



**Strengthening
for Growth**

Annual Report 2012

Thanachart Capital Public Company Limited

02	Financial Highlights
14	Message from the Chairman
16	Message from the Chairman of the Executive Committee and CEO
20	Management Discussion and Analysis
45	Nature of Business Operation
64	Risk Management and Risk Factors
75	Corporate Social Responsibility (CSR) Activities
80	Corporate Governance
103	Supervision and Management Structures
104	Board of Directors and Executives Management of the Company
119	Related Party Transactions
131	General Information
	Investment of the Company in Other Companies
	Company's References
	Structure of Major Shareholders
	Dividend Policy
	Companies in Thanachart Group
138	Report of the Nomination Committee
139	Report of the Remuneration Committee
140	Report of the Audit Committee
141	Responsibilities of the Board of Directors for Financial Report
142	Independent Auditor's Report
143	Financial Statements and Notes to Financial Statements

Six Strategic Intents for the Business Operation in 2013

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 Used and CYC segments.
4. We intend to grow deposit base in order to maintain and improve liquidity to be sufficient for supporting growth.
5. We intend to grow our loan market share in targeted segments.
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.



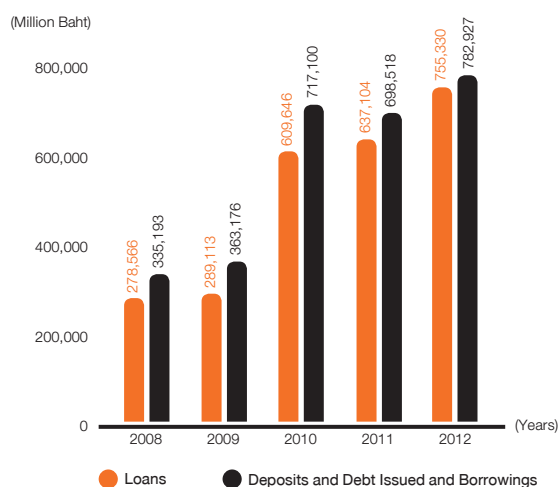
FINANCIAL HIGHLIGHTS

As at and for the year ended 31 December

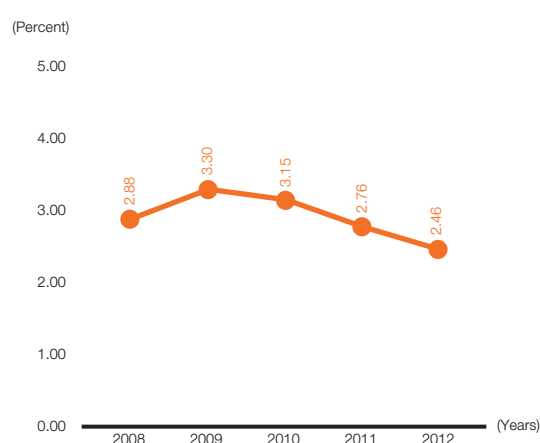
Consolidated

	2012	2011	2010	2009	2008
Operating Performance (Million Baht)					
Interest Income	49,999	44,258	35,027	22,112	21,413
Interest Expenses	25,765	19,943	11,998	7,964	10,329
Net Interest Income	24,234	24,315	23,029	14,148	11,084
Non-Interest Income	13,458	10,610	10,117	8,156	5,098
Net Operating Income ⁽¹⁾	37,692	34,925	33,146	22,304	16,182
Operating Expenses	22,578	20,940	16,347	9,291	8,247
Impairment Loss of Loans and Debt Securities	2,900	2,077	1,653	2,849	3,593
Profit for the Year	9,751	8,772	10,302	7,175	3,342
Net Profit of the Company	5,482	5,002	5,639	5,109	2,768
Profit Attributable to Non-controlling Interest	4,269	3,770	4,663	2,066	574
Operating Performance Ratio					
Basic Earnings per Share (Baht)	4.29	3.91	4.41	3.99	2.08
Return on Average Assets (ROAA) (percent)	1.04	1.00	1.41	1.77	0.93
Return on Average Equity (ROAE) (percent)	13.60	13.66	16.46	17.27	10.49
Interest Spread ⁽³⁾ (percent)	2.46	2.76	3.15	3.30	2.88
Cost to Income Ratio ⁽⁴⁾ (percent)	59.90	59.96	49.32	41.66	50.96
Financial Position (Million Baht)					
Loans	755,330	637,104	609,646	289,113	278,566
Total Assets	1,023,912	895,157	882,757	459,965	394,090
Deposits and Debt issued and Borrowings	782,927	698,518	717,100	363,176	335,193
Total Liabilities	940,122	819,476	811,038	412,558	361,729
Equity ⁽²⁾	42,772	38,259	36,092	33,323	26,592

Loans and Deposits and Debt Issued and Borrowings



Interest Spread



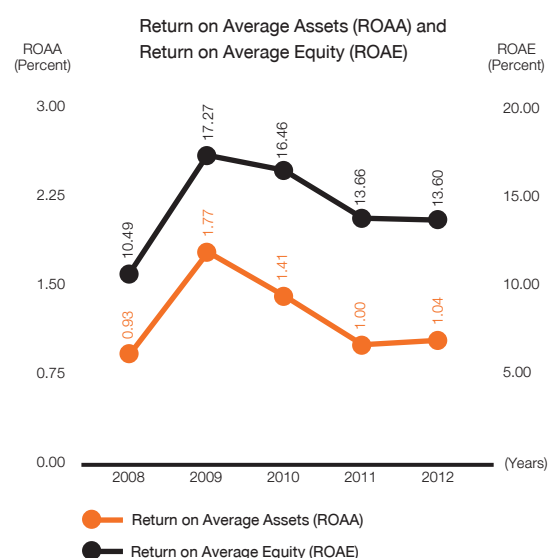
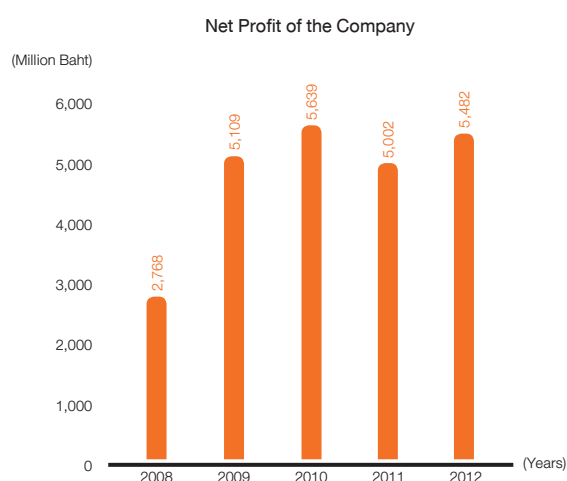
Notes: In 2012, the presentation of financial statements was revised to be in accordance with the Notification of the Bank of Thailand, Sor Nor 11/2010, Re: the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Business Group, dated 3 December 2010. The Company and its subsidiaries have revised financial statements to be in line with the new presented financial statements. This is for comparable in the annual report. The revised items are as follows:

1. For the year 2010 - 2012, interest income excludes dividend income
2. Interest expenses include contribution fee to FIDF and DPA
3. Non-interest income includes fees and service expenses and insurance expenses
4. Other operating expenses exclude fees and service expenses, insurance expenses, and contribution fee to FIDF and DPA

As at and for the year ended 31 December

Consolidated

	2012	2011	2010	2009	2008
Financial Position Quality					
Loans to Deposits and Debt Issued and Borrowings Ratio (percent)	96.48	91.21	85.02	79.61	83.11
NPL-gross to Total Loans (percent)	4.32	5.94	6.00	3.52	3.86
NPL-net to Total Loans (percent)	2.17	2.84	2.71	0.95	1.24
Coverage Ratio (percent)	73.19	68.38	69.73	86.64	81.10
Reserve to Required Reserve (percent)	124.12	107.01	113.14	107.36	106.81
Non-Performing Loans (NPLs) (Million Baht)	34,307	40,188	39,663	12,046	12,265
Capital Measures (Consolidated Supervision of the Bank of Thailand)					
Tier I Capital Ratio (percent)	7.50	8.48	10.44	14.01	12.39
Total Capital Ratio (percent)	12.07	12.53	13.08	18.00	13.93
Risk Weighted Assets (Million Baht)	750,120	679,718	618,584	261,467	240,353
Common Share Information					
Share Price ⁽⁵⁾ (Baht)					
- High	41.75	38.00	42.25	23.90	18.20
- Low	24.60	23.50	18.10	6.80	4.84
- Closing	37.75	26.00	36.00	22.10	7.05
Market Capitalization (Million Baht)	48,238	34,662	47,993	29,462	9,399
Common Shares Outstanding (Million Share)					
Average-Basic	1,278	1,278	1,278	1,280	1,333
End of Period	1,278	1,278	1,278	1,278	1,317
Book Value (Baht)	33.47	29.94	28.24	26.08	20.19
Dividends per Share ⁽⁶⁾ (Baht)	0.50	1.20	1.20	0.95	0.90
Other Information					
Employees	15,840	16,380	16,932	9,464	9,638



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 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 + Debt issued and Borrowings)
⁽⁴⁾ Cost to Income Ratio = Operation Expenses/Net Operating Income
⁽⁵⁾ Local Board/High - Low Share Prices During the Year
⁽⁶⁾ Dividends per Share for 2012 is Interim Rate Paid

