1,780	1,828	225

Separate financial statements							
	Number of transactions		Cost		Fair value/ collateral value		Allowance for possible loss/impairment provided in the accounts
	2011	2010	2011	2010	2011	2010	2011
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Investments in receivables purchased</u>							
1. Companies which have loan settlement problems or have defaulted on the repayment	86	109	714	752	1,085	1,105	71

11. Investments in subsidiary and associated companies

11.1 Separate financial statements

As at 31 December 2011 and 2010, investments in subsidiary companies and an associated company in the separate financial statements stated under the cost method, consist of investment in ordinary shares of the following companies:

(Unit: Million Baht)

		Separate financial statements							
Company's name	Nature of business	Paid-up share		Percentage		Value of investment		Dividend income for	
		capital		of holding (Percent)		under the cost		the years ended	
		2011	2010	2011	2010	method		31 December	
		2011	2010	2011	2010	2011	2010	2011	2010
<u>Subsidiary companies</u>									
Thanachart Bank Plc.	Commercial bank	55,137	55,137	50.96	50.96	29,056	29,056	1,124	552
NFS Asset Management Co., Ltd.	Asset management	1,000	1,000	100.00	100.00	1,000	1,000	-	-
Max Asset Management Co., Ltd.	Asset management	572	572	83.44	83.44	469	469	262	157
NASSET Property Fund 6	Investment in non-performing assets and collection rights	395	420	99.80	99.80	395	420	20	145
Thiravanit Co., Ltd.	Liquidating	6	6	99.90	99.90	34	34	-	-
Thanachart SPV 01 Co., Ltd.	Not yet operation	2	2	100.00	100.00	2	2	-	-
<u>Associated company</u>									
MBK Plc.	Property rental, hotel and services	1,886	1,886	10.00	10.00	658	658	94	90
Total investments in subsidiary and associated companies - net						31,614	31,639	1,500	944
Less: Allowance for impairment						(16)	(16)		
Total investments in subsidiary and associated companies - net						31,598	31,623		

11.2 Consolidated financial statements

As at 31 December 2011 and 2010, investments in associated companies in the consolidated financial statements, which are recorded under the equity method, consist of investments in ordinary shares of the following companies which operate in Thailand:

(Unit: Million Baht)

Company's name	Paid-up share capital		Percentage of holding		Value of investment				Dividend income for the years ended		Share of income (loss) for the years ended	
					Cost method		Equity method		31 December		31 December	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
MBK Plc. (operating in property rental, hotel and services business)	1,886	1,886	19.90	19.90	948	948	1,639	1,591	188	178	234	323
Siam Samsung Life Insurance Co., Ltd. (operating in life insurance business)	500	500	25.00	25.00	104	104	34	82	-	-	(46)	(24)
Siam City Insurance Co., Ltd. (operating in non-life insurance business)	-	40	-	45.50	-	92	-	109	10	-	(8)	17
Ratchthani Leasing Plc. (operating in hire-purchase and leasing business)	-	823	-	48.35	-	403	-	457	12	-	78	54
Total investments in associated companies					1,052	1,547	1,673	2,239	210	178	258	370

The Company and its subsidiaries classified investments in MBK Plc. as investments in an associated company because the Company and its subsidiaries had significant influence in that company.

In October 2011, Thanachart Bank purchased additional common shares of Ratchthani Leasing Plc. As a result, Thanachart Bank's shareholding increased from 48.35 percent to 65.18 percent and the status of Ratchthani Leasing Plc. changed from an associated company to a subsidiary company.

11.3 During the year 2011, NASSET Property Fund 6 decreased the number of its registered units and returned of Baht 25 million to the Company, based on the net assets value at the declaration date. The Company therefore recorded a gain on capital return of Baht 6 million in the separate financial statement. This gain has been eliminated in the consolidated financial statements.

11.4 The consolidated statement of financial position as at 31 December 2011 and 2010 included Baht 20 million of assets and Baht 0.2 million of liabilities (before eliminated transactions) of Thiravanit Co., Ltd. which registered its dissolution and is currently in the liquidation process. The financial statements of this subsidiary was prepared by its management and was not audited by its auditor.

11.5 Cash flow information of asset management companies that are subsidiaries

Cash flow information of asset management companies that are subsidiaries for the years ended 31 December 2011 and 2010 are as follows:

	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2011	2010	2011	2010	2011	2010
Cash flows from operating activities						
Profit before income tax	503	568	157	158	321	-
Adjustments to reconcile profit before income tax to net cash provided by (paid for) operating activities						
Gain on assets transferred for debt settlement	(13)	(10)	(11)	(29)	-	-
Loss on impairment of property foreclosed	(42)	95	6	2	12	-
Reversal impairment loss of loans and debt securities	(251)	(348)	(9)	(5)	(221)	-
Others	(22)	(3)	2	(2)	-	-
	175	302	145	124	112	-
Interest expenses	72	43	-	-	85	-
Interest income	(128)	(181)	(50)	(6)	(273)	-
Dividend income	(9)	(1)	-	-	-	-
Cash received from interest	127	167	47	6	232	-
Cash paid for interest	-	-	-	-	(83)	-
Cash paid for corporate income tax	(89)	(93)	(31)	(79)	-	-
Income from operating activities before changes in operating assets and liabilities	148	237	111	45	73	-
Decrease (increase) in operating assets						
Current investments	(576)	130	(130)	-	-	-
Investments in receivables purchased	-	82	5	25	-	-
Loans to customers	248	259	36	27	(8,010)	-
Property foreclosed	322	246	116	95	(3,093)	-
Other assets	(5)	(3)	6	2	(47)	-
Increase (decrease) in operating liabilities						
Interbank and money market items	-	-	-	-	9,822	-
Other liabilities	(200)	233	24	5	123	-
Net cash flows from (used in) operating activities	(63)	1,184	168	199	(1,132)	-

(Unit: Million Baht)

	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2011	2010	2011	2010	2011	2010
Cash flows from investing activities						
Cash received from disposal of long-term investments	106	210	-	-	-	-
Cash received from interest on investments	1	3	-	-	4	-
Cash received from dividend	9	1	-	-	-	-
Net cash flows from investing activities	116	214	-	-	4	-
Cash flows from financing activities						
Cash received from issuance of share capital	-	-	-	-	2,000	-
Cash received from borrowing	-	(1,400)	-	-	-	-
Cash paid for borrowings	(72)	(43)	-	-	-	-
Cash paid for dividend	-	-	(315)	(243)	-	-
Net cash flows from (used in) financing activities	(72)	(1,443)	(315)	(243)	2,000	-
Net increase (decrease) in cash and cash equivalents	(19)	(45)	(147)	(44)	872	-
Cash and cash equivalents at beginning of the year	85	130	171	215	-	-
Cash and cash equivalents at end of the year	66	85	24	171	872	-

11.6 Summarised financial information of associated companies

- a) Summarised financial information of MBK Plc. as at 30 September 2011 and 2010 and for the years then ended are as follows:

(Unit: Million Baht)

Paid-up share capital		Total assets		Total liabilities		Total income for the years ended		Net income for the years ended	
30 September		30 September		30 September		30 September		30 September	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1,886	1,886	27,409	28,752	13,916	14,006	8,582	8,548	1,182	2,477

The share of income of MBK Plc. is determined based on financial statements of MBK Plc. prepared for a different period, as a result of limitations on the availability of information. The financial information used was based on the statements of financial position as at 30 September 2011 and 2010 and the statements of profit or loss for the years then ended as prepared by the Company's management, with reference to the financial statements as reviewed by its auditor and adjusted for the effect of the differences in accounting policies. The Company's management believes that the net income for the year ended 30 September 2011 is not material different from that income for the year ended 31 December 2011.

- b) Summarised financial information of Siam Samsung Life Insurance Co., Ltd., Siam City Insurance Co., Ltd. and Ratchthani Leasing Plc. as at 31 December 2011 and 2010 and for the periods then ended are as follows:

Company's name	Paid-up share capital		Total assets		Total liabilities		Total income		Net income (loss)	
							for the		for the	
							periods ended		periods ended	
	2011	2010	2011	2010	2011	2010	31 December	31 December	31 December	31 December
Siam Samsung Life Insurance Co., Ltd.	500	500	1,989	2,073	1,854	1,766	1,170	911	(184)	(98)
Siam City Insurance Co., Ltd.	-	40	-	932	-	689	414	632	(17)	37
Ratchthani Leasing Plc.	-	823	-	9,549	-	8,270	913	695	160	112

Income, net income (loss) and share of profit (loss) of investments in associated companies were determined based on the financial statements for the period as from the date that have controlled, and in the interest proportion, until the date of disposal or the date that the status changed to be a subsidiary company.

11.7 As at 31 December 2011 and 2010, the fair value of investments in associated companies which are listed in the Stock Exchange of Thailand is as follows

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
MBK Plc.	3,313	3,791	1,664	1,904
Ratchthani Leasing Plc.	-	616	-	-

12. Loans to customers and accrued interest receivables

12.1 Classified by loan type

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	2011	2010
	2011	2010
<u>Loans to customers</u>		
Overdrafts	23,358	24,562
Loans	272,788	277,614
Notes receivable	49,975	62,156
Hire purchases receivables	326,115	272,196
Financial leases receivables	2,084	2,366
Others	234	429
Less: Deferred revenues	(39,686)	(32,360)
Total loans to customers net of deferred revenues	634,868	606,963
Add: Accrued interest receivables	980	956
Total loans to customers net of deferred revenues and accrued interest receivables	635,848	607,919
Less: Allowance for doubtful accounts		
- BOT's minimum requirement provision	(26,166)	(25,450)
- Excess provision	(429)	(707)
Less: Revaluation allowance for debt restructuring	(386)	(464)
Loans to customer and accrued interest receivables - net	608,867	581,298
<u>Securities business receivables</u>		
Credit balances receivables	1,926	1,341
Other receivables	310	1,342
Total securities business receivables	2,236	2,683
Less: Allowance for doubtful accounts	(305)	(1,338)
Securities business receivables - net	1,931	1,345
Loans to customer and accrued interest receivables - net	610,798	582,643

12.2 Classified by currency and country

(Unit: Million Baht)

Consolidated financial statements						
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	622,859	450	623,309	593,376	4,794	598,170
US Dollar	7,282	5,853	13,135	7,468	3,834	11,302
Other currencies	395	425	820	372	-	372
Total loans to customers	630,536	6,728	637,264	601,216	8,628	609,844
Less: Intercompany gain from gross loans transferred	(160)	-	(160)	(198)	-	(198)
Total*	630,376	6,728	637,104	601,018	8,628	609,646

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements						
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,337	-	1,337	1,545	-	1,545
Total*	1,337	-	1,337	1,545	-	1,545

* Total loans net of deferred revenues

12.3 Classified by type of business and loan classification

(Unit: Million Baht)

Consolidated financial statements								
2011								
The Company and subsidiary companies which are financial institutions								
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total	Subsidiary companies	Consolidated
Agricultural and mining	10,453	27	95	104	165	10,844	4	10,848
Manufacturing and commerce	61,042	4,365	3,363	6,746	6,760	82,276	59	82,335
Real estate and construction	42,755	1,463	590	736	2,719	48,263	12	48,275
Public utilities and services	49,553	3,317	1,009	1,529	3,191	58,599	61	58,660
Personal consuming								
Housing loans	68,656	1,515	560	1,229	1,849	73,809	-	73,809
Securities business	-	-	-	-	-	-	2,236	2,236
Hire purchase	242,022	27,443	664	648	2,371	273,148	13,342	286,490
Others	48,360	2,076	673	763	2,274	54,146	125	54,271
Others	18,927	181	188	14	1,028	20,338	2	20,340
Total	541,768	40,387	7,142	11,769	20,357	621,423	15,841	637,264
Less: Intercompany gain from loans transferred								(160)
Total*								637,104

* Total loans net of deferred revenues

(Unit: Million Baht)

Consolidated financial statements								
2010								
The Company and subsidiary companies which are financial institutions								
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total	Subsidiary companies	Consolidated
Agricultural and mining	8,124	2,432	193	72	164	10,985	-	10,985
Manufacturing and commerce	73,914	8,668	1,700	8,461	5,073	97,816	2	97,818
Real estate and construction	45,690	1,991	1,552	644	2,831	52,708	46	52,754
Public utilities and services	55,587	4,491	1,452	1,661	3,245	66,436	5	66,441
Personal consuming								
Housing loans	72,976	1,902	589	826	1,564	77,857	-	77,857
Securities business	-	-	-	-	-	-	2,683	2,683
Hire purchase	218,569	15,425	783	609	2,817	238,203	1,740	239,943
Others	15,478	842	428	170	1,091	18,009	64	18,073
Others	40,282	781	204	622	1,398	43,287	3	43,290
Total	530,620	36,532	6,901	13,065	18,183	605,301	4,543	609,844
Less: Intercompany gain from loans transferred								(198)
Total*								609,646

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements

	2011					
		Special			Doubtful	
	Normal	mention	Substandard	Doubtful	of loss	Total
Non-performing asset management	1,000	-	-	-	-	1,000
Manufacturing and commerce	-	-	-	-	2	2
Public utilities and services	-	-	-	-	1	1
Personal consuming						
Housing loans	2	-	4	-	16	22
Hire purchase	-	-	-	-	131	131
Others	3	-	-	-	178	181
Total*	1,005	-	4	-	328	1,337

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements

	2010					
		Special			Doubtful	
	Normal	mention	Substandard	Doubtful	of loss	Total
Non-performing asset management	1,000	-	-	-	-	1,000
Manufacturing and commerce	-	-	-	-	2	2
Public utilities and services	-	-	-	-	1	1
Personal consuming						
Housing loans	2	3	-	9	8	22
Hire purchase	91	9	1	3	228	332
Others	4	-	-	1	183	188
Total*	1,097	12	1	13	422	1,545

* Total loans net of deferred revenues

12.4 Non-performing loans

As at 31 December 2011 and 2010, the Company and its subsidiaries (banking, securities and asset management) had non-performing loans classified in accordance with the Notification of the BOT and SEC (debtors classified as substandard, doubtful and doubtful of loss) as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Non-performing loans (excluding accrued interest receivables)				
The Company	332	436	332	436
Banking business	17,989	35,520	-	-
Securities business	306	1,339	-	-
Asset management	20,918	2,164	-	-

The above definition of non-performing loans does not include overdue loans which have been already restructured and are now qualified for classification as normal or special mention debt.