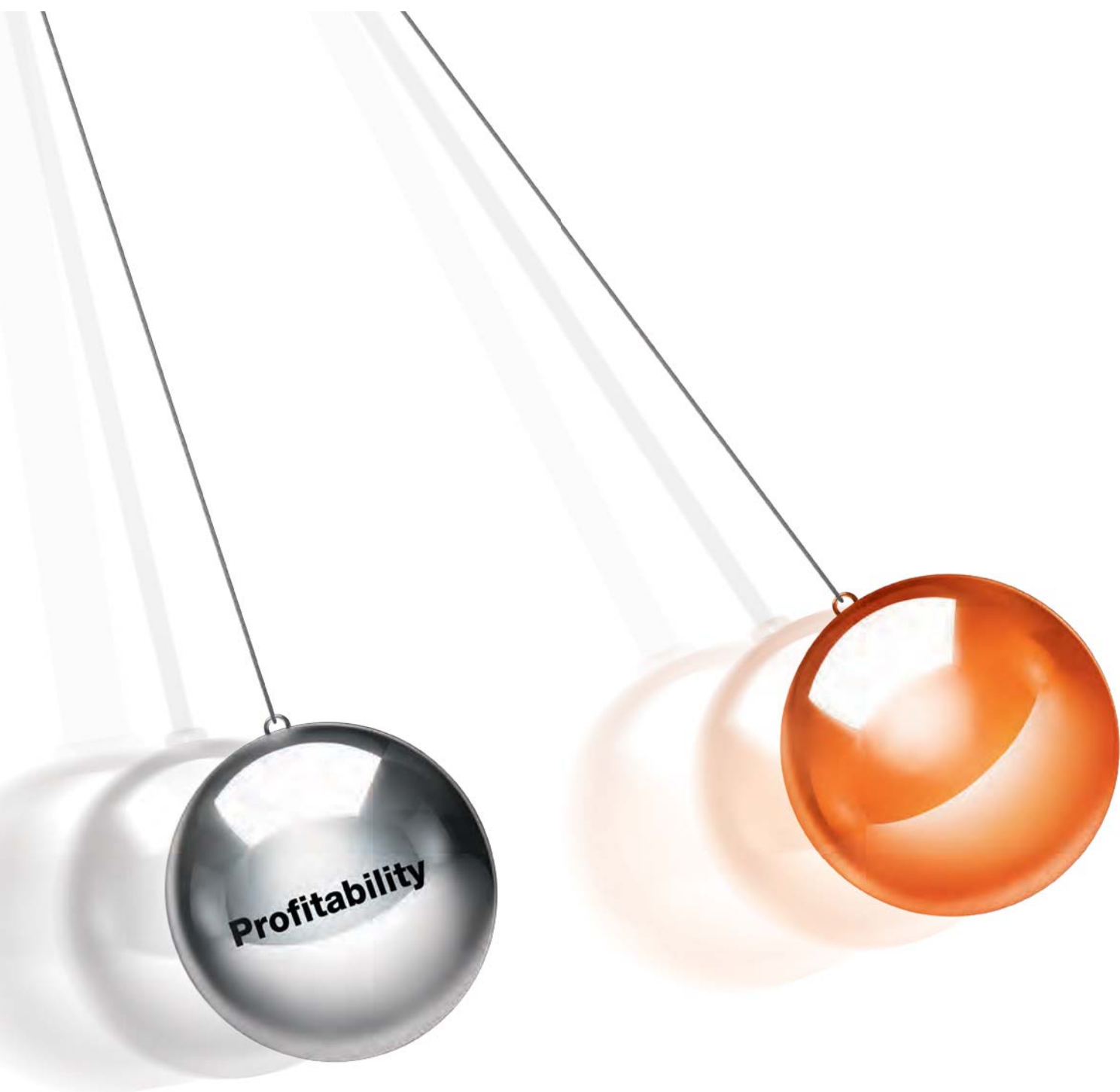


Three metallic spheres hang from thin black lines against a white background. Each sphere contains a business metric in bold black text. The first sphere on the left contains 'Expanding Customer Base', the middle sphere contains 'Productivity', and the third sphere on the right contains 'Cost Effectiveness'. A fourth, partially visible sphere on the far right is out of focus.

**Expanding
Customer
Base**

Productivity

**Cost
Effectiveness**



Strengthening *for* **Growth**

Building on our position as a comprehensive financial services provider and in order to better serve our customers' complete financial needs in a timely and efficient manner, we are making substantial investments in our people, leadership and systems. With streamlined processes supported by innovative products, we are enhancing and strengthening our base to be able to better assist our customers become financially better off in a changing world.

Strengthening Expanding the Customer Base

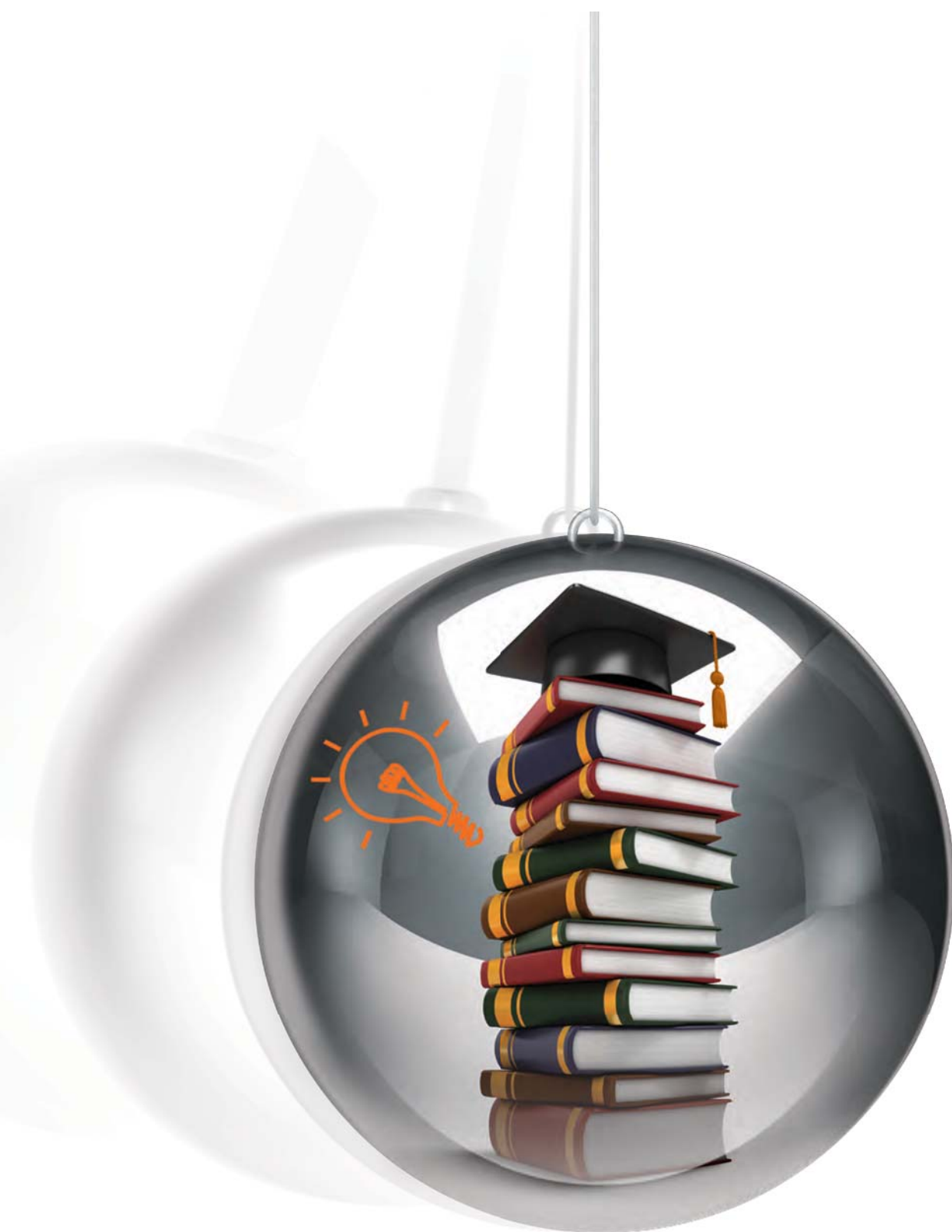
Through a deeper understanding of their needs, we are able to offer tailor made solutions to help our customers reach their financial goals. This has enabled Thanachart Bank to build deeper relationships with customers and expand their product holdings with the Bank and our subsidiaries. This has also enabled us to accelerate our growth in new customer acquisition and broaden and diversify our customer base to the point where we now serve over 4 million customers nationwide.



Strengthening Productivity

Along with process reengineering throughout the Group, we are investing in new customer relationship management and loan origination and account management tools across all of our delivery channels. This along with comprehensive staff training in credit, product knowledge and customer service skills will substantially enhance the productivity of our staff and improve our ability to delight customers in all their interactions with us.





Strengthening Cost Effectiveness

The strategic investments we are making in new processes, systems and tools will substantially enhance the productivity of our staff and allow us to reduce costs over time. In addition, we have launched a *strategic sourcing* initiative based on global best practices from Scotiabank with experienced professionals working with our business lines to ensure we maximize the value we receive from all expenditures. This focus on cost effectiveness and productivity will ensure we remain competitive in the Thai financial services market and meet our financial goals.



Strengthening Profitability

In order to be a strong, long term financial partner to our customers and to be able to offer rewarding career opportunities for our staff, it is important that the organization be able to generate the required new capital to support our investments and meet the increasing regulatory requirements. With support of our staff and with the initiatives underway to improve customer service, productivity and cost effectiveness under the 'Strengthening for Growth' strategy we are confident that Thanachart Bank is well positioned to grow our profitability and capital base and remain strong for all our stakeholders.







MESSAGE FROM THE CHAIRMAN



As at the end of 2012, Thanachart Group's total assets amounted to 1,023,912 million baht, an increase of 128,755 million baht over the previous year. At the same time, its total loans grew 18.56 percent over the previous year. This could be mainly attributable to the 38.57 percent growth of the hire purchases loans. As a result of the remarkable credit expansion, the net interest income in 2012 was close to the level of the previous year, despite narrower interest rate spreads. However, Thanachart Bank was still saddled with the burdens of non-performing loans and foreclosed assets which were relatively at high levels. It is going to take quite some time to fix them. Although the transfers of Siam City Bank's businesses to Thanachart Bank were smoothly completed since the latter part of 2011, throughout the following year Thanachart Bank actively engaged in activities aiming at improving and developing its human resources, work policies and procedures in line with the established plans. It is still necessary for the Bank to continue implementing the plans for some time before it can reap the full benefits of the expected synergies after the merger.

During the latter part of 2012, Thanachart Bank entered into an agreement to sell its entire equity stake in Thanachart Life Assurance Public Company Limited to Prudential Life Assurance (Thailand) Public Company Limited (Prudential) which is one of the leading insurance business groups in England with long experience and having business in many countries. In addition, Prudential and Thanachart Bank also entered into a partnership agreement to jointly develop their bancassurance business in Thailand, with focus given to life insurance products. The purchase of the entire equity stake in Thanachart Life Assurance Company will take place after receiving an approval from the Office of Insurance Commission (OIC). It is expected that the OIC will be able to give a definitive answer by April 2013. If the share sale is successfully concluded as planned, Thanachart Bank is expected to gain more benefits not only from the sale proceeds but also from future cooperation

with Prudential in offering a diverse array of high quality insurance services to the Bank's customers, when compared to the foregone future income of Thanachart Life Assurance Company.

In relation to the performance, the net income of Thanachart Bank and its subsidiaries in 2012 amounted to 8,221 million baht. As a result, Thanachart Group's net income based on the consolidated financial statements amounted to 9,751 million baht. The net income attributable to the Company was 5,482 million baht, an increase of 480 million baht or 9.60 percent over the previous year.