Additionally, the Company and its subsidiaries (banking and securities business) had loans for which income recognition under an accrual basis has been discontinued, as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
The Company	229	330	229	330
Banking business	16,558	44,046	-	-
Securities business	306	1,339	-	-

The Company recognises income from loans that were transferred from investment in receivables on a cash basis. Subsidiary companies engaged in the asset management business recognise income from loans on a cash basis.

12.5 Debt restructuring

During the years 2011 and 2010, the Company and its subsidiaries have entered into debt restructuring agreements as follows:

consolidated financial statements					
For the years ended 31 December					
Type of restructuring	Number of debtors	Outstanding loans balance before restructuring ⁽¹⁾	Outstanding loans balance after restructuring ⁽¹⁾	Type of assets to be transferred	Fair value of assets to be transferred under agreement
		Million Baht	Million Baht		Million Baht
2011					
Modification of repayment conditions	38,745	16,599	16,599		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	14	989	989	Land and common share	462
Total	38,759	17,588	17,588		
2010					
Transfer of assets	3	24	24	Land and premise thereon	37
Modification of repayment conditions	5,998	11,041	10,974		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	6	203	189	Land	173
Total	6,007	11,268	11,187		

(1) Presents the outstanding balance per the books of account (principal plus accrued interest receivable)

Separate financial statements					
For the years ended 31 December					
Type of restructuring	Number of debtors	Outstanding loans balance before restructuring ⁽¹⁾	Outstanding loans balance after restructuring ⁽¹⁾	Type of assets to be transferred	Fair value of assets to be transferred under agreement
		Million Baht	Million Baht		Million Baht
2011					
Modification of repayment conditions	43	7	7		
Total	43	7	7		
2010					
Modification of repayment conditions	28	25	25		
Total	28	25	25		

(1) Presents the outstanding balance per the books of account (principal plus accrued interest receivable)

Counting from the end of the year, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the years 2011 and 2010, are summarised below.

Consolidated financial statements				
For the years ended 31 December				
Periods	2011		2010	
	Number of debtors	Outstanding balances after restructuring	Number of debtors	Outstanding balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	1,266	1,749	1,305	593
Due within the year	965	1,887	733	808
Less than 5 years	27,991	8,649	2,112	1,739
5 - 10 years	8,502	5,219	1,616	7,328
10 - 15 years	14	45	114	459
Over 15 years	21	39	127	260
Total	38,759	17,588	6,007	11,187

Separate financial statements				
For the years ended 31 December				
Periods	2011		2010	
	Number of debtors	Outstanding balances after restructuring	Number of debtors	Outstanding balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	3	1	6	12
Due within the year	36	3	22	13
Less than 5 years	4	3	-	-
Total	43	7	28	25

Supplemental information for the years 2011 and 2010 relating to restructured loans is as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Interest incomes recognised in the statements of comprehensive income	1,458	1,270	2	7
Gain on debt settlement/disposal	107	105	13	29
Gain on assets transferred from debt settlement	6	21	-	-
Cash repayment from receivables	5,742	4,925	22	83
Properties foreclosed received for debts settlement	295	400	-	-
Loss on debt restructuring	40	131	-	-

As at 31 December 2011 and 2010, the Company and its subsidiaries have the following restructured receivables balances (principal and accrued interest receivable):

	Restructured receivables							
	Total number of		Number of receivables		Outstanding balances		Outstanding balances,	
	outstanding receivables						net of collateral	
	2011	2010	2011	2010	2011	2010	2011	2010
	Thousand	Thousand			Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Capital Plc.	3.6	7.6	60	57	120	122	26	26
Thanachart Bank Plc.	1,378.9	944.3	52,289	13,944	25,803	5,324	9,350	2,414
Siam City Bank Plc.	-	358.7	-	6,247	-	22,871	-	9,560
Thanachart Securities Plc.	0.9	0.4	3	3	35	35	35	35
TS Asset Management Co., Ltd.	2.5	-	1,630	-	12,978	-	5,173	-
Other subsidiaries	5.9	6.1	243	283	1,119	1,404	245	424

12.6 Hire purchases/Financial leases receivables

As at 31 December 2011, net hire purchase/financial lease receivables of the Company and its subsidiaries amounting to Baht 282,703 million were recorded in the consolidated financial statements. These mostly comprise hire purchase agreements or financial lease agreements for cars and motorcycles. The terms of the agreements are generally between 3 and 7 years and they carry interest at fixed rates.

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2011				
Amounts due under lease agreements				
	Less than			
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	98,663	218,218	11,317	328,198
Less: Unearned finance income	(15,595)	(23,685)	(515)	(39,795)
Present value of minimum lease payments receivable	83,068	194,533	10,802	288,403
Allowance for doubtful accounts				(5,700)
Hire purchases/Financial leases receivables - net				282,703

* Included non-performing receivables

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2010

	Amounts due under lease agreements			
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	89,626	177,745	7,191	274,562
Less: Unearned finance income	(13,978)	(18,246)	(242)	(32,466)
Present value of minimum lease payments receivable				
Allowance for doubtful accounts	75,648	159,499	6,949	242,096
Hire purchases/Financial leases receivables - net				(5,370)
				236,726

* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 31 December 2011

	Amounts due under lease agreements			
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	139	-	-	139
Less: Unearned finance income	(8)	-	-	(8)
Present value of minimum lease payments receivable	131	-	-	131
Allowance for doubtful accounts				(131)
Hire purchases/Financial leases receivables - net				-

* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 31 December 2010

	Amounts due under lease agreements			
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	345	-	-	345
Less: Unearned finance income	(13)	-	-	(13)
Present value of minimum lease payments receivable	332	-	-	332
Allowance for doubtful accounts				(233)
Hire purchases/Financial leases receivables - net				99

* Included non-performing receivables

12.7 Classified by classification

As at 31 December 2011 and 2010, the Company and its financial institution subsidiaries (banking and asset management business) classified and made allowances against their loans in accordance with the BOT's guidelines as summarised below.

(Unit: Million Baht)

	Consolidated financial statements ⁽¹⁾						
	Loans and accrued interest receivables		Net balance used in made allowance for doubtful accounts ⁽²⁾		Minimum percentage	Allowance for doubtful accounts	
	2011	2010	2011	2010		2011	2010
Normal	542,595	531,383	201,388	189,336	1	4,049	2,179
Special mention	40,463	36,603	18,290	16,955	2	721	2,249
Substandard	7,151	6,919	3,897	2,978	100	3,897	3,071
Doubtful	11,775	13,072	7,509	8,206	100	7,509	8,283
Doubtful of loss	20,405	18,253	9,005	9,371	100	9,209	9,455
Total	622,389	606,230	240,089	226,846		25,385	25,237
Additional allowance for possible uncollectability debts						417	707
Total						25,802	25,944

(1) Only the Company and subsidiary companies subject to BOT's regulations; and after deducting intragroup transactions.

(2) The net balance used in setting allowance for doubtful accounts for loans classified as Normal and Special mention is the principal balance net of deferred revenues, excluding accrued interest receivables, and after deducting collaterals values, while for loans classified as Substandard, Doubtful and Doubtful of loss, it is the principal balance net of deferred revenues plus accrued interest receivables, and after deducting the present value of expected future cash flows from debt collection or from disposal of collaterals.

(Unit: Million Baht)

	Separate financial statements						
	Loans and accrued interest receivables		Net balance used in made allowance for doubtful accounts ⁽¹⁾		Minimum percentage	Allowance for doubtful accounts	
	2011	2010	2011	2010		2011	2010
Normal	1,005	1,097	1,000	1,091	1	10	10
Special mention	-	12	-	8	2	-	-
Substandard	4	1	-	1	100	-	1
Doubtful	-	13	-	4	100	-	4
Doubtful of loss	337	431	249	350	100	249	350
Total	1,346	1,554	1,249	1,454		259	365
Additional allowance for possible uncollectability debts						-	140
Total						259	505

(1) The net balance used in setting allowance for doubtful accounts for loans classified as Normal and Special mention is the principal balance net of deferred revenues, excluding accrued interest receivables, and after deducting collaterals values, while for loans classified as Substandard, Doubtful and Doubtful of loss, it is the principal balance net of deferred revenues plus accrued interest receivables, and after deducting the present value of expected future cash flows from debt collection or from disposal of collaterals.

During July - December 2011, there was widespread flooding in Thailand. The floods may affect the business of certain debtors. Thanachart Bank has provided support to its customers in accordance with the policy of the BOT, by relaxing principal and/or interest payments, extending the repayment schedule, maintaining the status of each debtor as it was before such floods occurred, and not treating the related receivables as substandard debt. As at 31 December 2011, a total of 27,783 debtors with total balances of Baht 22,096 million had received relaxations of terms due to the flooding. However, the Company and Thanachart Bank's management believe that no further significant damage will be incurred as a result of this situation.

12.8 Loan to companies which have settlement problems

As at 31 December 2011 and 2010, loans of the Company and its subsidiaries in the consolidated financial statements and the separate financial statements included debts due from companies with weak financial positions and poor operating results, as follows:

Consolidated financial statements							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts
	2011	2010	2011	2010	2011	2010	
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Closed financial institutions	4	4	-	-	-	-	-
2. Listed companies possible to delisting from the SET	7	8	888	456	100	113	790
3. Non - listed companies with similar operating results and financial positions to listed companies possible to delisting from the SET	9	11	585	750	334	753	236
4. Companies which have loan settlement problems or have defaulted on the repayment	1,326	1,344	24,966	31,853	12,324	14,343	13,574
							14,298

Separate financial statements							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts
	2011	2010	2011	2010	2011	2010	
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Companies which have loan settlement problems or have defaulted on the repayment	72	109	102	113	85	107	30
							39

12.9 Classification of securities business receivables in accordance with the Notification of the Securities and Exchange Commission

As at 31 December 2011 and 2010, subsidiary companies operating in the securities business classified securities business receivables and accrued interest receivables, in accordance with the Notification of the Securities and Exchange Commission ("SEC") governing accounting for the non-performing debts of securities companies as follows:

(Unit: Million Baht)

	Receivable balances		Allowance for doubtful accounts		Debt balance net of allowance for doubtful accounts	
	2011	2010	2011	2010	2011	2010
Normal	1,930	1,344	-	-	1,930	1,344
Substandard	3	4	2	3	1	1
Doubtful	303	1,335	303	1,335	-	-
Total	2,236	2,683	305	1,338	1,931	1,345

Allowance for doubtful accounts for substandard loans set aside by subsidiaries is higher than the minimum amount required by the SEC, and takes into account uncertainties as to collateral value and the risk from collection of such receivables.

12.10 Hire purchase receivables/financial lease receivables of subsidiaries classified by aging

As at 31 December 2011 and 2010, hire purchase and financial lease receivables balances of subsidiary companies engaged in hire purchase and financial lease businesses are classified by the due date of the contracts (after elimination) as follows:

(Unit: Million Baht)

	2011	2010
Current or overdue not over 90 days	12,846	1,568
Overdue 91 - 365 days	363	40
Overdue more than 1 year	66	48
Debtors under legal actions	205	107
Total	13,480	1,763
Allowance for doubtful accounts provided in the accounts	792	212

12.11 As at 31 December 2011 and 2010, the Company has loans to a subsidiary company as follows:

Company's name	Type of credit	Contract period	Interest rate	Outstanding balances	
		as at	as at	2011	2010
		31 December 2011	31 December 2011	Million Baht	Million Baht
<u>Subsidiary company</u>					
NFS Asset Management Co., Ltd.	Promissory note	At call	MLR of Thanachart Bank	1,000	1,000
Total				1,000	1,000

13. Allowance for doubtful accounts

(Unit: Million Baht)

Consolidated financial statements									
2011									
The Company and subsidiary companies which are financial institutions									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	General provision	Total	Subsidiary companies	Consolidated
Balance - beginning of the year	2,179	2,249	3,071	8,283	9,455	707	25,944	1,551	27,495
Allowance for doubtful accounts of subsidiary purchased during the year	-	-	-	-	-	-	-	542	542
Allowance for doubtful accounts of subsidiary disposed during the year	-	-	-	-	-	-	-	(1,022)	(1,022)
Increase (decrease) during the year	1,870	(1,528)	988	(575)	1,586	(290)	2,051	92	2,143
Bad debts recovery	-	-	-	253	161	-	414	10	424
Bad debts written-off	-	-	(20)	(452)	(936)	-	(1,408)	(75)	(1,483)
Reversal from disposal of loans	-	-	(142)	-	(1,057)	-	(1,199)	-	(1,199)
Balance - end of the year	4,049	721	3,897	7,509	9,209	417	25,802	1,098	26,900

(Unit: Million Baht)

Consolidated financial statements									
2010									
The Company and a subsidiary company which are financial institutions									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	General provision	Total	Subsidiary companies	Consolidated
Balance - beginning of the year	909	190	1,237	1,345	5,709	387	9,777	659	10,436
Allowance for doubtful accounts of subsidiaries purchased during the year	971	2,854	1,346	4,745	6,244	-	16,160	1,074	17,234
Allowance for doubtful accounts of subsidiary disposed during the year	-	-	-	-	-	-	-	(64)	(64)
Increase (decrease) during the year	299	(795)	488	2,437	(1,034)	320	1,715	(28)	1,687
Bad debts recovery	-	-	-	222	77	-	299	16	315
Bad debts written-off	-	-	-	(466)	(600)	-	(1,066)	(106)	(1,172)
Reversal from disposal of loans	-	-	-	-	(941)	-	(941)	-	(941)
Balance - end of the year	2,179	2,249	3,071	8,283	9,455	707	25,944	1,551	27,495

(Unit: Million Baht)

Separate financial statements							
2011							
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the year	10	-	1	4	350	140	505
Decrease during the year	-	-	(1)	(4)	(21)	(140)	(166)
Bad debts recovery	-	-	-	-	5	-	5
Bad debts written-off	-	-	-	-	(3)	-	(3)
Reversal from disposal of loans	-	-	-	-	(82)	-	(82)
Balance - end of the year	10	-	-	-	249	-	259

(Unit: Million Baht)

Separate financial statements							
2010							
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the year	29	2	17	22	378	140	588
Decrease during the year	(19)	(2)	(16)	(18)	(43)	-	(98)
Bad debts recovery	-	-	-	-	21	-	21
Bad debts written-off	-	-	-	-	(6)	-	(6)
Balance - end of the year	10	-	1	4	350	140	505

14. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Balance - beginning of the year	464	98	-	-
Beginning balance of the subsidiaries acquired during the year	-	472	-	-
Decrease during the year	(35)	(40)	-	-
Amortised during the year	(43)	(39)	-	-
Reversal on hair-cut loans	-	(27)	-	-
Balance - end of the year	386	464	-	-

15. Classification of assets

As at 31 December 2011 and 2010, the quality of assets of the Company and its subsidiaries classified in accordance with the announcements of the Bank of Thailand are as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2011					
	Interbank and money market items	Loans to customer and accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	39,364	542,595	-	-	162	582,121
Special mention	-	40,463	-	-	109	40,572
Substandard	-	7,151	-	-	5	7,156
Doubtful	-	11,775	-	-	4	11,779
Doubtful of loss	-	20,405	453	761	341	21,960
Total	39,364	622,389	453	761	621	663,588

(Unit: Million Baht)

Consolidated financial statements

	2010					
	Interbank and money market items	Loans to customer and accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	51,797	531,383	-	-	193	583,373
Special mention	-	36,603	-	-	86	36,689
Substandard	-	6,919	-	-	8	6,927
Doubtful	-	13,072	-	-	14	13,086
Doubtful of loss	-	18,253	341	824	608	20,026
Total	51,797	606,230	341	824	909	660,101

(Unit: Million Baht)

Separate financial statements

	2011					
	Loans to customer and		Investments	Property		Total
	Interbank and	accrued		foreclosed	Other assets	
	money market	interest				
	items	receivables				
Normal	-	1,005	-	-	-	1,005
Special mention	-	-	-	-	1	1
Substandard	-	4	-	-	1	5
Doubtful	-	-	-	-	-	-
Doubtful of loss	-	337	198	412	83	1,030
Total	-	1,346	198	412	85	2,041

(Unit: Million Baht)

Separated financial statements

	2010					
	Interbank and money market items	Loans to customer and accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	20	1,097	-	-	-	1,117
Special mention	-	12	-	-	3	15
Substandard	-	1	-	-	-	1
Doubtful	-	13	-	-	-	13
Doubtful of loss	-	431	234	484	83	1,232
Total	20	1,554	234	484	86	2,378

16. Property foreclosed

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2011						
	Balance - beginning of the year	Increased from purchase of subsidiary company	Additions/ Transfers	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts						
Immovable assets						
External appraiser	9,238	-	178	(1,208)	(427)	7,781
Internal appraiser	1,532	-	17	(235)	427	1,741
Movable assets	292	4	3,187	(3,116)	-	367
Assets foreclosed from purchase by bid on the open market						
Immovable assets						
External appraiser	1,313	-	116	(80)	(78)	1,271
Internal appraiser	1,138	-	37	(204)	78	1,049
Assets awaiting disposal						
External appraiser	168	-	(52)	-	-	116
Total property foreclosed	13,681	4	3,483	(4,843)	-	12,325
Less: Allowance for impairment	(825)	-	(172)	232	-	(765)
Property foreclosed - net	12,856	4	3,311	(4,611)	-	11,560

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2010						
	Balance - beginning of the year	Increased from purchase of subsidiary company	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts						
Immovable assets						
External appraiser	3,580	6,656	259	(1,179)	(78)	9,238
Internal appraiser	1,489	16	52	(103)	78	1,532
Movable assets	434	-	3,742	(3,884)	-	292
Assets foreclosed from purchase by bid on the open market						
Immovable assets						
External appraiser	506	577	155	(31)	106	1,313
Internal appraiser	1,346	7	193	(302)	(106)	1,138
Assets awaiting disposal						
External appraiser	-	168	-	-	-	168
Total property foreclosed	7,355	7,424	4,401	(5,499)	-	13,681
Less: Allowance for impairment	(831)	-	(314)	320	-	(825)
Property foreclosed - net	6,524	7,424	4,087	(5,179)	-	12,856

(Unit: Million Baht)

Separate financial statements

For the year ended 31 December 2011

	Balance - beginning of the year	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts					
Immovable assets					
External appraiser	1,672	13	(86)	(263)	1,336
Internal appraiser	236	-	(31)	263	468
Movable assets	3	2	(3)	-	2
Assets foreclosed from purchase by bid on the open market					
Immovable assets					
External appraiser	136	-	-	(74)	62
Internal appraiser	363	26	(43)	74	420
Others					
Immovable assets					
External appraiser	130	31	(4)	(127)	30
Internal appraiser	-	-	(26)	127	101
Total property foreclosed	2,540	72	(193)	-	2,419
Less: Allowance for impairment	(484)	(17)	89	-	(412)
Property foreclosed - net	2,056	55	(104)	-	2,007

(Unit: Million Baht)

Separate financial statements

For the year ended 31 December 2010

	Balance - beginning of the year	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts					
Immovable assets					
External appraiser	1,960	13	(301)	-	1,672
Internal appraiser	249	-	(13)	-	236
Movable assets	6	9	(12)	-	3
Assets foreclosed from purchase by bid on the open market					
Immovable assets					
External appraiser	76	42	-	18	136
Internal appraiser	402	23	(44)	(18)	363
Others					
Immovable assets					
External appraiser	-	130	-	-	130
Total property foreclosed	2,693	217	(370)	-	2,540
Less: Allowance for impairment	(531)	(24)	71	-	(484)
Property foreclosed - net	2,162	193	(299)	-	2,056

17. Land, premises and equipment

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2011						
	Land	Buildings and buildings improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2010	4,664	2,778	4,245	203	135	12,025
Increase from purchase of subsidiary company	12	37	6	7	-	62
Decrease from disposal of subsidiary companies	-	-	(25)	(1)	-	(26)
Additions	31	10	430	11	327	809
Transfers/disposals	-	114	(358)	(73)	(316)	(633)
31 December 2011	4,707	2,939	4,298	147	146	12,237
<u>Accumulated depreciation</u>						
31 December 2010	-	246	2,578	89	-	2,913
Decrease from disposal of subsidiary companies	-	-	(13)	(1)	-	(14)
Transfers/disposals	-	(6)	(533)	(62)	-	(601)
Depreciation for the year	-	221	762	46	-	1,029
31 December 2011	-	461	2,794	72	-	3,327
<u>Allowance for impairment</u>						
31 December 2010	-	-	1	-	-	1
Decrease from disposal of subsidiary companies	-	-	(1)	-	-	(1)
Increase during the year	68	26	1	-	-	95
31 December 2011	68	26	1	-	-	95
<u>Net book value</u>						
31 December 2011	4,639	2,452	1,503	75	146	8,815
Depreciation charge for the year						1,029

(Unit: Million Baht)

Consolidated financial statements

For the year ended 31 December 2010

	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2009	489	540	3,399	216	18	4,662
Increase from purchase of subsidiary companies	4,173	2,142	704	62	134	7,215
Decrease from disposal of subsidiary company	-	-	(6)	(1)	-	(7)
Additions	101	69	395	23	91	679
Transfers/disposals	(99)	27	(247)	(97)	(108)	(524)
31 December 2010	4,664	2,778	4,245	203	135	12,025
<u>Accumulated depreciation</u>						
31 December 2009	-	92	2,025	121	-	2,238
Decrease from disposal of subsidiary company	-	-	(2)	(1)	-	(3)
Transfers/disposals	-	(15)	(247)	(97)	-	(359)
Depreciation for the year	-	169	802	66	-	1,037
31 December 2010	-	246	2,578	89	-	2,913
<u>Allowance for impairment</u>						
31 December 2009	1	-	-	-	-	1
Increase (decrease) during the year	(1)	-	1	-	-	-
31 December 2010	-	-	1	-	-	1
<u>Net book value</u>						
31 December 2010	4,664	2,532	1,666	114	135	9,111
Depreciation charge for the year						1,037

(Unit: Million Baht)

Separate financial statements

	For the year ended 31 December 2011					
	Land	Buildings and buildings improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2010	15	128	80	29	1	253
Additions	-	-	2	-	-	2
Transfers/disposals	(12)	(66)	-	(1)	(1)	(80)
31 December 2011	3	62	82	28	-	175
<u>Accumulated depreciation</u>						
31 December 2010	-	47	71	11	-	129
Transfers/disposals	-	(21)	(1)	(2)	-	(24)
Depreciation for the year	-	5	5	5	-	15
31 December 2011	-	31	75	14	-	120
<u>Net book value</u>						
31 December 2011	3	31	7	14	-	55
Depreciation charge for the year						15

(Unit: Million Baht)

Separate financial statements

	For the year ended 31 December 2010					
	Land	Buildings and buildings improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2009	63	147	103	35	-	348
Additions	-	-	1	3	1	5
Transfers/disposals	(48)	(19)	(24)	(9)	-	(100)
31 December 2010	15	128	80	29	1	253
<u>Accumulated depreciation</u>						
31 December 2009	-	46	77	15	-	138
Transfers/disposals	-	(6)	(14)	(9)	-	(29)
Depreciation for the year	-	7	8	5	-	20
31 December 2010	-	47	71	11	-	129
<u>Net book value</u>						
31 December 2010	15	81	9	18	1	124
Depreciation charge for the year						20

As at 31 December 2011, the Company and its subsidiaries have vehicles acquired under financial leases with net book values amounting to approximately Baht 52 million. In addition, the Company and its subsidiaries have office equipment and vehicles which have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss, amounting to approximately Baht 1,391 million (separate financial statements: Baht 14 million and Baht 64 million, respectively).

18. Intangible assets

(Unit: Million Baht)

	For the year ended 31 December 2011					
						Separated financial statements
	Consolidated financial statements					
	Intangible assets from business combination	Computer software	Membership fees for Thailand Futures Exchange and others	Computer software under development	Total	Computer software
<u>Cost</u>						
31 December 2010	4,100	949	7	163	5,219	8
Increase from purchase of a subsidiary company	-	2	-	6	8	-
Decrease from disposal of a subsidiary company	-	(23)	-	-	(23)	-
Additions	-	342	-	233	575	-
Transfers/disposals	-	222	-	(222)	-	-
Written-off	-	(270)	-	-	(270)	-
31 December 2011	4,100	1,222	7	180	5,509	8
<u>Accumulated amortisation</u>						
31 December 2010	137	271	6	-	414	8
Decrease from disposal of a subsidiary company	-	(5)	-	-	(5)	-
Written-off	-	(270)	-	-	(270)	-
Amortisation for the year	465	170	1	-	636	-
31 December 2011	602	166	7	-	775	8

(Unit: Million Baht)

For the year ended 31 December 2011					
	Consolidated financial statements				Separated financial statements
		Membership fees for Thailand Futures	Computer software under development	Total	Computer software
Intangible assets from business combination	Computer software	Exchange and others			
<u>Allowance for impairment</u>					
31 December 2010	-	-	-	-	-
Increase during the year	-	27	-	27	-
Decrease from disposal of a subsidiary company	-	(2)	-	(2)	-
31 December 2011	-	25	-	25	-
<u>Net book value</u>					
31 December 2011	3,498	1,031	-	4,709	-
Remaining amorisation period	8 years	0 - 10 years	1 - 3 years		0 - 2 years
Amortisation expenses for the year				636	-

(Unit: Million Baht)

For the year ended 31 December 2010

	Consolidated financial statements					Separated financial statements
	Intangible assets from business combination	Computer software	Membership fees for Thailand Futures Exchange and others	Computer software under development	Total	Computer software
<u>Cost</u>						
31 December 2009	-	534	7	116	657	8
Increase from purchase of a subsidiary company	-	253	1	40	294	-
Additions/increases from business combination	4,100	67	-	109	4,276	-
Transfers	-	101	-	(101)	-	-
Disposals	-	(6)	(1)	(1)	(8)	-
31 December 2010	4,100	949	7	163	5,219	8
<u>Accumulated amortisation</u>						
31 December 2009	-	175	5	-	180	7
Transfers/Disposals	-	(3)	-	-	(3)	-
Amortisation for the year	137	99	1	-	237	1
31 December 2010	137	271	6	-	414	8
<u>Net book value</u>						
31 December 2010	3,963	678	1	163	4,805	-
Amortisation expenses for the year					237	1

As at 31 December 2011, the Company and its subsidiaries have computer software which have been fully amortised but are still in use with original costs, before deducting accumulated amortisation, amounting to approximately Baht 47 million (separate financial statement: Baht 7 million).

19. Goodwill

As at 31 December 2011 and 2010, goodwill stated in the consolidated financial statements are as follows.

	(Unit: Million Baht)	
	2011	2010
Goodwill - beginning of the year	15,784	44
Increase during the year	-	15,740
Total goodwill	15,784	15,784
Deferred gain on disposal of investment	(1,803)	(2,113)
Goodwill - ending of the year	13,981	13,671

20. Other assets

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Accrued premium insurance income	439	444	-	-
Other receivables	1,709	1,095	97	100
VAT refundable	57	676	-	-
Other receivables - VAT paid in advance for customers	198	174	1	2
Suspense accounts between head office and branches	-	326	-	-
Deposit	257	311	4	4
Estimated insurance claims recoveries	264	187	-	-
Receivable from clearing house	25	391	-	-
Prepaid corporate income tax	1,032	7	13	-
Deposit from derivative contracts	357	148	-	-
Suspense amount - Deferred tax arrived from business combination	537	629	-	-
Others	878	716	23	21
Total	5,753	5,104	138	127
Less: Allowance for impairment	(404)	(673)	(84)	(84)
Other assets - net	5,349	4,431	54	43

21. Deposits

21.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Current	7,117	7,205	-	-
Saving	169,051	181,106	-	-
Promissory notes	61	61	-	-
Certificates of deposit	2	5,297	-	-
Fixed deposits				
- Less than 6 months	52,172	154,231	-	-
- 6 months and up to 1 year	133,546	39,381	-	-
- Over 1 year	73,916	145,101	-	-
Total deposits	435,865	532,382	-	-

21.2 Classified by currency and countries

(Unit: Million Baht)

	Consolidated financial statements					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	435,621	1	435,622	531,979	1	531,980
US Dollar	84	20	104	160	25	185
Other currencies	22	117	139	90	127	217
Total	435,727	138	435,865	532,229	153	532,382

22. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	2011			2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and the FIDF	-	3,065	3,065	1,427	2,601	4,028
Commercial banks	700	10,033	10,733	174	4,823	4,997
Specialised financial institutions	3,100	7,234	10,334	24	3,206	3,230
Other financial institutions	17,016	9,704	26,720	14,361	6,635	20,996
Total domestic items	20,816	30,036	50,852	15,986	17,265	33,251
Foreign						
US Dollar	3	8,599	8,602	81	6,832	6,913
Euro	-	-	-	-	24	24
Baht currency	241	456	697	95	262	357
Total foreign items	244	9,055	9,299	176	7,118	7,294
Total	21,060	39,091	60,151	16,162	24,383	40,545

As at 31 December 2011, a subsidiary company has loans from financial institutions that require it to comply with certain conditions, as summarised below.

- (a) A long-term loans amounting to Baht 773 million, repayable in 48 monthly installments from the date of loan drawdown, with interest charged at the average MLR less a fixed percentage per annum, payable monthly. The loans are secured by the assignment of collection rights over hire purchase receivables of the subsidiary company with a value of not less than 125 percent of the loan balances, and the transfer of ownership of the vehicles for which collection rights are assigned, as well as the assignment of collection rights over deposit accounts and related interest of the subsidiary company. In addition, the subsidiary has to maintain the terms and conditions as specified in the loan agreement i.e. to maintain a debt to equity ratio of not more than 8:1 and to maintain non-performing receivables at not more than 10 percent of total hire purchase receivables.
- (b) A long-term loans amounting to Baht 275 million, repayable in 36 monthly installments from the date of loan drawdown, with interest charged at fixed interest rate per annum, payable monthly. The loan is secured by the assignment of collection rights over hire purchase/financial lease receivables of the subsidiary company, and the transfer of ownership of vehicles, with a value of not less than 110 percent of the loan balances that were drawn down. In addition, the subsidiary has to maintain the terms and conditions as specified in the loan agreement i.e. to maintain a debt to equity ratio of not more than 8:1.

- (c) A long-term loans amounting to Baht 6 million, repayable in 42 monthly installments from the date of loan drawdown, with interest charged at the average MLR less a fixed percentage per annum, payable monthly. The loans are secured by the assignment of collection rights over hire purchase receivables of the subsidiary company with a value of not less than 125 percent of the loan balances, and the transfer of ownership of the vehicles for which collection rights are assigned, as well as the assignment of collection rights over deposit accounts and related interest of the subsidiary company. In addition, the subsidiary has to maintain the terms and conditions as specified in the loan agreement i.e. to maintain a debt to equity ratio of not more than 8:1 and to maintain non-performing receivables at not more than 10 percent of total hire purchase receivables.

23. Debt issued and borrowings

As at 31 December 2011 and 2010, the balance of domestic debt issued and borrowings, which stated in Baht, are as follows:

(Unit: Million Baht)

Type of borrowings	Interest rate per annum (as at 31 December 2011)	Maturity year	Consolidated financial statements		Separate financial statements	
			2011	2010	2011	2010
Unsubordinated and unsecured debentures			-	1,455	-	1,500
Unsubordinated and unsecured debentures (a - b)	3.35 and 4.90 percent	2013 and 2014	12,000	12,000	12,000	12,000
Perpetual subordinated hybrid bonds issued under Tier I (c)	8.60 percent	Dissolution	3,494	3,494	-	-
Subordinated hybrid bonds issued under Tier II (d)	5.25 percent	2019 and 2024	4,996	5,000	-	-
Subordinated debentures issued under Tier II (e - h)	5.00 - 5.50 and 6.00 percent	2015 - 2020	22,997	23,000	-	-
Bills of exchange	0.00 and 3.25 percent	At call	56	11	-	-
Bills of exchange	0.50 - 4.65 percent	2012 - 2014	218,168	139,523	-	-
Promissory notes	4.75 percent	At call	942	-	-	-
Borrowings - Department of Alternative Energy Development and Efficiency			-	234	-	-
Total debt issued and borrowings			262,653	184,717	12,000	13,500

- (a) On 12 November 2009, the Company issued 9,000,000 units of unsubordinated and unsecured debentures, with a face value of Baht 1,000 each. The debentures will mature in 2014 and bear interest at fixed rate of 4.90 percent per annum, payable quarterly.
- (b) On 22 January 2010, the Company issued 3,000,000 units of unsubordinated and unsecured debentures, with a face value of Baht 1,000 each. The debentures will mature in 2013 and bear interest at fixed rate of 3.35 percent per annum, payable quarterly.
- (c) On 22 April 2010, Thanachart Bank issued 7,130,000 name registered of perpetual, non-cumulative, subordinated, hybrid Tier 1 bonds, with a face value of Baht 1,000 each, and sold them to two major shareholders of Thanachart Bank. The bonds mature upon dissolution or liquidation of Thanachart Bank. The bonds are unsecured and non-convertible and bear interest at a rate equal to the highest interest rate for a six-month fixed deposit plus 6 percent per annum, payable semi-annually. Thanachart Bank has a call option to early redeem the bonds at par if the condition specified are met. The Company has investments in subordinated debentures amounting to Baht 3,636 million.
- (d) On 24 July 2009, Thanachart Bank issued 5,000,000 name registered subordinated hybrid bonds, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. Of these, 3.5 million units mature in 2019 and bear interest at rate of 5.25 percent per annum for the first five years, and 5.5 percent per annum for the sixth to tenth years, while 1.5 million units mature in 2024 and bear interest at rate of 5.25 percent per annum for the first five years, 6.0 percent per annum for the sixth to tenth years and 6.5 percent per annum for the eleventh to fifteenth years, payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par and has option to postpone principal and/or interest payment date if the conditions as specified are met.
- (f) On 9 May 2008, Thanachart Bank issued 5,000,000 name registered subordinated, unsecured, unconvertible debentures with no debenture holders' representative, with a face value of Baht 1,000 each. The debentures mature in 2015 and bear interests at rate of 5.1 percent per annum for the first three years, and 6 percent per annum for the fourth to seventh years, payable quarterly.

- (g) On 3 April 2009, Thanachart Bank issued 2,000,000 name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debentures mature in 2019 and bear interest at fixed interest rates of 5.25 percent per annum for the first three years, 5.75 percent per annum for the fourth to seventh years, and 6.5 percent per annum for the eighth to tenth years, payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par if the conditions specified are met.
- (h) On 2 April 2010, Thanachart Bank issued 6,000,000 name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debenture mature in 2020 and bear interests at fixed interest rate of 5 percent per annum for the first five years and 5.5 percent per annum for the sixth to tenth years, payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par if the conditions specified are met.
- (i) On 19 June 2009, SCIB issued 10,000,000 unsecured subordinated debentures with a face value of Baht 1,000 each. The debentures mature in 2019 and bear interests at fixed interest rates of 5.50 percent per annum for the first three years, 6.00 percent per annum for the fourth to seventh years, and 6.50 percent per annum for the eighth to tenth years. Interest is payable quarterly. SCIB has a call option to early redeem these debentures at par if the conditions specified are met. On 20 June 2011, SCIB early redeemed all debentures at par value with no gain (loss) on the transaction. Thanachart Bank has issue new debentures to replace SCIB's debentures with the same interest rates, terms, and conditions. The BOT has given approval in principle to counting such subordinated debentures as Tier II of Thanachart Bank starting from the date that the entire business transfer between Thanachart Bank and SCIB is completed. This is in accordance with the BOT's letter for the entire business transfer of SCIB.

24. Provisions

(Unit: Million Baht)

	Consolidated financial statement					
	For the year ended 31 December 2011					
	Loss from litigation	Employee benefits	Obligations of off- balance	Provision for loss sharing from loans transferred to TAMC	Others	Total
As at 1 January 2011	99	45	285	383	393	1,205
The cumulative effect of the changes in the accounting policy for employee benefits	-	2,288	-	-	-	2,288
Increase from purchase of a subsidiary company	-	3	-	-	-	3
Increase during the year	1	364	39	-	91	495
Decrease from disposal of subsidiary companies	(1)	(3)	-	-	-	(4)
Decrease from actual utilised	-	(388)	-	-	(57)	(445)
Reversal of provisions	(4)	(339)	(55)	-	-	(398)
As at 31 December 2011	95	1,970	269	383	427	3,144

(Unit: Million Baht)

Consolidated financial statement					
For the year ended 31 December 2010					
	Loss from litigation	Obligations of off-balance	Provision for loss sharing from loans transferred to TAMC	Others	Total
As at 1 January 2010	28	-	383	16	427
Increase from purchase of subsidiary companies	60	420	-	290	770
Increase during the year	11	-	-	216	227
Decrease from actual utilised	-	-	-	(24)	(24)
Reversal of provisions	-	(135)	-	(60)	(195)
As at 31 December 2010	99	285	383	438	1,205

(Unit: Million Baht)

Separate financial statement				
For the year ended 31 December 2011				
	Loss from litigation	Employee benefits	Provision for loss sharing arise from loans transferred to TAMC	Total
As at 1 January 2011	9	2	183	194
The cumulative effect of the changes in the accounting policy for employee benefits	-	13	-	13
Increase during the year	-	7	-	7
Decrease from actual utilised	-	(1)	-	(1)
Reversal of provisions	-	(3)	-	(3)
As at 31 December 2011	9	18	183	210

(Unit: Million Baht)

Separate financial statement				
For the year ended 31 December 2010				
	Loss from litigation	Provision for loss sharing arise from loans transferred to TAMC	Others	Total
As at 1 January 2010	9	183	8	200
Increase during the year	-	-	8	8
Decrease from actual utilised	-	-	(14)	(14)
As at 31 December 2010	9	183	2	194

Employee benefits

Employee benefits recognised in part of profit or loss in the statements of comprehensive income for the year ended 31 December 2011 summarised as follows:

	(Unit: Million Baht)	
	Consolidated financial statement	Separate financial statement
	2011	2011
Current service cost	153	2
Interest cost	81	1
Loss on curtailment	(160)	-
Actuarial (gain) loss	(42)	4
Termination benefits	332	-
Total employee benefits	364	7

The principal actuarial assumptions used to calculate the defined benefit obligations are as follows:

	(Percent per annum)	
	Consolidated financial statement	Separate financial statement
	2011	2011
Discount rate	4.07 - 4.70	4.09
Future salary increase	6.00 - 6.50	6.00
Average turnover rate	0.00 - 42.11	0.85 - 21.51

During the year 2011, Thanachart Bank received the transfer of 6,368 employees from SCIB, this accorded with a resolution passed by a meeting of the Board of Directors of Thanachart Bank and is as approved by BOT. SCIB also transferred employee benefit liabilities related to the transferred employees amounting to Baht 1,395 million to Thanachart Bank, together with another Baht 337 million of accrued employee expenses. Under the employee transfer agreement, all rights and benefit of employees will be determined counting consecutively from their existing length of service.

25. Insurance contract liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Life policy reserve	29,831	25,961	-	-
Loss reserves and outstanding claims	3,441	1,141	-	-
Unearned premium reserve	2,659	2,461	-	-
Other liabilities under insurance policies	223	211	-	-
Total insurance contract liabilities	36,154	29,774	-	-

Subsidiaries presented life policy reserve under long-term insurance contracts at the higher amount of net level premium valuation (NPV) and gross premium valuation (GPV). As a result of these changes, life insurance policy reserve liabilities of a subsidiary company as at 31 December 2011 was increased by Baht 649 million which was recognised as part of profit or loss.

From July to December 2011, there was widespread flooding in Thailand. The floods has an effect to the insured of the subsidiary companies. However, the subsidiary companies have assessed and recorded the impact of this situation in the financial statements and believe that no further significant damage will be incurred.

26. Other liabilities

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Other payables	1,325	633	26	57
Suspense cash received from accounts receivable	477	799	15	24
Reinsurance payable	319	260	-	-
Unearned income from hire purchases	300	164	-	-
Deposits from derivative contracts	-	1,762	-	-
Provision for income tax	330	568	-	-
Corporate income tax payable	2,480	2,404	-	1
Accrued expenses	3,571	2,911	37	26
Suspense payables	1,362	1,177	-	-
Payables to clearing house	306	98	-	-
Insurance premium received in advance	686	443	-	-
Proceeds from the sales of property foreclosed under contracts	428	429	24	14
Others	699	699	46	31
Total other liabilities	12,283	12,347	148	153

27. Share capital/Treasury stocks

During the year ended 31 December 2011, preferred shareholders converted 2,520 preference shares to the Company's common shares. Therefore, as at 31 December 2011, 13,336 preferred shares remained unconverted. Each preferred share can convert to 1 common share and the conversion right is unconditional and does not expire.

As at 31 December 2011 and 2010, the Company has totaling 55,324,300 shares of treasury stocks or an amount of Baht 387.5 million (at cost). Such treasury stocks were not disposed of during the year and are to be disposed of within 3 years counting from end of the repurchasing period (within June 2012).

28. Other components of equity

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Share premium of a subsidiary	776	776	-	-
Amount by which the value of investment in subsidiary lower than attributable net book value	226	226	-	-
Revaluation surplus (deficit) on investments				
Revaluation surplus on investments				
Available-for-sale investments				
Debt instruments	195	139	-	-
Equity instruments	576	740	301	290
Held-to-maturity investments	15	18	-	-
Total	786	897	301	290
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(128)	(59)	-	-
Equity instruments	(7)	-	-	-
Held-to-maturity investments (reclassified from available-for-sale investment)	(71)	(125)	-	-
Total	(206)	(184)	-	-
Total revaluation surplus on investments	580	713	301	290
Share of other comprehensive income of associates	(19)	(19)	-	-
Total	1,563	1,696	301	290

29. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

As at 31 December 2011, the Company allocated Baht 81.8 million of net income for the year 2011 to the statutory reserve (2010: Baht 140.9 million).

30. Capital funds

The primary objective of the Company and its subsidiaries' capital management is to ensure that they have an appropriate financial structure and preserve the ability to continue their business as going concerns. Moreover, the Company and its subsidiaries have legal requirements and rules specific to their areas of each business regarding maintenance of capital funds, liquidity and other matters.

In compliance with the Notification of BOT Re: Consolidated Supervision, the Company has to disclose qualitative and quantitative information about the capital requirements of the Company and its subsidiaries in the financial group (Full Consolidation). The BOT granted a waiver for the Company to indirectly hold more shares of SCIB than permitted by law through Thanachart Bank, for the purposes of the business transfer. The BOT also permitted the Company not to include SCIB into the financial group until the date of completion of liquidation. The BOT approved such waiver with the conditions that in determining the capital funds of the Company and Thanachart Bank, the value of investment in SCIB is not deducted until the date of dissolution of SCIB, while the computation of the ratio of the capital to risk assets and contingent liabilities includes the assets and contingent liabilities of SCIB until the date that SCIB return its banking license. The Company will disclose capital requirement information as at 31 December 2011 on its website at www.thanachart.co.th, within April 2012. Moreover, the Company and its subsidiaries had disclosed capital requirement information as at 30 June 2011 on the Company's website since October 2011.