The Company's Board of Directors places a very strong emphasis on managing the Company in such a way that it achieves financial stability and possesses adequate liquidity and financial potential to accommodate Thanachart Group's business expansion as well as dividend payments to shareholders at an appropriate level on a continuous basis. Moreover, apart from providing all stakeholders with fair and equitable treatment, the Board of Directors continues to

strive to oversee the conduct of the business affairs of the Company and member companies of Thanachart Group to the best of their abilities in all areas related to business operations and risk management. Importantly, the Board of Directors is committed to developing Thanachart Group into an organization that strictly adheres to the principles of good corporate governance. Special attention is given to the establishment of the related policies and regulations and the process of inculcating good corporate governance in directors, executives, and staff members. In addition, the Board of Directors has always given strong support to the implementation of Thanachart Group's corporate social responsibility (CSR) activities.

On behalf of the Board of Directors, I would like to express our thankfulness to customers, shareholders, and all the benefactors concerned for always giving your support and trust to Thanachart Group. As well, I would like to express our sincere appreciation to the executives and staff members for continuously demonstrating your complete dedication in performance of your duties.



(Banterng Tantivit)

Chairman

Thanachart Capital Public Company Limited



MESSAGE FROM THE CHAIRMAN OF THE EXECUTIVE COMMITTEE AND CHIEF EXECUTIVE OFFICER



Overall, the Thai economy began to improve and enjoyed continuous expansion in 2012 as business operators recovered from the impact of the flood disaster in the previous year. However, the economy was still faced with a number of negative factors including the exchange rate volatility which directly affected exporters, higher costs of raw materials as a result of rising crude oil prices and the corresponding inflationary pressures, global economic uncertainties, particularly the Eurozone debt crisis, as well as the slowdown of the Chinese economy. Domestically, the Bank of Thailand's Monetary Policy Committee had maintained the benchmark interest rate at 3.00 percent per annum since the beginning of the year 2012. However, it decided to cut the policy interest rate to 2.75 percent per annum in the last quarter of the year. The objective was to spur the country's economic recovery.

Meanwhile, the Thai commercial banks were confronted with the pressure caused by the measure requiring them to pay a higher levy of 0.47 percent on public deposits, to the Financial Institution Development Fund and the Deposit Protection Agency. However, the fact that the Finance Ministry extended the 50 million baht deposit protection to 2015 had a positive impact on depositor confidence in commercial banks. There were also other positive impacts of various stimulus policies and measures introduced by the government, which included, among others, the tax rebate measure for first-time car buyers, the measure for allowing taxpayers to deduct an additional amount of home mortgage interest from assessable income before applying the tax rate, and the measure for cutting the corporate income tax. As a result, the commercial banking industry as a whole registered a healthy growth in terms of loans, deposits, interest income, fees as well as other income.

In 2012, Thanachart Group continued to grow strongly, with the total assets increasing significantly, as a result of expansion in all types of loans. As at the end of 2012, the Group's total assets amounted to 1,023,912 million baht and the loans grew by 18.56 percent over the previous year. For the performance in 2012, Thanachart Group's net interest income was close to the level of the previous year while its non-interest income increased, thanks to the close cooperation of all member companies of Thanachart Group which led to synergy, as well as the increase in cross-selling activities. The credit cost ratio also increased slightly. Taking into account all of the above factors, Thanachart Group's net income

amounted to 5,482 million baht, an increase of 480 million baht or 9.60 percent over the previous year.

After Thanachart Bank's successful completion of the merger with Siam City Bank in 2011, Thanachart Group's continuous key mission in 2012 was to make Thanachart Bank a leading commercial bank of the country. In order to enhance competitiveness potential and to respond to the need of giving more services to customers, it was necessary to improve and develop operating systems. Emphasis was placed on developing the capacity of the infrastructure systems and platforms for efficient information management, cutting costs, reducing paperwork burdens, reducing time for loan application processing and approval, offering services that better match customer needs, developing more efficient risk management systems for loan approval by considering the corresponding credit risk, developing customer databases which enable the Bank to check the progress of the customer's information at every step of the process, preparing for the expansion of cross-selling activities through new channels, as well as managing non-performing loans and the provision for loan loss in an efficient manner. The implementation of the various initiatives described above is expected to be completed in 2013.

In 2013, Thanachart Group requires Thanachart Bank to grow its loans, with increased loan portfolio diversification. Focus will be given to loans to large scale enterprises and small and medium-sized enterprises (SME) as well as consumer loans which generate high rates of return. Importantly, Thanachart Bank will not only maintain its leadership position in the automobile hire purchase sector, but also accelerate expansion in used car hire purchase sector as well as in Cash Your Car loans. The objectives are to increase the total income. At the same time, Thanachart Bank will give a focus on expanding deposit base for the purpose of mobilizing public deposits that bear reasonable interest rates. The deposits will be used for expanding business and for increasing interest rate spreads. There is also another important event that will take place in 2013. According to a project under the agreement which has been signed, Prudential Group, a leading financial business group headquartered in United Kingdom, will enter into a long-term business alliance with Thanachart Bank. They will jointly develop life insurance products and services to be offered to customers of Thanachart Group through Thanachart Bank's branches nationwide. The business alliance will enhance the competitiveness potential in life insurance

business and also increase the commission fees of Thanachart Bank.

The Company's Executive Committee and management operate the business and oversee the conduct of business affairs with focus given to good corporate governance in line with the established guidelines, to which the Board of Directors has always paid attention. Activities which promote good corporate governance have been developed and implemented in a continuous manner. These include issuance of announcements, establishment of policies, rules and regulations for adherence to, as well as organization of training courses and exams to test the staff's understanding of good corporate governance. Thanachart Group also places emphasis on treating all the stakeholders properly, fairly, and equitably, taking into consideration their rights. Its stable growth and the trust it earns from customers, shareholders, and all the parties concerned have always borne witness to the above facts. As well, it has organized various corporate social responsibility (CSR) activities regularly and recently established *Thanachart Foundation for Thai Society*, the objective of which is to give long-term assistance to society in various areas. In 2013, it aims at laying the foundation for child and youth development as well as promoting financial literacy for youth.

Taking into account the merger in 2011, followed by improvement and development of operating systems and the conduct of business affairs in the face of competition and obstacles, both domestic and overseas, the executives and staff of Thanachart Group demonstrate that they have performed their duties to the best of their abilities and have earned the trust from customers and business counterparts. As a result, Thanachart Group has always been able to achieve the established targets and continuous growth. I would like to take this opportunity to express my sincere compliments to the executives and staff and also to express my appreciation to customers and shareholders as well as benefactors for your continued support.



(Mr. Suphadej Poonpipat)

Chairman of the Executive Committee and CEO
Thanachart Capital Public Company Limited

BOARD OF DIRECTORS

THANACHART CAPITAL PUBLIC COMPANY LIMITED



1. Mr. Banerng 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 2012 and Trends for 2013

Gradual Thai economic recovery despite being beset with overseas problems

In 2012, the Thai economy was faced with the global economic slowdown, the U.S. Fiscal Cliff, the euro zone debt crisis which became more intense, and the flood disaster which hard hit the country in the last quarter of 2011. However, the Thai economy managed to grow 6.4 percent* in 2012, compared to 0.1 percent* in 2011. The key factors driving the economic growth included expenditure and investment of the public sector, the post-flood recovery of the manufacturing sector, and the spending of the household sector which was greatly boosted by the tax refunds for first-time car buyers.

Amid worries over the uncertain global economy and in light of the inflation rates which were still within the established target frame with the headline inflation being 3.0 percent and the core inflation being 2.1 percent in 2012, the Monetary Policy Committee (MPC) decided to cut the policy interest rate by 25 basis points to 2.75 percent in the last quarter of 2012. The objectives were to protect against potential risks arising from the global economic uncertainty and for the expanding domestic demand to maintain momentum.

As regards the economic outlook for 2013, the country's GDP is expected to grow 4.5 - 5.5 percent*. The key factors driving the growth include the expanding domestic demand and the positive recovery of the U.S. economy, Chinese economy, and the economies in Asia, which have positive impacts on Thailand's export sector. However, Thailand is still faced with various risk factors, domestic and international. The domestic risk factors include, among others, the daily minimum wage policy which has adverse impacts on small-and medium-sized enterprises, rising cost of living, and domestic political uncertainty. The international risk factors include, among others, the volatility of world crude oil prices, the recovery of euro zone economies whose growth is expected to contract in the first half of 2013, and the global excess liquidity which has an impact on international capital flows. As a result, the currency exchange rates and the export competitiveness will be affected. However, central banks in many countries tend to maintain the policy interest rate at a relatively low level. The objectives are to spur economic growth and to maintain financial stability.

Commercial Banking Industry Outlook and Competition

The competition in the commercial banking industry was very intense in 2012 as each bank aimed to achieve the largest market share possible. The objective was to enhance profitability in line with their established targets. In 2012, the net profit of the commercial banking industry as a whole amounted to 173.9 billion baht**, an increase of 21.2 percent** over the previous year. The increase was mainly attributable to the strong loan growth. The loan growth of the commercial banking industry as a whole amounted to 13.7 percent**, mainly due to the growth of the construction industry which benefited from the government's projects and the consumer loans, particularly the automobile hire purchases as a result of the tax rebate for first-time car buyers. In relation to the capital adequacy, the capital base of the commercial banking industry was stronger, with the Capital Adequacy Ratio (CAR) amounting to 16.3 percent** and the Tier 1 Capital Ratio being 11.8 percent**, which reflected the industry's adequate capacity to comply with the Basel III requirements to be imposed in 2013.

The commercial banking industry is expected to continue expanding in 2013, in line with the GDP growth forecast of 4.5 - 5.5 percent*. The loan growth will be driven by the household sector and the private sector which attempts to meet domestic demand. However, the exports growth is expected to slow down, mainly due to the fact that the Thai currency appreciates against the

Source: * Based on the economic forecast report of the National Economic and Social Development Board released on 18 February 2013

** Based on the report of performance of Thai Banking System of 2012 of the Bank of Thailand released on 7 February 2013

US dollar as a result of foreign capital inflows. Moreover, it is believed that the commercial banks will be more careful in setting aside provision as a result of the remarkable loan growth. It is also important to closely monitor the global economy which could affect the domestic economic growth, as well as the daily minimum wage policy which has impacts on small-and medium-sized enterprises, and the rising cost of living which affects borrowers' ability to repay loans, especially personal loans and hire purchases. However, it is expected that in 2013, the MPC may adopt a relaxing fiscal policy to tackle foreign capital inflows caused by the global excess liquidity, to spur the domestic economy, and to mitigate the volatility of Thai currency so that it will not affect the export sector. Other countries in Asia whose economy depends on the export sector are also expected to the same manner.

Financial Position and Performance of the Company and Its Subsidiaries

Major Items in 2012

January 2012

- Corporate income tax rate for the year 2012 was changed from 30 percent to 23 percent
- Since 1 January 2012, Thanachart Bank Public Company Limited ("TBANK") has changed its accounting estimates regarding the provision providing for hire purchase loans by implementing the Collective Approach which provides provision from the historical loss data calculated from the probability of default and loss given default.