31. Dividends

During the years ended 31 December 2011 and 2010, the Company has dividend payment as below.

Dividends	Approved by	Dividend payment Million Baht	Dividend per share Baht	Payment date
Interim dividend on income for the first half-year of 2011	The Company's Board of Directors on 26 September 2011	639	0.50	20 October 2011
Dividend on income for the second half-year of 2010	The Annual General Meeting of shareholders on 8 April 2011	894	0.70	3 May 2011
Total		1,533	1.20	
Interim dividend on income for the first half-year of 2010	The Company's Board of Directors on 27 September 2010	639	0.50	26 October 2010
Dividend on income for the second half-year of 2009	The Annual General Meeting of shareholders on 7 April 2010	767	0.60	6 May 2010
Total		1,406	1.10	

32. Interest income

Interest income for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Million Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Interbank and money market items	2,237	1,057	2	5
Investments and trading transactions	86	90	3	2
Investments in debt securities	4,143	3,666	350	336
Loans	20,942	14,952	76	51
Hire purchase and financial lease	17,011	15,262	2	32
Total interest income	44,419	35,027	433	426

33. Interest expenses

Interest expenses for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Million Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Deposits	8,969	5,953	-	-
Interbank and money market items	1,288	511	-	-
Contribution fee to the Deposit Protection Agency	1,955	1,914	-	-
Issues debt instruments				
- Subordinated debentures	1,852	1,500	-	-
- Unsubordinated debentures	609	698	611	701
- Others	5,427	1,418	-	-
Borrowings	1	3	-	-
Fees and services expense on borrowings	3	1	2	3
Total interest expenses	20,104	11,998	613	704

34. Fees and service income

Fees and service income for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Million Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Fees and service income				
Acceptance, aval and guarantees	271	228	-	-
Hire purchase fee income	911	905	10	48
Credit card services	698	395	-	-
ATM and electronic banking services	669	575	-	-
Management fees	477	537	-	-
Insurance brokerage fee income	224	226	-	-
Others	623	536	1	2
Total fees and service income	3,873	3,402	11	50
Fees and service expenses	(501)	(521)	(1)	(2)
Net fees and service income	3,372	2,881	10	48

35. Gains on trading and foreign exchange transactions

Gains on trading and foreign exchange transactions for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Million Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Foreign exchange and derivatives relating to foreign exchange	875	360	-	-
Foreign exchange and derivatives relating to interest rate	1	1	-	-
Debt securities	17	(5)	-	-
Equity securities	(5)	211	-	-
Others	3	4	-	-
Total	891	571	-	-

36. Gains (loss) on investments

Gains (loss) on investments for the years ended 31 December 2011 and 2010 consisted of the following:

(Unit: Million Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Gains (losses) on disposal				
Available-for-sale securities	214	388	37	120
General investments	90	-	6	-
Losses on price adjustments on loans transferred to TAMC	(1)	-	-	-
Investments in subsidiary and associated companies	397	27	-	2,136
Gain on revaluation of investments (under business combination)	33	-	-	-
Gains on debt settlement/disposal of debt/assets transferred from investments in receivables purchased	71	85	34	75
Reversal of impairment on general investments (losses)	(37)	23	-	-
Gain on transfer of investments	372	-	-	-
Gain on the capital returned	-	-	6	8
Total	1,139	523	83	2,339

During the year, a subsidiary company has transferred investment which classified as held-to-maturity debt securities amounting to Baht 8,439 million to be trading in order to comply with the measurement of insurance liabilities reserve for long-term insurance contracts of which the value of the liabilities reserve is depended on the changes in discounted market interest rate. As a result of this transfer, a gain of Baht 329 million was recognised in profit or loss. The subsidiary company also transferred investments classified as available-for-sale securities amounting to Baht 2,000 million to be trading with a gain on transfer of Baht 43 million.

As described in note 2.2 to the financial statements, the Company sold 104,964,000 ordinary shares of SCIB to Thanachart Bank in June 2010 and recognised a gain on the sale of Baht 2,136 million in the separate financial statements. Such amount had been eliminated in the consolidated income statements for the year 2010.

37. Directors' remuneration

Directors' remuneration represents the benefits paid to the directors of the Company and public subsidiary companies in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to directors who hold executive positions but including the payment of remuneration amounting to approximately Baht 15 million to the Company's and its subsidiaries' directors, which was approved by the Annual General Meeting of Shareholders held on 8 April 2011.

38. Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the years ended 31 December 2011 and 2010 consisted of the following:

	(Unit: Million Baht)			
	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Impairment loss of loans				
Loans to customers (reversal)	2,143	1,687	(166)	(98)
Interbank and money market items	30	38	-	-
Amortisation of revaluation allowance for debts restructured during the year	(40)	(36)	-	-
Loss from debt restructuring (reversal)	(35)	131	-	-
Loss from impairment of investments in receivables purchased (reversal)	(21)	(167)	(10)	28
Total	2,077	1,653	(176)	(70)

39. Income tax

Corporate income tax was calculated on net income for the year, after adding back and deducting with expenses and provisions which are disallowable for tax computation purposes and deducting income which is exempted for tax computation purposes.

The Company has no corporate income tax for the year 2011 since after adding back and deducting income and/or expenses which are disallowed for tax computation purposes, there is a net loss.

40. Components of other comprehensive income

Components of other comprehensive income for the years ended 31 December 2011 and 2010 of the following:

(Unit: Million Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Other comprehensive income				
Available-for-sale investments:				
Unrealised gains (losses) during the year	(128)	1,299	48	329
Gains (losses) on reclassified type of investments	43	(2,040)	-	(2,040)
Realised gains (losses) that included in profit or loss	(214)	(388)	(37)	(120)
	(299)	(1,129)	11	(1,831)
Share of other comprehensive income in associated companies (loss)	-	(226)	-	-
Other comprehensive income for the year (loss)	(299)	(1,355)	11	(1,831)

41. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year, netting of treasury shares held by the Company.

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the total sum of the weighted average number of common shares outstanding during the year, netting of treasury shares held by the Company, plus the weighted average number of common shares that would be required to be issued to convert all potential common shares to common shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential common shares were issued.

	Consolidated financial statements					
	For the years ended 31 December					
	Profit for the year		Weighted average number of common shares		Earnings per share	
	2011	2010	2011	2010	2011	2010
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Profit attributable to the Company	5,002,433	5,638,853	1,277,815	1,277,814	3.91	4.41
Effect of dilutive securities						
Preference shares convertible to common shares	-	-	15	16		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	5,002,433	5,638,853	1,277,830	1,277,830	3.91	4.41

	Separate financial statements					
	For the years ended 31 December					
	Profit for the year		Weighted average number of common shares		Earnings per share	
	2011	2010	2011	2010	2011	2010
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Profit attributable to the Company	1,635,133	2,817,624	1,277,815	1,277,814	1.28	2.21
Effect of dilutive securities						
Preference shares convertible to common shares	-	-	15	16		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	1,635,133	2,817,624	1,277,830	1,277,830	1.28	2.21

42. Provident fund

The Company, its subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees contributed to the fund monthly, at rates of 3 -10 percent of their basic salaries, and the Company and its subsidiaries contributed to the fund at stipulated rates. The fund will be paid to the employees upon termination of employment in accordance with the fund rules. During the year ended 31 December 2011, approximately Baht 453 million was contributed to the fund by the Company and its subsidiaries (separate financial statements: Baht 5 million).

43. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with its related parties. These transactions have been concluded on commercial terms and based agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

(Unit: Million Baht)

	For the years ended 31 December				
	Consolidated		Separate		
	financial statements		financial statements		Transfer pricing policy
	2011	2010	2011	2010	(For the year 2011)
<u>Transactions occurred during the years</u>					
Subsidiaries					
Purchase of investment in subsidiary company	-	-	-	18,245	
Purchase of debt securities	-	-	17,512	42,492	At market price
Sales of investment in subsidiaries	-	-	-	3,402	
Sales of debt securities	-	-	158	18,474	At market price
Sales of operating assets (2011: gain Baht 34 million 2010: gain Baht 41 million)	-	-	100	109	At the contract price
Capital returned from subsidiaries (2011: gain Baht 6 million 2010: gain Baht 8 million)	-	-	31	127	At the net assets value
Interest income from loans	-	-	72	43	At interest rate of Thanachart Bank's MLR
Interest income from cash at bank	-	-	2	5	At interest rate of 0.625 - 1.50 percent per annum
Interest income from investments in debt securities	-	-	299	258	At interest rate of 2.45 - 3.30 and 5.00 - 8.60 percent per annum
Dividend income	-	-	1,406	854	As declared
Rental and other service income	-	-	172	203	At the rate agreed under the service contract
Interest expenses	-	-	2	4	At interest rate of 3.35, 4.90 and 5.25 percent per annum
Other expenses	-	-	30	53	

(Unit: Million Baht)

	For the years ended 31 December				
	Consolidated		Separate		
	financial statements		financial statements		Transfer pricing policy
	2011	2010	2011	2010	(For the year 2011)
Transactions occurred during the years (continued)					
Associated companies					
Purchase of investment in subsidiary company	-	161	-	-	
Purchase of debt securities	80	350	-	-	At market price
Sales of debt securities	384	17,046	-	-	At market price
Sales of investment in a subsidiary company (2010: gain Baht 27 million)	-	213	-	-	
Interest income	369	199	-	-	At interest rate of 0.75 - 7.25 percent per annum
Dividend income	-	-	94	90	As declared
Fee and service income	7	13	-	-	At the rate agreed under the contract
Other income	-	3	-	-	
Interest expenses	82	70	-	-	At interest rate of 0.25 - 4.25 and 5.25 percent per annum
Rental expenses	45	42	-	-	At the rate agreed under the contracts
Insurance premium/life insurance premium expenses	1	4	-	-	At the rate agreed under the contract
Other expenses	12	13	32	31	
Dividend paid	52	40	156	143	As declared

(Unit: Million Baht)

	For the years ended 31 December				
	Consolidated		Separate		
	financial statements		financial statements		Transfer pricing policy
	2011	2010	2011	2010	(For the year 2011)
<u>Transactions occurred during the years (continued)</u>					
Related companies					
Purchase of investment in subsidiary company	-	6,228	-	-	
Purchase of debt securities	1,139	3,229	-	-	At market price
Sales of debt securities	562	3,137	-	-	At market price
Sales of fixed assets and other assets (2010: gain Baht 78 million in the consolidated financial statement and gain Baht 85 million in the separate financial statement)	-	266	-	208	
Sales of property foreclosed (2010: gain Baht 29 million)	-	373	-	-	
Purchase/sales of forward exchange contracts (2011: loss Baht 114 million 2010: loss Baht 9 million)	443,694	179,266	-	-	At market price
Interest income	659	284	-	-	At interest rate of 0.05 - 8.69 percent per annum
Dividend income	57	70	24	24	As declared
Insurance premium/life insurance premium income	4	-	-	-	At the rate agreed under the contract
Other income	40	55	-	2	
Interest expenses	431	300	1	8	At interest rate of 0.125 - 6.10 and 7.40 - 8.60 percent per annum
Rental expenses	123	116	-	-	At the rate agreed under the contracts
Fee and service expenses	1	91	-	3	At the rate agreed under the contracts
Project management expenses	65	58	27	29	At the contract price calculated by reference to estimated usage time
Insurance premium/life insurance premium expenses	-	125	-	-	
Other expenses	23	34	3	10	
Dividend payment	1,113	558	-	-	As declared

In addition to the transactions mentioned above, during the year ended 31 December 2011, SCIB transferred non-performing loans and properties foreclosed to TS Asset Management Co., Ltd., and transferred loans and all of its assets to Thanachart Bank, which all of them are subsidiary companies in the group. The transfer prices are mutually agreed with reference to financial advisors have opinion that they are fair values as described in note 2.4 and 2.5 to the financial statements

The outstanding balances of the above transactions during the years ended 31 December 2011 and 2010 have been shown at the average balance at the end of each month as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Subsidiary companies</u>				
Interbank and money market items (assets)	-	-	212	377
Loans to customers	-	-	1,000	1,316
Interbank and money market items (liabilities)	-	-	1	2
Debt issued and borrowings	-	-	39	93
<u>Associated companies</u>				
Loans to customers	7,513	5,757	-	-
Deposits	292	436	-	-
Debt issued and borrowings	2,468	1,930	-	-
<u>Related companies</u>				
Interbank and money market items (assets)	1,296	2,896	8	21
Loans to customers	17,889	11,551	-	-
Deposits	1,166	4,465	-	-
Interbank and money market items (liabilities)	7,581	6,592	-	-
Debt issued and borrowings	7,527	3,841	46	150

As at 31 December 2011 and 2010, the significant outstanding balances of the above transactions are as follows:

(Unit: Million Baht)

Consolidated financial statements								
2011								
Assets				Liabilities				
Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
Associated companies								
MBK Plc.	-	-	10	93	-	1,500	20	-
Siam Samsung Life Insurance Co., Ltd.	-	-	-	26	-	100	-	-
Related companies								
Seacon Development Plc.	-	591	1	-	-	-	-	-
Thai Hua Rubber Plc.	-	1,993	-	195	-	150	1	10
Synphaet Co., Ltd.	-	796	-	9	-	-	-	-
The Bank of Nova Scotia	1,123	-	25	-	7,933	3,494	102	2,580
Srithai Superware Plc.	-	577	-	15	-	-	-	76
Krungthai Card Plc.	-	582	3,533	7	-	-	-	-
Chaimongkol Refinery Co., Ltd.	-	-	2,471	-	-	-	-	3
Other related companies	-	-	1,325	194	744	35	932	318
	1,123	582	11,286	230	1,089	7,968	6,176	441
								2,975

(Unit: Million Baht)