March 2012

- SCIB Public Company Limited paid cash for capital return to TBANK at a rate of 14.50 baht per share, totaling to 30,629 million baht. In this connection, TBANK recorded down its investment in such company, resulted in the decrease in its cost of investments from 32,542 million baht to 1,913 million baht.

June 2012

- The Board of Directors of Thanachart Capital Public Company Limited (the Company) had a resolution to approve the Company to repurchase its shares (treasury shares) in amount of less than 10 percent of the total paid-up shares of the Company, equivalent to 133,315,400 shares. In this connection, the Company was able to buy back its shares in

the total of 55,324,300 shares or 4.15 percent of the total paid-up capital. After the specified period of reselling the repurchased shares, on 15 June 2012, the Company decreased its capital by writing off its treasury shares at a par value of 10 baht per share, a total decrease paid-up capital of 553,243,000 baht. As a result, the Company's paid-up capital decreased from 13,331,540,030 baht to 12,778,297,030 baht.

July 2012

- On 20 July 2012, TBANK issued and offered subordinated debentures in a total amount of 8,497,000 units at face value of 1,000 baht per unit, totaling to 8,497.0 million baht. Such debentures are due in 2022 and offer a fixed rate of 4.70 percent per annum with quarterly interest payments. TBANK has a right of early redemption at face value when it is in line with the specified conditions. Such debentures can be counted as Tier 2 capital.

October 2012

- On 19 October 2012, TBANK issued and offered subordinated debentures in a total amount of 4,018,500 units at face value of 1,000 baht, totaling to 4,018.5 million baht. Such debentures are due in 2022 and offer a fixed rate of 4.70 percent per annum with quarterly interest payments. TBANK has a right of early redemption at face value when it is in line with the specified conditions. Part of them which amounted to 2,275.9 million baht was granted by the BOT to consider as Tier 2 capital in 2012 and the rest which amounted to 1,742.5 million baht was approved by the BOT to consider as Tier 2 capital from 1 January 2013.

- Thanachart Life Assurance Public Company Limited ("TLIFE") offered and issued ordinary shares for capital increase in the amount of 278.5 million shares at 10 baht per share. In this connection, TBANK exercised its right to buy all of the shares for capital increase. As a result, the investment in TLIFE increased from 936 million baht to 3,721 million baht.

November 2012

On 5 November 2012, TBANK entered into a share purchase agreement to sell all the ordinary shares of TLIFE held by it to Prudential Life Assurance (Thailand) Public Company Limited. The counterparty also signed the agreement to jointly develop life insurance products and services through the branches of TBANK nationwide under the main conditions disclosed in the notes to financial statements no. 9 "Investments in subsidiary and associated companies".

Consolidated Financial Statements Include Performances of the Following Subsidiaries

Subsidiary companies directly held by the Company

Thanachart Bank Public Company Limited
NFS Asset Management Company Limited
MAX Asset Management Company Limited

Subsidiary companies indirectly held by the Company

SCIB Public Company Limited (formerly known as "Siam City Bank Public Company Limited")
Thanachart Securities Public Company Limited
Thanachart Insurance Public Company Limited
Thanachart Life Assurance Public 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
Siam City Life Assurance Public Company Limited
SCIB Services Company Limited
Ratchthani Leasing Public Company Limited
National Leasing Company Limited

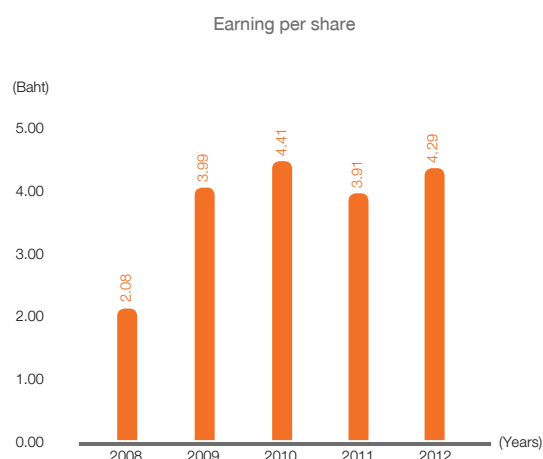
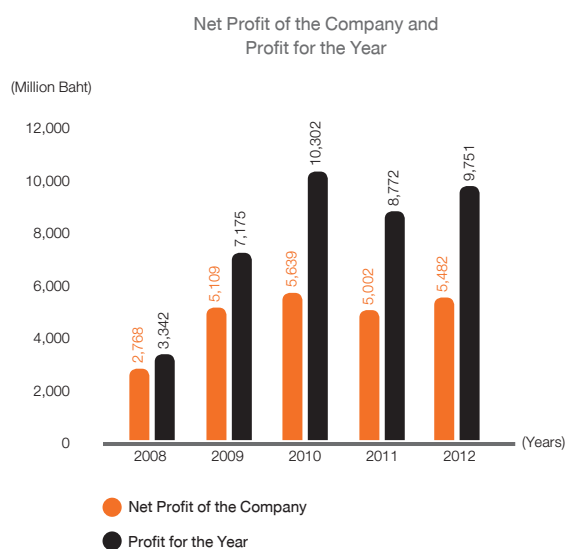
Operating Results Overview

In 2012, Thanachart Group has experienced yet another year of strong performance. Total assets grew significantly, mainly by the loan growth in every segment. As a result, at the end of 2012, total assets amounted to 1,023,912 million baht with 18.56 percent loan growth as compared to the previous year. Operating results in 2012 have faced an adverse impact from narrowing interest spread but was partly compensated by the strong loan growth which benefited from the government policy on excise tax rebate for first-time car buyers. As a result, net interest income was similar to that of the previous year. Non-interest income increased due to successful efforts in synergy and cross-selling among Thanachart Group. Operating expenses rose following the growing business volume. Net operating income growth rate surpassed that of operating expenses, showing an ability to control cost effectively amidst business expansion. The ratio of impairment loss of loans to total loans (Credit Cost) inclined slightly. Consequently, Thanachart Group had a consolidated net profit of 9,751 million baht of which 5,482 million baht was a net profit attributable to the Company, representing an increase of 480 million baht or 9.60 percent from the previous year.

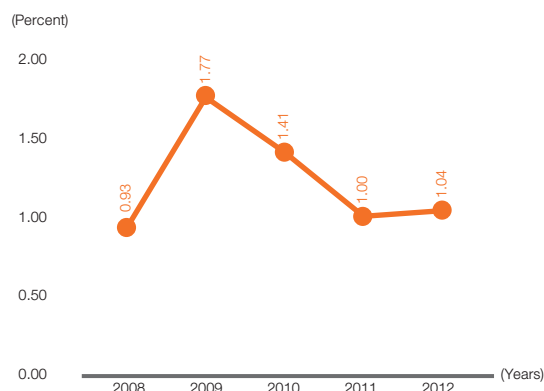
(Unit: Million Baht)

Consolidated Statements of Comprehensive Income	For the Year		Changes	
	2012	2011	Increase/ (Decrease)	Percent
Interest Income	49,999	44,258	5,741	12.97
Interest Expenses	25,765	19,943	5,822	29.19
Net Interest Income	24,234	24,315	(81)	(0.33)
Net Fees and Service Income	4,230	3,720	510	13.71
Operating Income	9,228	6,890	2,338	33.93
Operating Expenses	22,578	20,940	1,638	7.82
Impairment Loss of Loans and Debt Securities	(2,900)	(2,077)	(823)	39.62
Profit before Income Tax and Non-controlling Interest	12,214	11,908	306	2.57
Income Tax	(2,463)	(3,136)	673	(21.46)
Profit for the Year	9,751	8,772	979	11.16
Net Profit of the Company	5,482	5,002	480	9.60
Profit Attributable to Non-controlling Interest	4,269	3,770	499	13.24

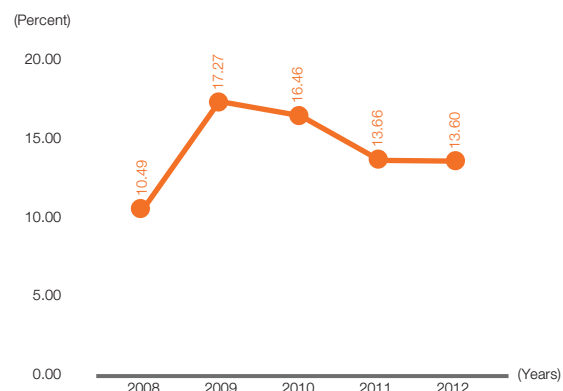
Earning per share (EPS) in 2012 was 4.29 baht per share, an increase from 3.91 baht per share in the previous year. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were at 1.04 percent and 13.60 percent respectively.



Return on Average Assets (ROAA)



Return on Average Equity (ROAE)



Net Interest Income

(Unit: Million Baht)

Net Interest Income	For the Year		Changes	
	2012	2011	Increase/ (Decrease)	Percent
Interest Income				
Interbank and Money Market Items	2,348	1,899	449	23.64
Investments and Trading Transactions	491	86	405	470.93
Investments in Debt Securities	4,503	4,319	184	4.26
Loans to Customers	21,502	20,942	560	2.67
Hire Purchase and Financial Lease	21,155	17,012	4,143	24.35
Total Interest Income	49,999	44,258	5,741	12.97
Interest Expenses				
Deposits	14,531	8,969	5,562	62.01
Interbank and Money Market Items	1,561	1,127	434	38.51
Contribution Fees to the Financial Institution				
Development Fund and the Deposit Protection Agency	2,995	1,955	1,040	53.20
Debts Issued	6,664	7,889	(1,225)	(15.53)
Borrowings Cost	14	3	11	366.67
Total Interest Expenses	25,765	19,943	5,822	29.19
Net Interest Income	24,234	24,315	(81)	(0.33)

For the year 2012, the Company and its subsidiaries had 24,234 million baht of net interest income, a decrease of 81 million baht or 0.33 percent comparing to the previous year. Interest spread was at 2.46 percent, a decrease from 2.76 percent in the previous year. Interest income was 49,999 million baht, an increase of 5,741 million baht or 12.97 percent from the previous year. This was mainly due to loans growth, particularly hire purchase loans which increased by 38.57 percent. In 2012, interest expenses amounted to 25,765 million baht, an increase of 5,822 million baht or 29.19 percent from the previous year. This was mainly due to an increase in deposit base, issuance of debentures from the companies under the Group, and additional cost paid to the Financial Institution Development Fund and the Depository Protection Agency.