Consolidated financial statements								
2010								
Assets				Liabilities				
Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
Associated companies								
MBK Plc.	-	-	11	144	-	1,800	18	30
Ratchthani Leasing Plc.	-	6,503	-	37	-	-	-	-
Siam Samsung Life Insurance Co., Ltd.	-	-	-	98	-	-	-	-
Siam City Insurance Co., Ltd.	-	-	-	98	-	-	-	-
Related companies								
Seacon Development Plc.	-	736	1	1	-	-	-	58
Thai Hua Rubber Plc.	-	1,777	-	191	-	150	1	6
Krung Thai IBJ Leasing Co., Ltd.	-	593	-	-	-	-	-	-
Advanced Info Service Plc.	-	244	6	2,041	-	200	39	19
Synphaet Co., Ltd.	-	654	-	9	-	-	-	28
Government Savings Bank	4,057	-	-	-	30	650	225	-
The Bank of Nova Scotia	436	-	2	-	6,853	3,494	76	1,458
Krungthai Card Plc.	-	964	6	4	-	-	-	-
Wangkanai Sugar Co., Ltd.	-	1,658	-	15	-	-	-	48
Chaimongkol Refinery Co., Ltd.	-	2,840	-	95	-	-	-	3
Srithai Superware Plc.	-	446	-	50	-	-	-	6
Other related companies	341	175	1,277	41	820	37	730	20
	4,834	1,383	25,852	67	3,603	6,920	7,024	379
								1,877

(Unit: Million Baht)

Separate financial statements

2011									
Assets					Liabilities				
Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Subsidiary companies									
Thanachart Bank Plc.	68	3,643	-	86	-	-	-	19	-
NFS Asset Management Co., Ltd.	-	-	1,000	1	-	-	-	-	-
Thanachart Securities Plc.	-	-	-	3	-	-	-	5	-
Thanachart Insurance Co., Ltd.	-	-	-	1	-	-	-	-	-
National Leasing Co., Ltd.	-	-	-	-	-	-	-	17	-
Associated company									
MBK Plc.	-	-	-	1	-	-	-	9	-
	68	3,643	1,000	92	-	-	-	50	-

(Unit: Million Baht)

Separate financial statements

2010									
Assets					Liabilities				
Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Subsidiary companies									
Thanachart Bank Plc.	56	3,636	-	72	-	-	622	-	-
NFS Asset Management Co., Ltd.	-	-	1,000	-	-	-	-	-	-
Thanachart Life Assurance Co., Ltd.	-	-	-	-	-	45	-	-	-
National Leasing Co., Ltd.	-	-	-	-	-	-	22	-	-
Other subsidiary companies	1	-	-	4	-	-	5	-	-
Associated company									
MBK Plc.	-	-	-	1	-	-	8	-	-
Related companies									
Other related companies	20	-	-	1	-	151	3	-	-
	77	3,636	1,000	78	-	196	660	-	-

As at 31 December 2011 and 2010, the Company has loan to subsidiary as described in note 12.11 to the financial statements.

As at 31 December 2011, the Company and its subsidiaries have investments amounting to Baht 1,172 million (Baht 469 million in the separate financial statements) in related companies in which they are related by means of members of their management being shareholders and/or directors of those companies (2010: Baht 1,052 million in the consolidated financial statements and Baht 451 million in the separate financial statements).

As at 31 December 2011 and 2010, the Company and its subsidiaries have the following related parties transactions with executive employees of the Company and companies within Thanachart Group from management level up, including related persons who together with these employees:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Loans	49	59	-	-
Deposits	535	487	-	-

Directors and management's remuneration

During the years 2011 and 2010, the Company and its subsidiaries recorded the following benefits to their key management personnel, including directors:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Short-term employee benefits	680	581	80	85
Post-employment benefits	12	-	2	-
Termination benefit	26	-	-	-
	<u>718</u>	<u>581</u>	<u>82</u>	<u>85</u>

44. Financial information by segment

44.1 Financial position and results of operations classified by business transaction

The financial position as at 31 December 2011 and 2010, and the results of operations for the years then ended, classified by domestic and foreign operations, are as follow:

(Unit: Million Baht)

Consolidated financial statements				
2011				
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	1,032,972	15,245	(153,060)	895,157
Interbank and money market items (assets)	106,848	8,066	(51,682)	63,232
Investments	153,026	7,132	(7,647)	152,511
Investments in subsidiary and associated companies	74,150	-	(72,477)	1,673
Loans to customers and accrued interest receivables	630,228	-	(19,430)	610,798
Deposits	471,618	-	(35,753)	435,865
Interbank and money market items (liabilities)	78,910	15,010	(33,769)	60,151
Debt issued and borrowings	271,446	-	(8,793)	262,653

(Unit: Million Baht)

Consolidated financial statements				
2010				
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	977,150	10,758	(105,151)	882,757
Interbank and money market items (assets)	98,208	196	(13,299)	85,105
Investments	135,443	10,505	(572)	145,376
Investments in subsidiary and associated companies	108,843	-	(106,604)	2,239
Loans to customers and accrued interest receivables	584,888	-	(2,245)	582,643
Deposits	532,973	-	(591)	532,382
Interbank and money market items (liabilities)	43,894	10,291	(13,640)	40,545
Debt issued and borrowings	189,615	-	(4,898)	184,717

(Unit: Million Baht)

Consolidated financial statements

	2011			
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	45,713	218	(1,512)	44,419
Interest expenses	(21,346)	(37)	1,279	(20,104)
Net interest income	24,367	181	(233)	24,315
Net fee and service income	4,743	(4)	(1,367)	3,372
Net insurance/Life insurance income	896	-	1,231	2,127
Other operating income	15,907	39	(10,015)	5,931
Other operating expenses	(23,024)	-	1,264	(21,760)
Impairment loss of loans and debt securities	(2,086)	-	9	(2,077)
Income tax	(3,044)	-	(92)	(3,136)
Income before non-controlling interests	17,759	216	(9,203)	8,772

(Unit: Million Baht)

Consolidated financial statements

	2010			
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	35,676	274	(923)	35,027
Interest expenses	(12,443)	(47)	492	(11,998)
Net interest income	23,233	227	(431)	23,029
Net fee and service income	4,045	-	(1,164)	2,881
Net insurance/Life insurance income	1,447	-	904	2,351
Other operating income	10,344	15	(4,712)	5,647
Other operating expenses	(17,840)	(3)	734	(17,109)
Impairment loss of loans and debt securities	(1,681)	-	28	(1,653)
Income tax	(5,473)	-	629	(4,844)
Income before non-controlling interests	14,075	239	(4,012)	10,302

The financial position as at 31 December 2011 and 2010 and the results of operations for the years then ended, per separate financial statements, are the result of domestic operations only.

44.2 Financial positions and results of operations classified by business type

The Company and its subsidiaries' business operations involve 6 principal segments: (1) Company; (2) Banking business; (3) Asset management; (4) Securities business; (5) Life insurance business; and (6) Non-life insurance business. Below is the consolidated financial information of the Company and its subsidiaries by segment.

(Unit: Million Baht)

For the year ended 31 December 2011									
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interest income	433	43,226	468	194	1,143	122	308	(1,475)	44,419
Interest expenses	(613)	(20,440)	(157)	(17)	-	-	(119)	1,242	(20,104)
Net interest income	(180)	22,786	311	177	1,143	122	189	(233)	24,315
Net fee and service income	10	3,946	6	504	(16)	(5)	294	(1,367)	3,372
Net insurance income	-	-	-	-	(317)	1,213	-	1,231	2,127
Other operating income	1,966	11,388	372	1,359	501	44	316	(10,015)	5,931
Other operating expenses	(336)	(19,604)	(189)	(1,397)	(467)	(636)	(395)	1,264	(21,760)
Impairment loss of loans and debt securities	176	(2,706)	481	-	-	-	(37)	9	(2,077)
Income tax	(1)	(1,873)	(235)	(170)	(426)	(255)	(84)	(92)	(3,136)
Income before non-controlling interest	1,635	13,937	746	473	418	483	283	(9,203)	8,772

(Unit: Million Baht)

For the year ended 31 December 2010									
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interest income	426	33,961	187	129	829	60	310	(875)	35,027
Interest expenses	(704)	(11,652)	(43)	(5)	-	-	(38)	444	(11,998)
Net interest income	(278)	22,309	144	124	829	60	272	(431)	23,029
Net fee and service income	48	3,242	5	547	(119)	(4)	326	(1,164)	2,881
Net insurance income	-	-	-	-	579	868	-	904	2,351
Other operating income	4,132	3,766	334	1,503	312	52	260	(4,712)	5,647
Other operating expenses	(387)	(14,642)	(110)	(1,437)	(379)	(474)	(414)	734	(17,109)
Impairment loss of loans and debt securities	70	(2,158)	353	-	-	-	54	28	(1,653)
Income tax	(767)	(3,577)	(157)	(216)	(443)	(208)	(105)	629	(4,844)
Income before non-controlling interest	2,818	8,940	569	521	779	294	393	(4,012)	10,302

(Unit: Million Baht)

As at 31 December 2011									
	The	Banking	Asset	Securities	Life	Non-life	Other		
	Company	business	management	business	insurance	insurance	business	Eliminations	Consolidated
Interbank and money									
market items	76	97,346	962	376	359	233	411	(36,531)	63,232
Investments	5,657	114,541	1,655	223	32,814	4,776	492	(7,647)	152,511
Investments in									
subsidiary and									
associated									
companies	31,598	40,842	-	667	678	303	62	(72,477)	1,673
Loans to customers									
and accrued interest									
receivable - net	1,087	604,770	9,226	1,953	99	-	13,093	(19,430)	610,798
Land, premises and									
equipment - net	55	8,365	1	54	155	106	62	17	8,815
Other assets	2,170	46,572	5,992	966	798	3,290	181	(1,841)	58,128
Total assets	40,643	912,436	17,836	4,239	34,903	8,708	14,301	(137,909)	895,157

(Unit: Million Baht)

As at 31 December 2010									
	The	Banking	Asset	Securities	Life	Non-life	Other		
	Company	business	management	business	insurance	insurance	business	Eliminations	Consolidated
Interbank and money									
market items	89	84,277	256	1,684	1,263	130	221	(2,815)	85,105
Investments	7,526	103,226	1,061	767	28,794	3,967	607	(572)	145,376
Investments in									
subsidiary and									
associated									
companies	31,623	75,272	-	763	776	347	62	(106,604)	2,239
Loans to customers									
and accrued interest									
receivable - net	1,049	579,541	1,202	1,345	58	-	1,693	(2,245)	582,643
Land, premises and									
equipment - net	124	8,731	1	79	128	19	29	-	9,111
Other assets	2,233	31,498	2,999	2,034	703	1,126	122	17,568	58,283
Total assets	42,644	882,545	5,519	6,672	31,722	5,589	2,734	(94,668)	882,757

45. Encumbrance of assets

As at 31 December 2011 and 2010, the Company and its subsidiaries have the following encumbrance assets, presented at book value as follow:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Investment in securities				
Placed at insurance registrar	7,448	6,214	-	-
Placed at court	20	283	-	-
Placed for derivatives agreements	-	190	-	-
Placed for electricity usage	-	13	-	-
Property foreclosed				
Immovable assets subject to buyback options or first refusal rights	969	525	-	-
Immovable assets subject to purchase or sell agreements with clients but currently being settled in installments or through transfer of ownership	1,483	1,707	102	85
	9,920	8,932	102	85

46. Commitments and contingent liabilities

As at 31 December 2011 and 2010, significant commitments and contingent liabilities consisted of:

46.1 Commitments

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Aval to bills	386	654	-	-
Guarantees of loans	1,230	422	-	-
Liability under unmatured import bills	1,105	571	-	-
Letter of credits	2,626	2,456	-	-
Other obligations				
Committed (but not draw) overdraft	28,549	45,740	-	-
Others	21,405	24,235	1	1
Total	55,301	74,078	1	1

In addition, the Company and its subsidiaries have commitments in respect of foreign exchange contracts, interest rate swap contracts, cross currency and interest rate swap contracts and gold futures, as mentioned in Note 9 to the financial statements.

46.2 During the years 2001 and 2003, the Company and its subsidiaries entered into agreements to transfer non-performing loans and receivables of approximately Baht 3,409 million to TAMC. The Company and its subsidiaries are still jointly liable for a share of the gains and losses arising from TAMC's management of these non-performing assets to be calculated at the end of the fifth year and tenth year, counting from 1 July 2001. If there are losses, the Company and its subsidiaries are liable for all initial losses up to 20 percent of the transfer price, while further losses of up to another 20 percent of the transfer price are to be shared equally between the Company and its subsidiaries and TAMC, and TAMC is liable for all remaining losses. Such gains and losses will be determined based on the accumulated value of collections made on the assets at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the loans and receivables. The gain or loss cannot be estimated at this stage, but as at 31 December 2011, the Company and its subsidiaries have estimated their share of the losses which may arise from the management of the non-performing assets at approximately Baht 383 million (separate financial statements: Baht 183 million). This amount has been presented as a part of provisions for liabilities in the statements of financial position.

46.3 The Company and Thanachart Bank have entered into agreements to sell housing loans/transfer rights to the Secondary Mortgage Corporation, under which it is committed to compensate the Corporation for losses from uncollected housing loans up to a maximum of 20 percent of the valuation of the said receivables. As at 31 December 2011, its maximum obligation is Baht 3 million in consolidated financial statement (separate financial statements: Baht 1 Million).

46.4 As at 31 December 2011, the Company and its subsidiaries have commitments to pay the service fees in relation to property foreclosed, computer system services and other services, including commitments in respect of office rental and related service fees under long-term rental contracts, as follow:

Year	(Unit: Million Baht)		
	Consolidated	Separate	
	financial statements	financial statements	
	Other companies	Other companies	Subsidiaries
2012	1,728	7	5
2013	1,273	1	5
2014 onward	4,057	3	8

In addition, the Company have obligations to pay an administrative fee to a subsidiary company, determined at actual cost plus a margin, for the period stipulated in the agreement.

46.5 Commitments of SCIB from transfer of business from Bangkok Metropolitan Bank Public Company Limited and transfer of non-performing assets to Sukhumvit Asset Management Company Limited

SCIB entered into a business transfer agreement with Bangkok Metropolitan Bank Plc. (“BMB”), effective from 1 April 2002, and transferred its assets and those of BMB to Petchburi Asset Management Co., Ltd. (“PAM”), before they were transferred to Sukhumvit Asset Management Co., Ltd. (“SAM”). Subsequently, SCIB transferred its entire business, including commitments and agreements with PAM and SAM, to Thanachart Bank, effective from 1 October 2011. Thanachart Bank thus has commitments as a result of such transfer. However, the commitments of FIDF to SCIB have been transferred to/assumed by Thanachart Bank as the purchaser of SCIB’s shares from FIDF. As at 31 December 2011, outstanding obligations are summarised below.