Interest Spread

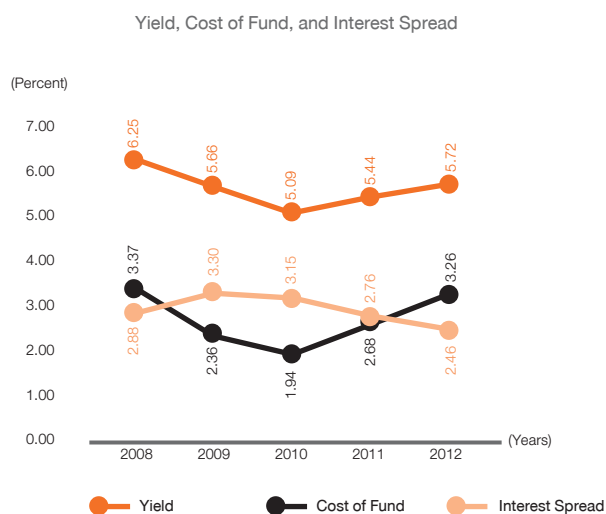
(Unit: percent)

Interest Spread	For the Year	
	2012	2011
Yield ⁽¹⁾	5.72	5.44
Cost of Fund ⁽²⁾	3.26	2.68
Interest Spread	2.46	2.76

Notes: ⁽¹⁾ Yield = Total Interest Income/(Average Interbank and Money Market Items with Interest Bearing + Average Net Investments + Average Loans to Customers)

⁽²⁾ Cost of Fund = Total Interest Expenses/(Average Deposits + Average Interbank and Money Market Items with Interest Bearing + Average Debts Issued and Borrowings)

Interest spread in 2012 was at 2.46 percent, a decline from 2.76 percent in the previous year. This was mainly due to an increase in cost of fund from the competition in deposit products to support loan growth, the issuance of 26,588 million baht debentures during 2012 of member companies under the Group to support future business growth for maintaining the capital level under Basel III regulation, and the impact from additional expenses paid to the Financial Institutions Development Fund and the Deposit Protection Agency.



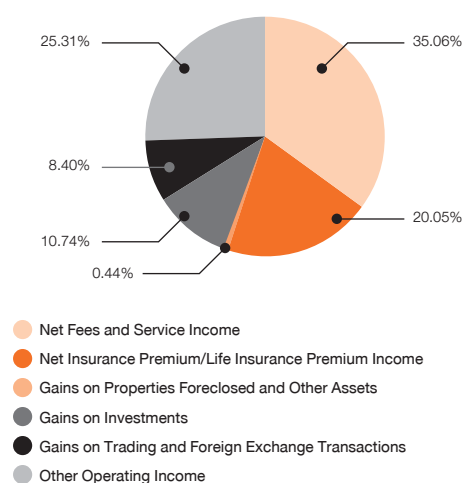
Non-interest Income

Non-interest income includes net fees and service income, gains on trading and foreign exchange transactions, gains on investments, share of profit from investments in associated companies accounted for under equity method, gains on properties foreclosed and other assets, net insurance premium/life insurance premium income, dividend income, and other operating income

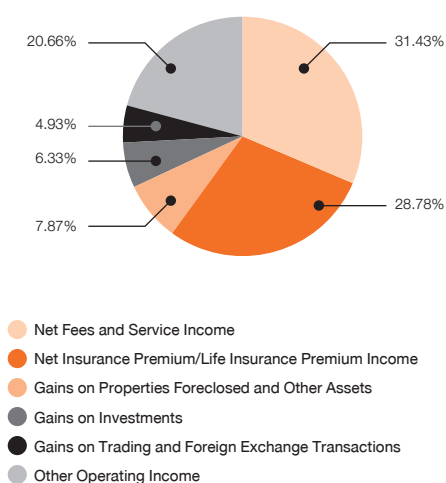
In 2012, the Company and its subsidiaries had non-interest income amounting to 13,458 million baht, an increase of 2,848 million baht or 26.84 percent from the previous year. Net interest income to non-interest income ratio in 2012 was 64 to 36 while it was 70 to 30 in 2011.

Proportion of Non-interest Income

31 December 2011



31 December 2012



• Net Fees and Service Income

(Unit: Million Baht)

Net Fees and Service Income	For the Year		Changes	
	2012	2011	Increase/ (Decrease)	Percent
Fees and Service Income				
- Acceptance, Aval and Guarantees	331	271	60	22.14
- Brokerage Fee from Securities/Derivatives	1,216	1,168	48	4.11
- Hire Purchase Fee Income	1,084	911	173	18.99
- Credit Card Fee	763	584	179	30.65
- ATM and Electronic Banking Services	710	746	(36)	(4.83)
- Insurance Brokerage Fee Income	334	224	110	49.11
- Others	1,282	1,122	160	14.26
Total Fees and Service Income	5,720	5,026	694	13.81
Fees and Service Expenses	(1,490)	(1,306)	(184)	14.09
Net Fees and Service Income	4,230	3,720	510	13.71

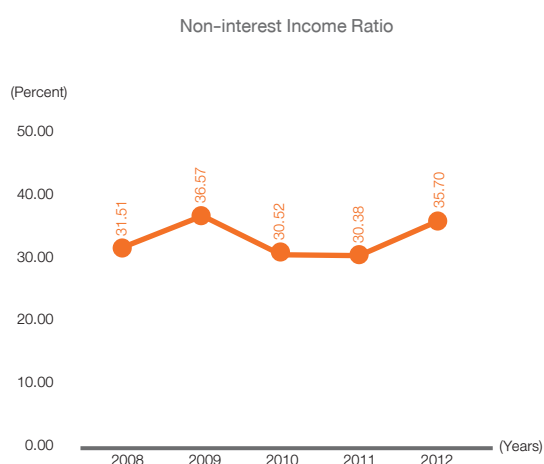
For the year 2012, the Company and its subsidiaries had 4,230 million baht in net fees and service income, an increase of 510 million baht or 13.71 percent comparing to the previous year. This was mainly due to the customer base expansion and the more diversified transactions of Thanachart Group. Fees and service income amounted to 5,720 million baht, an increase of 694 million baht or 13.81 percent while fees and service expenses equaled 1,490 million baht, an increase of 184 million baht or 14.09 percent.

- Operating Income

(Unit: Million Baht)

Operating Income	For the Year		Changes	
	2012	2011	Increase/ (Decrease)	Percent
Gains on Trading and Foreign Exchange Transactions	663	891	(228)	(25.59)
Gains on Investments	852	1,139	(287)	(25.20)
Share of Profit from Investments in Associated Companies				
Accounted for Under Equity Method	283	258	25	9.69
Gains on Properties Foreclosed and Other Assets	1,059	47	1,012	2,153.19
Net Insurance Premium/Life Insurance Premium Income	3,874	2,127	1,747	82.13
Dividend Income	488	755	(267)	(35.36)
Other Operating Income	2,009	1,673	336	20.08
Total Operating Income	9,228	6,890	2,338	33.93

For the year 2012, the Company and its subsidiaries had 9,228 million baht in operating income, an increase of 2,338 million baht or 33.93 percent from the previous year. This was mainly due to the growth in every member company under the Group. Net insurance/life insurance premium income increased by 1,747 million baht or 82.13 percent as a result of insurance/life insurance premium income that increased in line with the hire purchase loans growth. Gains on properties foreclosed and other assets were 1,059 million baht, an increase of 1,012 million baht, due to the effective distressed asset management of the group in this year. Other income increased from business expansion of every unit under the Group.

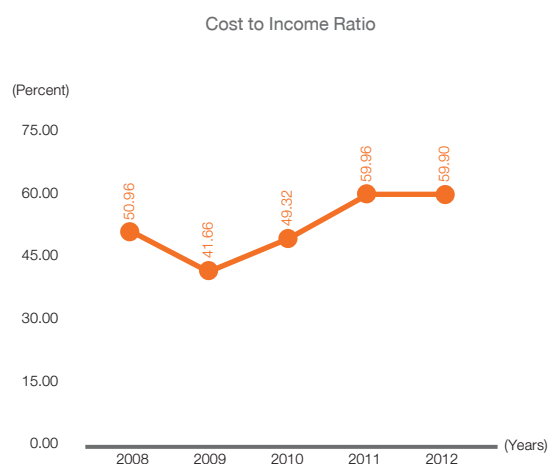


Other Operating Expenses

(Unit: Million Baht)

Operating Expenses	For the Year		Changes	
	2012	2011	Increase/ (Decrease)	Percent
Personnel Expenses	10,709	10,849	(140)	(1.29)
Directors' Remuneration	57	68	(11)	(16.18)
Premises and Equipment Expenses	3,225	3,486	(261)	(7.49)
Taxes and Duties	946	912	34	3.73
Other Expenses	7,641	5,625	2,016	35.84
Total Operating Expenses	22,578	20,940	1,638	7.82

For the year 2012, the Company and its subsidiaries had 22,578 million baht in operating expenses, an increase of 1,638 million baht or 7.82 percent from the previous year. This was mainly due to an increase in other expenses, including sales promotions which varies with business volumes. At the same time, personnel expenses and premise and equipment expenses declined although there were expenses related to IT development and improvement of service and working process in order to compete and support future business growth. In 2012, cost to income ratio was 59.90 percent, a decrease from the previous year of 59.96.

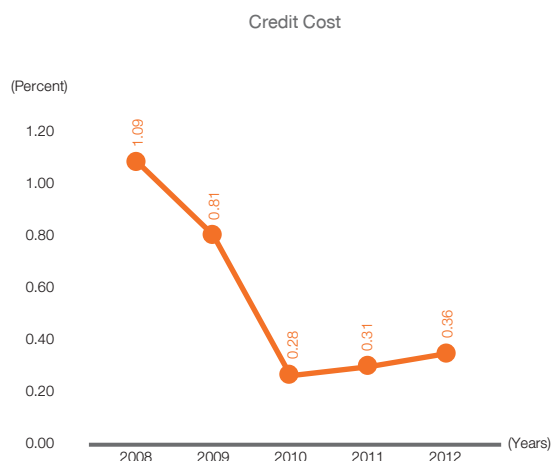


Impairment Loss of Loans and Debt Securities

(Unit: Million Baht)

Impairment Loss of Loans and Debt Securities	For the Year		Changes	
	2012	2011	Increase/ (Decrease)	Percent
Impairment Loss of Loans	2,881	2,133	748	35.07
Loss from Debt Restructuring (Reversal)	15	(35)	50	142.86
Loss from Impairment of Debt Securities (Reversal)	4	(21)	25	119.05
Total Impairment Loss of Loans and Debt Securities	2,900	2,077	823	39.62
Credit Cost (Percent)	0.36	0.31		16.13

For the year 2012, the Company and its subsidiaries' impairment loss of loans and debt securities expenses were 2,900 million baht, an increase of 823 million baht or 39.62 percent from the previous year. This was due to the impact from the flood crisis in the end of the previous year and the expansion of loans in this year. However, from the effective debt restructuring of clients in this year as well as the implementation of Collective Approach for the impairment loss of loans calculation on TBANK's hire purchase loans since the 1st quarter 2012, the impairment loss of loans and debt securities expenses were lower than industry average. As a result, credit cost was at 0.36 percent, an increase from 0.31 percent from the previous year.



Financial Position

As of 31 December 2012, total assets of Thanachart Group were 1,023,912 million baht, an increase of 128,755 million baht or 14.38 percent from the end of 2011. This was mainly due to loans and accrued interest receivables which increased by 18.54 percent and continue to increase.

(Unit: Million Baht)

Consolidated Statements of Financial Position	31 December 2012		31 December 2011		Changes
	Amount	Percent	Amount	Percent	Percent
Interbank and Money Market Items-net	71,978	7.03	63,232	7.06	13.83
Investments-net	150,649	14.71	152,511	17.04	(1.22)
Investments in Associated Companies-net	1,795	0.18	1,673	0.19	7.29
Loans to Customers and Accrued Interest Receivables	756,403	73.87	638,084	71.28	18.54
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(24,891)	(2.43)	(27,286)	(3.05)	(8.78)
Intangible Assets Acquired in a Business Combination-net	2,960	0.29	3,498	0.39	(15.38)
Goodwill	14,259	1.39	13,981	1.56	1.99
Other Assets	50,759	4.96	49,464	5.53	2.62
Total Assets	1,023,912	100.00	895,157	100.00	14.38
Deposits	693,421	67.73	435,865	48.69	59.09
Interbank and Money Market Items	87,777	8.57	60,151	6.72	45.93
Debt Issued and Borrowings	89,506	8.74	262,653	29.34	(65.92)
Other Liabilities	69,418	6.78	60,807	6.80	14.16
Total Liabilities	940,122	91.82	819,476	91.55	14.72
Company's Shareholders' Equity	42,772	4.18	38,259	4.27	11.80
Non-controlling Interest	41,018	4.00	37,422	4.18	9.61
Total Equity	83,790	8.18	75,681	8.45	10.71
Total Liabilities and Equity	1,023,912	100.00	895,157	100.00	14.38

The details of key factors contributing to the assets were as follows:

Interbank and Money Market Items (Assets)

As of 31 December 2012, interbank and money market items-net were 71,978 million baht, an increase of 8,746 million baht or 13.83 percent from the end of previous year. This was due to the excess liquidity management.

Investments

As of 31 December 2012, total investments of the Company and its subsidiaries amounted to 152,444 million baht, a decrease of 1,740 million baht or 1.13 percent from the end of the previous year, mainly due to maturity of foreign debt securities. The investments included debts securities of 137,694 million baht, equity securities of 12,955 million baht, and investments in associated companies of 1,795 million baht.

(Unit: Million Baht)

Investments Classified by Type	31 December 2012		31 December 2011	
	Amount	Percent	Amount	Percent
Debt Securities	137,694	90.32	139,350	90.38
Government and State Enterprises Securities				
• Trading	6,040	3.96	10,855	7.04
• Available-for-sale	55,434	36.36	41,103	26.66
• Held-to-maturity	23,388	15.34	28,575	18.53
Private Debt Securities				
• Trading	5,730	3.76	4,758	3.09
• Available-for-sale	30,718	20.15	18,553	12.03
• Held-to-maturity	2,731	1.79	6,592	4.28
• Investments in Receivables Purchased	1,279	0.84	1,352	0.88
Foreign Debt Securities				
• Trading	628	0.41	637	0.41
• Available-for-sale	11,746	7.71	25,425	16.49
• Held-to-maturity	-	-	1,500	0.97
Equity Securities	12,955	8.50	13,161	8.54
• Trading	16	0.01	45	0.03
• Available-for-sale	8,235	5.40	8,553	5.55
• Held-to-maturity	4,704	3.09	4,563	2.96
Total Investments-net	150,649	98.82	152,511	98.92
Investments in Associated Companies	1,795	1.18	1,673	1.08
Total Investments	152,444	100.00	154,184	100.00

Loans to Customers

As of 31 December 2012, loans to customers amounted to 755,330 million baht, an increase of 118,226 million baht or 18.56 percent from the end of last year. This was mainly due to an expansion in hire purchase loans as mentioned. During the year 2012, Thanachart Group has restructured and settled debts with various corporate clients. Excluding loan reduction due to debt settlement, loans grew by 19.81 percent. Portion of retail loans to corporate and SME loans was 68 percent to 32 percent.

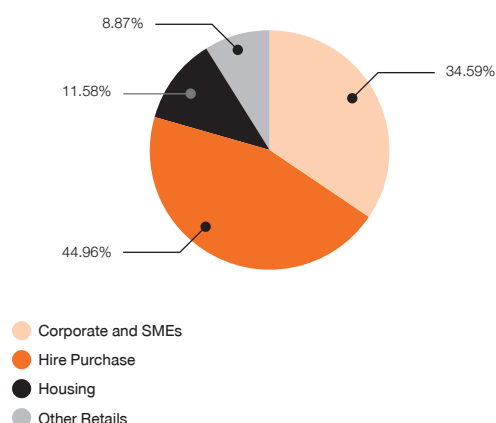
Loans to customers could be divided by type of business as follows:

(Unit: Million Baht)

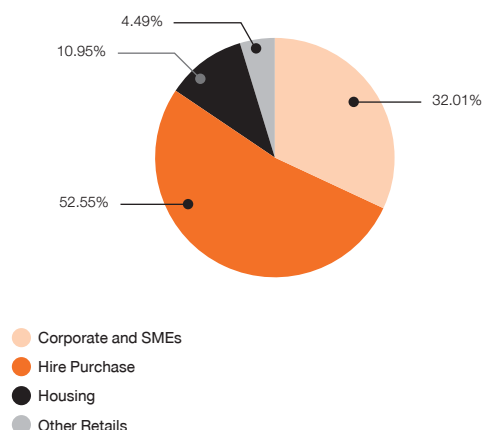
	31 December 2012	Percent	31 December 2011	Percent
1. Agricultural and Mining	16,655	2.20	10,848	1.70
2. Manufacturing and Commerce	89,126	11.80	82,335	12.92
3. Real Estate and Construction	51,573	6.83	48,275	7.58
4. Public Utilities and Services	63,472	8.40	58,660	9.20
5. Personal Consuming				
5.1 Hire Purchase	396,985	52.55	286,490	44.96
5.2 Housing Loans	82,742	10.95	73,809	11.58
5.3 Securities Business	2,613	0.35	2,236	0.35
5.4 Others	31,302	4.14	54,271	8.52
6. Others	20,980	2.78	20,340	3.19
Total Loans to Customers	755,448	100.00	637,264	100.00
Less Intercompany Gain from Loans Transferred	(118)		(160)	
Total	755,330	100.00	637,104	100.00

Proportion of Loans to Customers Classified by Type of Business

31 December 2011



31 December 2012



Classified Loans

Classified Loans based on the Notification of the Bank of Thailand

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

(Unit: Million Baht)

	Loans to Customers and Accrued Interest Receivables				Allowance for Doubtful Accounts			
	31 Dec 12	Percent	31 Dec 11	Percent	31 Dec 12	Percent	31 Dec 11	Percent
Normal	671,689	91.52	542,595	87.18	4,885	20.69	4,049	15.69
Special Mention	28,575	3.89	40,463	6.50	1,475	6.25	721	2.80
Substandard	5,312	0.73	7,151	1.15	3,559	15.07	3,897	15.10
Doubtful	4,543	0.62	11,775	1.89	2,394	10.14	7,509	29.10
Doubtful of Loss	23,781	3.24	20,405	3.28	10,801	45.74	9,209	35.69
Total	733,900	100.00	622,389	100.00	23,114	97.89	25,385	98.38
Additional Allowance for Possible Uncollectability Debts	-	-	-	-	499	2.11	417	1.62
Total Allowance	733,900	100.00	622,389	100.00	23,613	100.00	25,802	100.00

Note: Classified loans specified only the Company and its subsidiaries that were under the supervision of the BOT, and eliminated the intercompany transactions

Classification of Securities Business Receivables in Accordance with the Notification of the Securities and Exchange Commission

Subsidiaries companies that operate securities business classified their debtors' receivables balances in accordance with the Securities and Exchange Commission as follows:

(Unit: Million Baht)

	Receivables Balance		Allowance for Doubtful Accounts	
	2012	2011	2012	2011
Normal	2,440	1,930	-	-
Substandard	5	3	4	2
Doubtful	168	303	168	303
Total	2,613	2,236	172	305

Hire Purchase Receivables/Financial Lease Receivables of Subsidiaries Classified by Aging

Debtors of subsidiary companies which operate hire purchase business and long-term financial lease classified by due date of contracts (after elimination of intercompany transactions) were as follows:

(Unit: Million Baht)

	31 December 2012	31 December 2011
Current or Overdue not over 90 Days	19,254	12,846
Overdue 91 - 365 Days	249	363
Overdue more than 1 Year	64	66
Debtors under Legal Actions	233	205
Total	19,800	13,480
Allowance for Doubtful Accounts Provided in the Accounts	757	792

Non-Performing Loans: NPLs

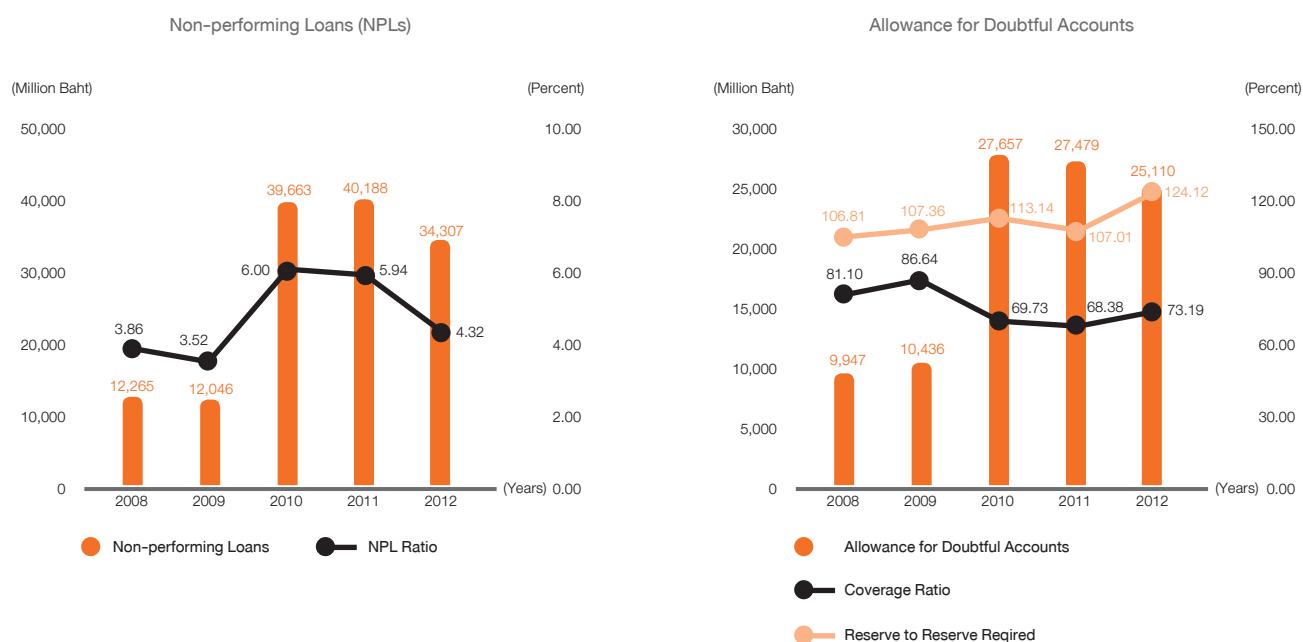
(Unit: Million Baht)

	31 December 2012	31 December 2011
NPLs	34,307	40,188
NPL-net	16,834	18,633
NPL-gross to Total Loans (Percent)	4.32	5.94
NPL-net to Total Loans (Percent)	2.17	2.84
Coverage Ratio (Percent)	73.19	68.38

As of 31 December 2012, NPLs amounted to 34,307 million baht, a decrease of 5,881 million baht or 14.63 percent from the end of the previous year. This was due to a consistent achievement and efficient management in NPLs by the distressed asset management companies under the Group especially TS AMC.