- a) There was an outstanding difference of Baht 93 million, as a result of the transfer of assets to SAM. These comprised receivables awaiting collection and the difference is presented under the caption of “Differences as a result of assets transferred to SAM” in the statements of financial position. Such amounts mainly relate to transfers of guarantee claims, for which there are pending issues with regard to proof the rights of claim or the assets transferred being qualified in accordance with of the conditions set out in the transfer agreements. Such differences are now being examined and/or negotiated among Thanachart Bank, SAM and the FIDF for final resolution.

As at 31 December 2011, such differences consist of (i) Baht 10 million of transactions incurred directly by SCIB, for which full allowance for doubtful debts has been set aside, and (ii) Baht 83 million of transactions incurred by BMB. If losses arise on the latter and collection cannot be made from SAM, the FIDF will consider compensating for all losses from (ii). Thanachart Bank’s management believes that no significant further losses will arise since the transfers of those assets corresponded to the principles of the agreements made among SCIB, BMB and SAM and the agreement given by FIDF.

- b) SAM is re-examining certain previously transferred assets (both of SCIB and BMB) in order to determine whether to transfer the assets back, to request price adjustments or to request settlement together with interest. The major pending issue relates to the proof of rights of claim over these assets.

As at 31 December 2011, the transferred assets which SAM is re-examining totaling Baht 370 million consist of (i) Baht 28 million of transactions incurred directly by SCIB, for which full allowance for doubtful loss has been set aside under the caption of "Provision for liabilities" in the statements of financial position, and (ii) Baht 342 million of transactions incurred by BMB. If losses arise from (ii), Thanachart Bank will receive compensation for loss from FIDF and any adjusting transactions will be within the limit of the funds set aside by FIDF to compensate losses in such cases, amounting to approximately Baht 258 million. In addition, SAM is now negotiating with Thanachart Bank to request interest payment on the assets transferred back, or a price adjustment.

- c) Lawsuits in which SCIB is involved as a result of the transfer of business from BMB amounting to approximately Baht 11,280 million, as disclosed under contingent liabilities in Note 47 to the financial statements.
- d) Outstanding letters of guarantee.

The FIDF deposited an amount equal to the loss compensation limit with Thanachart Bank in the FIDF's account. Such deposit account is to compensate for losses incurred as a result of the transfer of business from BMB, if such losses are actually incurred due to the outstanding issues described in a), b), c) and d) above. As at 31 December 2011, the deposit account of the FIDF with Thanachart Bank to fund the payment of compensation for losses has an outstanding balance of approximately Baht 791 million. In addition, there is a memorandum of agreement concerning conditions for additional loss compensation if Thanachart Bank incurs losses in relation to the two lawsuits discussed in c), with claims totaling Baht 9,965 million.

However, Thanachart Bank and SAM had a meeting and mutually agreed a resolution to such pending issues. Thanachart Bank believes that no significant further losses will be incurred, other than losses for which it has already set aside full allowance for doubtful debts and/or amount that will compensate by FIDF.

46.6 Commitments arising from sale of ordinary shares of Siam City Securities

As a result of the sale of all ordinary shares of Siam City Securities in August 2011, SCIB is obligated to pay compensation to indemnify the buyer from pending lawsuits including litigation in which Siam City Securities is pursuing collection of debt amounts and/or future litigation which made claims against its debtor that arose before the disposal date of such shares. Moreover, SCIB undertakes to compensate the buyer for any expenses incurred whenever the buyer or Siam City Securities provide SCIB with written notification of reasons for such compensation, together with evidence, for up to 3 years from the share transfer date. Such commitment of SCIB has transferred to Thanachart Bank at the date of the entire business transfer. However, Thanachart Bank's management believes that no further losses will be incurred.

47. Litigation

As at 31 December 2011, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 24,667 million (separate financial statements: Baht 624 million) in respect of litigation. However, the Company and its subsidiaries' management have already made certain provision for contingency losses, and for the remaining portion the management believes that no losses will result and therefore no liabilities are currently recorded.

Part of the contingent liabilities of the litigation mentioned above in the consolidated financial statements amounting to Baht 22,446 million represents claims filed against SCIB as defendant or co-defendant in lawsuits. These comprise both lawsuits directly involving SCIB and obligations arising as a result of the transfer of business from BMB; (i) Baht 11,166 million relates to SCIB's own lawsuits, with Baht 8,594 million of this amount relating to a tort case in which the actual loss is only Baht 202 million. The Court of First Instance has already ordered the case be dismissed and it is in the process of being reviewed by the Supreme Court. The total sum of claims in cases relating directly to SCIB's business, after deducting this tort case, is thus Baht 2,572 million; and (ii) The remaining portion of Baht 11,280 million represents cases in which SCIB is involved as a result of the transfer of business from BMB, and for which SCIB is entitled to compensation for actual losses incurred if such losses are in accordance with the conditions agreed with the FIDF (Baht 9,586 million of this amount relates a single case brought by a debtor that BMB had already transferred to SAM before SCIB received the transfer of business from BMB, and SCIB believes that the lawsuit has been brought against the wrong party, and not SCIB's responsibility, SCIB's management believes that SCIB has no liability in respect of such case.). SCIB had already made provisions for contingent liabilities totaling Baht 62 million for those lawsuits under (i) above where the Court of First Instance has already judged in favor of the plaintiff. SCIB's management believes that there will be no significant future losses as a result of the remaining cases. However, all contingent liabilities and provisions for contingent liabilities were transferred from SCIB to Thanachart Bank at the date of the entire business transfer.

In addition, SCIB was requested to make restitution as a result of a person forging SCIB's documents and using such counterfeit documents. However, SCIB has already filed a complaint against the person who produced and used counterfeit documents so as to proceed with a legal action. SCIB believes that no liability will arise from such restitution claim.

48. Letter of guarantees

As at 31 December 2011, the Company and its subsidiaries had letter of guarantees issued by the Company and its subsidiaries, amounting approximately Baht 24 million, placed for electricity usage of the branches (separate financial statements: Baht 1 million).

49. Financial instruments

Financial instruments are any contracts which give rise to both a financial assets of one enterprise and a financial liability or equity instruments of another enterprise.

49.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to fulfill an obligation, causing the Company and its subsidiaries to incur a financial loss. The amount of maximum credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the statements of financial position and the risk of commitments from avals, guarantees of loans, other guarantees and derivative contracts.

In addition, the Company and its subsidiaries manage credit risk by the means of careful consideration of credit approval process, analysis of risk factors and, the ability to service debt of customers, and a credit review process, which examines and reviews the quality of the loan portfolio so as to prevent and provide a remedy for problem loans in the future.

49.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Company and its subsidiaries' foreign currency position and investment status. As such, market risk consists of interest rate risk, foreign exchange risk and equity position risk.

a) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate as a result of changes in market interest rates.

The Company and its subsidiaries manage the changes in interest rate risk by means of an appropriate structuring of holdings in assets and liabilities with different repricing dates, taking into account the direction of market interest rates, in order to generate a suitable yield while maintaining risk at acceptable levels. Such management is under the supervision of the Asset and Liabilities Management Committee.

As at 31 December 2011 and 2010, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Consolidated financial statements				
Transactions	2011			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	16,006	16,006
Interbank and money market items	23,022	32,178	8,146	63,346
Derivatives assets	-	-	1,536	1,536
Investments	1,658	138,044	12,291	151,993
Investments in associated companies	-	-	1,673	1,673
Loans to customers ⁽¹⁾	315,064	321,952	248	637,264
Receivable from purchase and sale securities and derivatives	-	-	858	858
Other assets - receivable from clearing house	-	-	25	25
<u>Financial liabilities</u>				
Deposits	174,373	255,804	5,688	435,865
Interbank and money market items	7,420	51,274	1,457	60,151
Liabilities payable on demand	-	-	2,131	2,131
Derivatives liabilities	-	-	2,886	2,886
Debt issued and borrowings	-	262,653	-	262,653
Payable from purchase and sale securities and derivatives	-	-	851	851
Other liabilities - payable from clearing house	-	-	306	306

(1) The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

(Unit: Million Baht)

Consolidated financial statements				
Transactions	2010			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets				
Cash	-	-	15,298	15,298
Interbank and money market items	1,176	77,560	6,496	85,232
Derivatives assets	-	-	3,117	3,117
Investments	7,613	124,310	12,503	144,426
Investments in associated companies	-	-	2,239	2,239
Loans to customers ⁽¹⁾	255,679	353,820	345	609,844
Receivable from purchase and sale securities and derivatives	-	-	2,007	2,007
Other assets - receivable from clearing house	-	-	391	391
Financial liabilities				
Deposits	185,103	341,358	5,921	532,382
Interbank and money market items	7,149	31,424	1,972	40,545
Liabilities payable on demand	-	-	3,127	3,127
Derivatives liabilities	-	-	941	941
Debt issued and borrowings	3,996	180,699	22	184,717
Payable from purchase and sale securities and derivatives	-	-	4,054	4,054
Other liabilities - payable from clearing house	-	-	98	98

(1) The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

(Unit: Million Baht)

Separate financial statements				
Transactions	2011			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets				
Interbank and money market items	57	-	19	76
Investments	929	4,183	427	5,539
Investments in subsidiary and associated companies	-	-	31,614	31,614
Loans to customers ⁽¹⁾	1,110	214	13	1,337
Receivable from purchase and sale securities and derivatives	-	-	1	1
Financial liabilities				
Debt issued and borrowings	-	12,000	-	12,000

(1) The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

(Unit: Million Baht)

Separate financial statements				
Transactions	2010			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets				
Interbank and money market items	46	-	43	89
Investments	1,002	5,927	526	7,455
Investments in subsidiary and associated companies	-	-	31,639	31,639
Loans to customers ⁽¹⁾	1,113	395	37	1,545
Financial liabilities				
Debt issued and borrowings	-	13,500	-	13,500
Payable from purchase and sale securities and derivatives	-	-	604	604

(1) The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

With respect to financial instruments that carry fixed interest rates, the periods from the financial statements date to the repricing or maturity date (whichever is the earlier) are presented below:

(Unit: Million Baht)

Consolidated financial statements							
Transactions	2011						
	Repricing or maturity date					Total	Weighted average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Interbank and money market items	-	29,523	2,655	-	-	32,178	1.27 - 2.49
Investments	-	16,909	46,452	57,902	16,781	138,044	3.19 - 5.01
Loans to customers (include intercompany gain on loan transferred)	3,845	22,242	15,442	212,310	68,113	321,952	8.10 - 9.82
<u>Financial liabilities</u>							
Deposits	89	169,398	77,913	8,404	-	255,804	3.12
Interbank and money market items	13,458	32,220	5,379	217	-	51,274	2.16
Debt issued and borrowings	999	133,517	99,416	28,700	21	262,653	3.99 - 4.75

(Unit: Million Baht)

Consolidated financial statements							
2010							
Transactions	Repricing or maturity date					Total	Weighted average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Percent							
Financial assets							
Interbank and money market items	147	76,912	501	-	-	77,560	1.75 - 2.21
Investments	-	26,746	27,245	47,320	22,999	124,310	1.74 - 4.56
Loans to customers (include intercompany gain on loan transferred)	7,257	48,148	40,785	198,504	59,126	353,820	5.48 - 7.60
Financial liabilities							
Deposits	53	193,903	125,714	21,688	-	341,358	1.65 - 1.98
Interbank and money market items	7,232	19,710	3,076	1,406	-	31,424	1.52 - 1.55
Debt issued and borrowings	1	109,246	36,234	35,185	33	180,699	2.66 - 4.59

(Unit: Million Baht)

Separate financial statements

2011							
Transactions	Repricing or maturity date					Total	Weighted average interest rates Percent
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Investments	-	520	3,636	27	-	4,183	7.90
Loans to customers	214	-	-	-	-	214	8.67
<u>Financial liabilities</u>							
Debt issued and borrowings	-	-	-	12,000	-	12,000	4.51

(Unit: Million Baht)

Separate financial statements

2010							
Transactions	Repricing or maturity date					Total	Weighted average interest rates Percent
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Investments	-	1,973	3,944	10	-	5,927	5.21
Loans to customers	285	15	95	-	-	395	8.18
<u>Financial liabilities</u>							
Debt issued and borrowings	-	-	1,500	12,000	-	13,500	4.59

In addition, the average balances of the financial assets and liabilities of the Company and its subsidiaries generating revenues and expenses, calculated based on the average balances outstanding during the year, and the average interest rate for the years ended 31 December 2011 and 2010 can be summarised as follows:

(Unit: Million Baht)

Consolidated financial statements						
For the years ended 31 December						
	2011			2010		
	Average balances	Interest	Average rate (%)	Average balances	Interest	Average rate (%)
<u>Interest bearings financial assets</u>						
Interbank and money market items	65,322	2,237	3.43	78,136	1,057	1.65
Investments and trading operations	5,773	86	1.49	6,118	90	1.84
Investment in debt securities	136,917	4,143	3.03	139,696	3,666	2.93
Loans/hire purchase and finance leases	668,147	37,953	5.72	539,588	30,214	6.24
<u>Interest bearings financial liabilities</u>						
Deposits	447,692	10,924	2.44	538,339	7,867	1.67
Interbank and money market items	56,784	1,288	2.27	47,274	511	1.25
Debt issued and borrowings	224,707	7,892	3.51	141,955	3,620	2.71

(Unit: Million Baht)

Separate financial statements						
For the years ended 31 December						
	2011			2010		
	Average balances	Interest	Average rate (%)	Average balances	Interest	Average rate (%)
<u>Interest bearings financial assets</u>						
Interbank and money market items	138	2	1.36	364	5	1.46
Investments and trading operations	48	3	5.38	27	2	5.27
Investment in debt securities	6,063	350	5.77	12,024	336	2.80
Loans/hire purchase and finance leases	1,038	78	7.57	1,770	83	4.68
<u>Interest bearings financial liabilities</u>						
Interbank and money market items	1	-	1.52	2	-	0.67
Debt issued and borrowings	13,269	613	4.60	15,845	704	4.43

b) Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may result in changes in the value of financial instruments, and fluctuations in revenues or the values of financial assets and liabilities.

Since the Company and its subsidiaries have foreign exchange transactions, it may be exposed to foreign exchange risk. However, the Company and its subsidiaries have a policy to mitigate this foreign exchange exposure through management of its net exchange position and operation in accordance with a risk management policy which has been approved by their Board of Directors and is in strict accordance with BOT guidelines.