Allowance for Doubtful Accounts

As of 31 December 2012, the Company and its subsidiaries had the allowance for doubtful accounts amounting to 25,110 million baht, a decrease of 2,369 million baht or 8.62 percent from the previous year. The allowance for doubtful accounts included 24,542 million baht allowance for retail and corporate clients, 219 million baht allowance for financial institution clients, and 348 million baht allowance for the revaluation from debt restructuring. Total allowance for doubtful account of 25,110 million baht equaled 124.12 percent of the reserve required by the Bank of Thailand. In addition, the ratio of the allowance for doubtful accounts to NPLs (coverage ratio) was at 73.19 percent.



Debt Restructuring

As of 31 December 2012, the Company and its subsidiaries had 1,726,143 debtors in total, of which 55,118 were restructured debtors with outstanding balance of 34,390 million baht and outstanding balance after collateral of 19,787 million baht. During 2012, the Company and its subsidiaries have entered into debt restructuring agreements with debtors in the total amount of 15,305 debtors whose outstanding balance before restructuring amounted to 17,828 million baht.

Properties Foreclosed

As of 31 December 2012, the properties foreclosed, which were stated at cost, of the Company and its subsidiaries amounted to 10,678 million baht, accounting for 1.04 percent of the total assets. The properties foreclosed were taken into account the allowance for impairment of 763 million baht, accounting for or 7.15 percent of total value at cost.

Capital Expenditure

As of 31 December 2012, the Company and its subsidiaries invested 1,031 million baht in land, premises and equipment as well as intangible assets. Most of the investments were for fixtures, equipment, and computer software.

Liquidity

As of 31 December 2012, the Company and its subsidiaries had cash amounting to 15,181 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 increase of 8,818 million baht in interbank and money market items (assets); the decrease of 3,879 million baht in derivative assets; the increase of 129,873 million baht in loans to customers; the decrease of 7,785 million baht in properties foreclosed; the increase of 257,556 million baht in deposits; the increase of 27,643 million baht in interbank and money market items (liabilities); the increase of 2,858 million baht in liabilities payable on demand; the decrease of 2,460 in derivatives liabilities; the increase of 2,022 million baht in payables from purchase and sale securities; and the increase of 3,478 million baht in insurance contract liabilities.

- The net cash flows from investing activities amounted to 2,715 million baht. The cash receipts mostly included the increase of 1,381 million baht in investments in securities; 4,367 million baht received from interest; 685 million baht received from dividend; 74 million baht received from the disposal of equipment and intangible assets. On the other hand, the cash payments included 1,031 million baht paid for purchase of land, equipment, and intangible assets.

- The net cash flows from financing activities amounted to 183,119 million baht. The cash receipts amounted to 554,885 million baht from debt issued and borrowings. On the other hand, the cash payments included 728,032 million baht paid for debts issued and borrowings; 7,319 million baht paid for interest expenses on debts issued and borrowings; 6 million baht paid for non-controlling interest from capital decrease/capital return of a subsidiary; and 2,646 million baht paid for dividend.

Source of Funds

Capital Structure

The Company and its subsidiaries' sources of funds come from two sources which are liabilities and shareholders' equity. As of 31 December 2012, the Company and its subsidiaries recorded funds from liabilities and shareholders' equity of 940,122 million baht and 83,790 million baht, which accounted for 91.82 percent and 8.18 percent of total capital funds respectively. The ratio of debts to equity was at 11.22 times or in another words, debts accounted for 11.22 times over the operating capital. The important components of funds from liabilities consisted of deposits which accounted for 73.76 percent of funds from liabilities while interbank and money market items, debt issued and borrowings, and other liabilities accounted for 9.34 percent, 9.52 percent, and 7.38 percent respectively.

Liabilities

Total liabilities of Thanachart Group as of 31 December 2012 were 940,122 million baht, an increase of 120,646 million baht or 14.72 percent from the end of 2011. The key items were as follows:

(Unit: Million Baht)

Total Liabilities	31 December 2012		31 December 2011	
	Amount	Percent	Amount	Percent
Deposits	693,421	73.76	435,865	53.19
Interbank and Money Market Items	87,777	9.34	60,151	7.34
Debts Issued and Borrowings	89,506	9.52	262,653	32.05
Other Liabilities	69,418	7.38	60,807	7.42
Total Liabilities	940,122	100.00	819,476	100.00

The Details of Deposits and Debts Issued and Borrowings

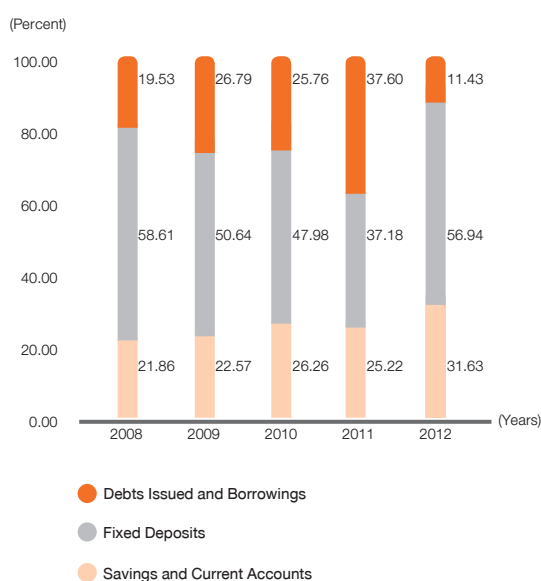
(Unit: Million Baht)

Deposits and Debts Issued and Borrowings	31 December 2012		31 December 2011		Changes
	Amount	Percent	Amount	Percent	Percent
Current	8,504	1.09	7,117	1.02	19.49
Savings	239,104	30.54	169,051	24.20	41.44
Fixed Deposits					
Less than 6 Months	115,133	14.70	52,172	7.47	120.68
6 Months to 1 Year	202,747	25.90	133,546	19.12	51.82
Over 1 Year	127,931	16.34	73,916	10.58	73.08
Others	2	0.00	63	0.01	(96.83)
Total Deposits	693,421	88.57	435,865	62.40	59.09
Debts Issued and Borrowings	89,506	11.43	262,653	37.60	(65.92)
Total Deposits and Debts Issued and Borrowings	782,927	100.00	698,518	100.00	12.08

- Deposits registered at 693,421 million baht, an increase of 257,556 million baht or 59.09 percent from the previous year. Of the total deposits, the current accounts and savings accounts deposits (CASA) to total deposits and debts issued and borrowings accounted for 31.63 percent, an increase from 25.22 percent in the previous year. This was due to the fact that Thanachart Bank offered various saving products that suit market needs during the year.

- Debts issued and borrowings were 89,506 million baht, a decrease of 173,147 million baht or 65.92 percent. During 2012, the Company issued unsubordinated debentures of 3,000 million baht and Thanachart Bank issued subordinated debentures of 12,516 million baht and unsubordinated debentures of 2,072 million baht. Also, Ratchthani Leasing (a subsidiary company) issued 9,000 million baht of unsubordinated debentures.

Total Deposit and Debts Issued and Borrowings Breakdown



- Interbank and money market were 87,777 million baht, an increase of 27,626 million baht or 45.93 percent from the end of the previous year, mainly due to excess liquidity management of TBANK.

Shareholders' Equity

Total shareholders' equity amounted to 83,790 million baht, an increase of 8,109 million baht or 10.71 percent from the end of 2011. The key contributing factors were as follows:

- Equity attributable to the owners of the Company was 42,772 million baht, an increase of 4,513 million baht or 11.80 percent. This was mainly due to an increase in operating profit in 2012 of TCAP and its subsidiaries amounting to 5,482 million baht, the dividend payment of 894 million baht paid from the second half performance of 2011, and the dividend payment of 639 million baht paid for the first six-month performance of 2012.

- Non-controlling interests were 41,018 million baht, an increase of 3,596 million baht or 9.61 percent, mainly due to the performance results of TBANK and its subsidiaries.

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

(Unit: Million Baht)

Subsidiary Companies	Percent of Shareholding Direct/Indirect	Net Profit for the Year ended 31 December	
		2012	2011
Thanachart Bank Public Company Limited			
Consolidated Financial Statements		8,221	7,671
Separate Financial Statements	50.96	6,804	6,668
Thanachart Securities Public Company Limited	50.96	458	293
Thanachart Fund Management Company Limited	38.22	141	89
Thanachart Insurance Public Company Limited	50.96	616	436
Thanachart Life Assurance Public Company Limited	50.96	1,715	770
TS Asset Management Company Limited	50.96	1,718	93
Ratchthani Leasing Public Company Limited*	33.22	489	205
NFS Asset Management Company Limited	100.00	460	446
MAX Asst Management Company Limited	83.44	280	120

Note: * 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

Operating Results Overview

(Comparing consolidated financial statements of the year 2011 and 2012)

(Unit: Million Baht)

Statements of Comprehensive Income	2012	2011	Change	
			Increase/ (Decrease)	Percent
Interest income	49,653	44,052	5,601	12.71
Interest expenses	25,535	19,636	5,899	30.04
Net Interest income	24,118	24,416	(298)	(1.22)
Net fees and service income	4,212	3,711	501	13.50
Other operating income ⁽¹⁾	7,649	5,754	1,895	32.93
Operating expenses ⁽²⁾	22,341	20,747	1,594	7.68
Profit (loss) before impairment loss on loans and debt securities	13,638	13,134	504	3.84
Impairment loss on loans and debt securities	2,980	2,504	476	19.01
Profit (loss) before income tax	10,658	10,630	28	0.26
Income tax	2,223	2,948	(725)	(24.59)
Net profit	8,435	7,682	753	9.80
Profit attributable to the Bank	8,221	7,671	550	7.17
Non-controlling interests	214	11	203	1,845.45
Earning per share (baht)	1.49	1.39		
Weighted average number of ordinary shares (million shares)	5,513.66	5,513.66		

Note: ⁽¹⁾ Net underwriting expense

⁽²⁾ Exclude underwriting expense

TBANK and its subsidiaries had a net profit of 8,435 million baht in the year 2012 of which 8,221 million baht was a net profit attributable to the Bank, representing an increase of 549 million baht or 7.16 percent from the end of the previous year. The key contributing factors included the following:

- **Loan grew by 18.71 percent from the end of 2011.**

In particular, hire purchase loan grew as much as 38.89 percent from the end of the previous year, mainly a result of excise tax rebate policy and slowdown in automobile manufacturing in the last quarter of 2011 due to flood crisis. Furthermore, improvements in credit review process and IT system allowed for greater efficiency in supporting new business and enabled TBANK to capture a large business volume from excise tax rebate policy impact and maintain market leader position in hire purchase. Hire purchase loan outstanding totaled to 396,519 million baht with 19 percent penetration rate in the year 2012. Used car hire purchase and cash your car loan also experienced high growth this year.