The status of subsidiaries' foreign currency balances as at 31 December 2011 and 2010 can be summarised as follows:

(Unit: Million Baht)

Consolidated financial statements					
2011					
	US Dollar	Euro	Yen	Won	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	618	396	292	-	383
Interbank and money market items	14,987	119	128	-	498
Derivative assets	5	-	-	-	-
Investments	11,192	599	3,036	549	12,365
Loans to customers	13,186	234	486	-	101
Other assets	458	1	17	-	49
Total assets	40,446	1,349	3,959	549	13,396
Deposits	104	21	1	-	117
Interbank and money market items	8,602	-	-	-	-
Derivatives liabilities	13	-	-	-	-
Total liabilities	8,719	21	1	-	117
Net	31,727	1,328	3,958	549	13,279
<u>Foreign currency commitments</u>					
Guarantees of loans	920	-	310	-	-
Liability under unmatured import bills	368	34	118	-	5
Letter of credits	2,376	100	91	-	22
Others	984	48	1	-	27

(Unit: Million Baht)

	Consolidated financial statements				
	2010				
	US Dollar	Euro	Yen	Won	Others
<u>Foreign currency in the statements of</u>					
<u>financial position</u>					
Cash	234	213	119	1	191
Interbank and money market items	3,312	119	151	33	427
Investments	14,724	571	1,376	4,799	37
Loans to customers	11,350	289	30	-	54
Other assets	306	8	9	22	9
Total assets	29,926	1,200	1,685	4,855	718
Deposits	185	72	2	-	143
Interbank and money market items	8,119	24	-	-	-
Liability payable on demand	-	-	1	-	-
Other liabilities	1,763	-	9	-	-
Total liabilities	10,067	96	12	-	143
Net	19,859	1,104	1,673	4,855	575
<u>Foreign currency commitments</u>					
Guarantees of loans	36	22	-	-	-
Liability under unmatured import bills	305	29	56	-	32
Letter of credits	2,134	112	103	-	28
Others	4,506	25	-	-	19

In addition, subsidiaries have commitments from foreign currency exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts and other derivative contracts which have to pay or received repayment in foreign currency that the Company and its subsidiaries made for trading transactions or hedging transactions (banking book) as follow:

(Unit: Million Baht)

Consolidated financial statements					
2011					
	US Dollar	Euro	Yen	Won	Others
Foreign exchange contracts					
- Bought	32,441	1,002	386	-	552
- Sold	52,246	1,757	1,509	-	12,295
Cross currency and interest rate swap contracts					
- Bought	1,347	-	-	-	-
- Sold	11,235	615	2,835	548	1,610
Interest rate swap contracts					
- Bought	1,453	-	-	-	-
- Sold	1,453	-	-	-	-

(Unit: Million Baht)

Consolidated financial statements					
2010					
	US Dollar	Euro	Yen	Won	Others
Foreign exchange contracts					
- Bought	23,624	145	194	-	404
- Sold	30,779	754	721	-	1,090
Cross currency and interest rate swap contracts					
- Bought	6,874	-	-	-	-
- Sold	21,091	599	1,187	4,786	-
Interest rate swap contracts					
- Bought	916	-	-	-	-
- Sold	916	-	-	-	-

c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities which will result in fluctuations in revenue and the value of financial assets.

The Company and its subsidiaries have a policy to manage market risk by setting manageable limits on transactions, such as position limit and loss limits. The Risk Control Unit, which is separated from front office and back office functions, is responsible for control of risk and reporting on compliance with the various limits to the Board of Directors, related business unit and related management, in order to facilitate responsive risk management, under the supervision of the Investment Portfolio Committee.

49.3 Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries will be unable to liquidate their financial assets and/or procure sufficient funds to discharge their obligations in a timely manner, resulting in the Company and its subsidiaries incurring a financial loss.

The Company and its subsidiaries manage liquidity risk by means of appropriate structuring of short-term and long-term sources of capital. In addition, the Company and its subsidiaries have a policy to maintain liquidity to ensure that it has sufficient liquidity to meet both present and future requirements, under the supervision of the Asset and Liability Management Committee.

Counting from the financial position date, the periods to maturity of financial instruments held as at 31 December 2011 and 2010 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements				
	2011				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Cash	16,006	-	-	-	16,006
Interbank and money market items ⁽¹⁾	8,399	54,827	120	-	63,346
Derivatives assets	-	1,536	-	-	1,536
Investments	1,646	69,596	68,951	11,800	151,993
Investments in associated companies	-	-	-	1,673	1,673
Loans to customers ⁽²⁾	49,578	193,203	394,483	-	637,264
Receivable from purchase and sale securities and derivatives	-	858	-	-	858
Other assets - receivable from clearing house	-	25	-	-	25
<u>Financial liabilities</u>					
Deposits	176,458	249,818	9,589	-	435,865
Interbank and money market items	21,081	35,306	3,764	-	60,151
Liability payable on demand	2,131	-	-	-	2,131
Derivatives liabilities	-	2,886	-	-	2,886
Debt issued and borrowings	999	217,446	40,714	3,494	262,653
Payable from purchase and sale securities and derivatives	-	851	-	-	851
Other liabilities - payable from clearing house	-	306	-	-	306
<u>Commitments</u>					
Aval to bill	1	342	43	-	386
Guarantees of loans	-	1,230	-	-	1,230
Liability under unmatured import bills	624	481	-	-	1,105
Letter of credits	86	2,540	-	-	2,626
Other commitments	41,733	6,138	2,080	3	49,954

(1) The outstanding balances of interbank and money market items at call included the item for which have defaulted on the repayment.

(2) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Consolidated financial statements					
Transactions	2010				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Cash	15,298	-	-	-	15,298
Interbank and money market items ⁽¹⁾	7,429	77,682	121	-	85,232
Derivatives assets	-	3,117	-	-	3,117
Investments	1,773	51,949	83,986	6,718	144,426
Investments in associated companies	-	-	-	2,239	2,239
Loans to customers ⁽²⁾	65,207	183,423	361,214	-	609,844
Receivable from purchase and sale securities and derivatives	-	2,007	-	-	2,007
Other assets - receivable from clearing house	-	391	-	-	391
<u>Financial liabilities</u>					
Deposits	188,545	318,006	25,831	-	532,382
Interbank and money market items	16,162	22,917	1,466	-	40,545
Liability payable on demand	3,127	-	-	-	3,127
Derivatives liabilities	-	941	-	-	941
Debt issued and borrowings	11	136,308	44,904	3,494	184,717
Payable from purchase and sale securities and derivatives	-	4,054	-	-	4,054
Other liabilities - payable from clearing house	-	98	-	-	98
<u>Commitments</u>					
Aval to bill	13	585	56	-	654
Guarantees of loans	354	57	11	-	422
Liability under unmatured import bills	156	415	-	-	571
Letter of credits	156	2,280	20	-	2,456
Other commitments	56,107	9,407	2,513	1,948	69,975

(1) The outstanding balances of interbank and money market items at call included the item for which have defaulted on the repayment.

(2) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Transactions	Separate financial statements				
	2011				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets					
Interbank and money market items	76	-	-	-	76
Investments	929	527	20	4,063	5,539
Investments in subsidiary and associated companies	-	-	-	31,614	31,614
Loans to customers ⁽¹⁾	1,332	-	5	-	1,337
Receivable from purchase and sale securities and derivatives	-	1	-	-	1
Financial liabilities					
Debt issued and borrowings	-	-	12,000	-	12,000
Commitments					
Other commitments	1	-	-	-	1

(1) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Transactions	Separate financial statements				
	2010				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets					
Interbank and money market items	69	20	-	-	89
Investments	1,002	2,291	-	4,162	7,455
Investments in subsidiary and associated companies	-	-	-	31,639	31,639
Loans to customers ⁽¹⁾	1,437	102	6	-	1,545
Financial liabilities					
Debt issued and borrowings	-	1,500	12,000	-	13,500
Payable from purchase and sale securities and derivatives	-	604	-	-	604
Commitments					
Other commitments	1	-	-	-	1

(1) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

49.4 Fair value

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Company and its subsidiaries have estimated the fair value of financial instruments as follows:

a) Financial assets

The method used for determining the fair value depends upon the characteristics of the financial instruments. The fair values of most financial assets are presented at the amount stated in the statement of financial position, including cash, interbank and money market items, derivatives assets, receivable from purchase and sale securities and derivatives, receivables from clearing house and loans to customers. These financial assets have their fair value approximate to their respective carrying value since the values of these financial instruments are predominantly subject to market interest rates. Financial instruments with standard terms and conditions which are traded on an active and liquid market, such as investments, have their fair values determined by the quoted market price.

b) Financial liabilities

The fair values of financial liabilities, including deposits, interbank and money market items, liabilities payable on demand, derivatives liabilities, debt issued and borrowings, payable from purchase and sale securities and derivatives, and payable to clearing house are considered to approximate their respective carrying values for the same reasons as described above.

As at 31 December 2011 and 2010, the book value and fair value of financial instruments of the Company and its subsidiaries are as follow.

(Unit: Million Baht)

	Consolidated financial statements			
	2011		2010	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	16,006	16,006	15,298	15,298
Interbank and money market items	63,232	63,232	85,105	85,105
Derivatives assets	1,536	1,536	3,117	3,117
Investments	152,511	153,955	145,376	145,932
Investments in associated companies	1,673	1,673	2,239	2,239
Loans to customers	610,798	610,798	582,643	582,643
Receivables from purchase and sale securities and derivatives	858	858	2,007	2,007
Other assets - receivable from clearing house	25	25	391	391
<u>Financial liabilities</u>				
Deposits	435,865	435,865	532,382	532,382
Interbank and money market items	60,151	60,151	40,545	40,545
Liabilities payable on demand	2,131	2,131	3,127	3,127
Derivatives liabilities	2,886	2,886	941	941
Debt issued and borrowings	262,653	262,653	184,717	184,717
Payable from purchase and sale securities and derivatives	851	851	4,054	4,054
Other liabilities - payable from clearing house	306	306	98	98

(Unit: Million Baht)

	Separate financial statements			
	2011		2010	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Interbank and money market items	76	76	89	89
Investments	5,657	5,646	7,526	7,339
Investments in subsidiary and associated companies	31,598	31,598	31,623	31,623
Loans to customers	1,087	1,087	1,049	1,049
Receivables from purchase and sale securities and derivatives	1	1	-	-
<u>Financial liabilities</u>				
Debt issued and borrowings	12,000	12,000	13,500	13,500
Payable from purchase and sale securities and derivatives	-	-	604	604

49.5 Financial derivatives

The Company and its subsidiaries engage in financial derivatives activities as required in the normal course of their business to manage risk and to meet their clients' needs. These financial derivatives include foreign exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts, and gold futures contracts.

The Company and its subsidiaries have set a policy and limit to mitigate related risk, and require risk reporting for the various types of risk, as a control over financial derivative activities. The Company and its subsidiaries manage the credit risk associated with financial derivatives on the basis of the credit limits granted to customers in general. The same credit approval process that is used when granting loans to a customer is adopted for financial derivative customers, and so the Company and its subsidiaries are able to maintain risk at acceptable levels.

As at 31 December 2011 and 2010, the Company and its subsidiaries have financial derivatives for trading and hedging (banking book) as classified by their maturities as follows:

(Unit: Million Baht)

Consolidated financial statements						
	2011			2010		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought	34,382	-	34,382	24,367	-	24,367
- Sold	67,807	-	67,807	33,344	-	33,344
Cross currency and interest rate swap contracts						
- Bought	824	523	1,347	6,393	481	6,874
- Sold	9,598	7,245	16,843	14,574	13,089	27,663
Interest rate swap contracts						
- Paid fixed interest rate	2,692	3,953	6,645	500	15,480	15,980
- Paid floating interest rate	325	2,954	3,279	-	3,359	3,359
- Received fixed interest rate	325	2,954	3,279	-	3,359	3,359
- Received floating interest rate	2,692	3,953	6,645	500	15,480	15,980
Gold future contracts						
- Sold	641	-	641	-	-	-

50. Reclassification

The Company and its subsidiaries have reclassified certain amounts in the financial statements as at 31 December 2010 and for the year then ended to conform to the current year's classifications, in accordance with the revised format stipulated by the BOT, with no effect to previously reported net income or equity.

(Unit: Million Baht)

	31 December 2010			
	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Receivables from clearing house	-	391	-	-
Derivatives assets	3,117	-	-	-
Investment - net	144,993	142,929	7,526	7,344
Property foreclosed - net	12,856	11,970	2,056	2,056
Goodwill	13,671	16,620	-	-
Financial derivatives assets	-	3,117	-	-
Other assets - net	4,506	4,115	43	43
Payable to clearing house	-	98	-	-
Derivatives liabilities	-	941	-	-
Provisions for liabilities	822	781	194	11
Financial derivatives liabilities	941	-	-	-
Corporate income tax payable	-	2,404	-	1
Accrued expenses	-	3,070	-	26
Life insurance premium reserve	-	1,881	-	-
Other liabilities	15,314	7,901	153	126

(Unit: Million Baht)

	2010			
	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Interest income	35,027	-	426	-
Interest and dividend income	-	35,252	-	1,402
Interest expenses	11,998	10,083	704	701
Fee and service income	3,402	3,625	50	50
Fee and service expenses	520	239	2	2
Gains on trading and foreign exchange transactions	571	-	-	-
Gains on investments	523	895	2,339	2,311
Brokerage fees on trading of securities	-	1,329	-	-
Gains on foreign exchange and financial derivatives	-	376	-	-
Gains on disposal of property foreclosed and other assets	664	680	413	413
Gain on debt settlement/disposal	-	299	-	29
Other operating income	3,029	1,421	404	375
Dividend income	492	-	976	-
Contribution fee to the Deposit Protection Agency	-	1,915	-	-
Premises and equipment expenses	3,092	3,346	105	106
Other expenses	4,740	4,769	156	158
Impairment loss of loans and debt securities	1,653	-	70	-
Bad debts and doubtful accounts	-	1,689	-	98
Loss on debt restructuring	-	131	-	-

51. Events after the reporting period

On 20 February 2012, the Board of Directors of the Company passed a resolution to propose to the Annual General Meeting of Shareholders to approve the payment of a dividend of Baht 0.70 per share, or a total of Baht 894 million, to the ordinary and preference shareholders in respect of the operating profit for the second half of the year 2011.

52. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 20 February 2012.