- **Total deposits and borrowings grew by 12.48 percent from the end of 2011.** Total deposits increased by 262,332 million baht or 60.16 percent. This was a result of funding restructuring and new acquisition in ultra saving, short-term fixed deposits, 4-month, 5-month, 6-month, and 11-month fixed deposits. During the year, TBANK has strategized its product offering with suitable interest rate in response to an increase in policy rate. Deposits have been acquired from retail customers while relationship with high net worth customers have remained strong.

- **Interest spread** was at 2.48 percent, a decrease from 2.92 percent in the end of the previous year. Yield on earning assets increased in line with policy rate to 5.81 percent, compared to 5.55 percent last year. Cost of fund increased from 2.63 percent to 3.33 percent, a result of uptrend market rate and high competition in deposit products for liquidity management to support the loan growth.

- **Non-performing loans management** was efficient and provision to total loans was at 0.40 percent similar to that of the previous year. This was a result of good NPL management and hire purchase Collective Approach provisioning method which was effective since the 1st quarter of 2012. TBANK and its subsidiaries' NPLs as of 31 December 2012 was 32,501 million baht, a decrease from 37,677 million baht last year. NPL correction was mainly done by TS AMC, a subsidiary of TBANK, resulting in the decline in NPL ratio from 5.58 percent last year to 4.10 percent.

- **Growth of non-interest income** was contributed by net insurance premium/life insurance premium income, banking fee, brokerage fee, and gains on properties foreclosed. Non-interest income ratio in 2012 was at 32.97 percent, an increase from 27.93 percent. Non-interest income to average assets ratio-illustrating an improvement of non-interest income with lessened impact from interest spread-increased from 1.09 percent to 1.28 percent.

- **Operating expenses control and management** was done under cost control policy. As a result, non-variable costs decreased while variable costs increased following the growing business volume. Cost to income ratio in 2012 was at 62.10 percent, comparing to 61.24 percent last year. Operating expenses to average asset was at 2.41 percent similar to that of the previous year.

- **Corporate income tax** of TBANK and its subsidiaries amounted to 2,223 million baht in 2012. Tax rate accounted for 20.86 percent, a decrease from 27.73 percent in the previous year.

- **Capital adequacy:** TBANK had total capital of 101,417 million baht, of which 61,546 million baht was Tier 1 capital and 39,871 million baht was Tier 2 capital. BIS ratio was at 13.99 percent, an increase from 13.72 percent in the previous year. This was partly due to 12,516 million baht of subordinate debentures which were issued to support capital adequacy under Basel III regulation and the profit from the first 6-month of 2012 operating results. Risk weighted assets increased by 9.14 percent, due mainly to the loan growth.

Net Interest Income

In 2012, TBANK and its subsidiaries' net interest income amounted to 24,118 million baht, a decrease of 298 million baht or 1.23 percent compared to the previous year. This was mainly a result from cost of fund pressure. Interest income was 49,653 million baht, an increase of 5,601 million baht or 12.72 percent. Interest expenses were 25,535 million baht, an increase of 5,899 million baht or 30.05 percent. Consequently, interest spread in 2012 was at 2.48 percent, a decrease from 2.92 percent in the previous year.

Non-interest Income

Non-interest income, including net fees and service income, net insurance premium/life insurance premium income, and other operating income, was 11,861 million baht, an increase of 2,396 million baht or 25.32 percent from the previous year. The details were as follows:

- **Net fees and service income**

TBANK and its subsidiaries had 4,121 million baht in net fees and service income, an increase of 500 million baht or 13.49 percent. This was a result of larger customer base and greater variety of financial products. Fees and service income amounted to 5,700 million baht, an increase of 690 million baht or 13.77 percent, while fees and service expenses were 1,488 million baht, an increase of 189 million baht or 14.58 percent.

- **Other operating income**

Other operating income includes gains on tradings and foreign exchange transactions, gains on investments, share of profit (loss) from investments in associated companies accounted for under equity method, dividend income, securities brokerage fees, insurance premium/life insurance premium income, and other income. In 2012, other operating income (net insurance expenses) was 7,649 million baht, an increase of 1,895 million baht or 32.93 percent. This was mainly due to net insurance premium/life insurance premium income which increased by 1,747 million baht. On the other hand, dividend income and gains on investments decreased by 260 million baht and 264 million baht respectively.

Operating Expenses

TBANK and its subsidiaries incurred 22,341 million baht in operating expense, an increase of 1,594 million baht or 7.68 percent. This was mainly due to personnel expenses and sale promotion expenses. Cost to income ratio in 2012 was at 62.10 percent, an increase from 61.24 percent. This was partly due to the impact from interest spread.

Impairment Loss of Loans and Debt Securities

In 2012, impairment loss of loans and debt securities expenses of TBANK and its subsidiaries amounted to 2,980 million baht, an increase of 476 million baht. Provision to total loans was at 0.40 percent similar to that of the previous year. Coverage ratio was at 74.21 percent and reserve to reserve requirement of the BOT was at 123.93 percent.

Financial Position of TBANK and Its Subsidiaries

(Unit: Million Baht)

Balance Sheet	31 December 2012	31 December 2011	Change	
			Increase/ (Decrease)	Percent
Assets				
Cash	15,181	16,006	(825)	(5.15)
Interbank and money market items-net	71,963	63,201	8,762	13.86
Investments-net	146,106	148,345	(2,239)	(1.51)
Net loans and accrued interest receivables	731,010	609,903	121,107	19.86
Properties foreclosed-net	6,461	6,762	(301)	(4.45)
Land, premises and equipment-net	8,292	8,759	(467)	(5.33)
Goodwill	15,750	15,750	0	0.00
Other assets	21,325	17,334	3,991	23.02
Total assets	1,016,088	886,060	130,028	14.67

As of 31 December 2012, TBANK and its subsidiaries had 1,016,088 million baht in total assets, an increase of 130,028 million baht or 14.67 percent from the end of 2011. This was mainly due to an increase of 121,107 million baht or 19.86 percent in net loans and accrued interest receivables. Portion of corporate and SME loans to retail loans was 67 percent to 33 percent.

(Unit: Million Baht)

Balance Sheet	31 December 2012	31 December 2011	Change	
			Increase/ (Decrease)	Percent
Liabilities and shareholders' equity				
Deposits	698,372	436,040	262,332	60.16
Interbank and money market items-net	87,777	60,151	27,626	45.93
Liability payable on demand	4,989	2,131	2,858	134.12
Debts issued and borrowings	78,149	254,297	(176,148)	(69.27)
Provisions	2,976	2,824	152	5.38
Insurance contract liabilities	39,632	36,154	3,478	9.62
Other liabilities	21,196	18,930	2,266	11.97
Total liabilities	933,091	810,527	122,564	15.12
Shareholders' equity	82,163	74,848	7,315	9.77
Non-controlling interest	834	685	149	21.75
Total liabilities and shareholders' equity	1,016,088	886,060	130,028	14.67

TBANK and its subsidiaries' total liabilities as of 31 December 2012 were 933,091 million baht, an increase of 122,564 million baht or 15.12 percent. This was mainly due to the following:

- Total deposit were 698,372 million baht, an increase of 262,332 million baht or 60.16 percent from the end of 2011. This was mainly due to an increase in fixed deposit. On the other hand, debts issued and borrowings decreased by 176,148 million baht or 69.27 percent from the end of 2011. This was a result of funding restructure and deposit acquisition through deposits products, such as ultra saving, short-term fixed deposits, 4-month, 5-month, 6-month, and 11-month fixed deposits. Funding was also sourced from short-term debentures and subordinated debentures (during the year, 12,516 million baht of 10-year subordinated debentures were issued at a rate of 4.70 percent). Deposits have been acquired from retail customers while the relationships with high net worth customers have remained strong. Total deposits and borrowings relied less on bills of exchange. Bills of exchange were 4,930 million baht, a decrease from 218,506 million baht at the end of the previous year.

- Interbank and money market items were 87,777 million baht, an increase of 27,626 million baht or 45.93 percent, which was a result of TBANK's liquidity management.

Shareholders' equity of TBANK and its subsidiaries as of 31 December 2012 was 82,613 million baht, an increase of 7,315 million baht or 9.77 percent from the end of 2011. The increase was mainly due to the net profit in 2012 performance. There was a dividend payout from 2011 performance at 0.35 baht per share, totaling to 1,930 million baht.

Capital Adequacy Ratio

As of 31 December 2012, TBANK had the total capital of 101,417 million baht, of which 61,546 million baht was Tier 1 capital and 39,871 million baht was Tier 2 capital. BIS ratio was at 13.99 percent, an increase from 13.72 percent in the previous year. Tier 1 capital was at 8.49 percent, a decrease from 9.28 percent in 2011. Tier 2 capital was at 5.50 percent, an increase from 4.44 percent in 2011. This was partly due to 12,516 million baht of subordinate debentures, which were issued to support capital adequacy under Basel III regulation and the profit from the first 6-month 2012 operating results. Risk weighted assets increased by 9.14 percent, due mainly to the loan growth.

BIS ratio is well over the BOT minimum regulated ratio of 8.50 percent. The details of capital adequacy were as follows:

Capital Adequacy Ratio

	31 December 2012		31 December 2011	
	Million Baht	Percent	Million Baht	Percent
Tier 1 capital	61,546	8.49	61,638	9.28
Total capital	101,417	13.99	91,093	13.72

Thanachart Securities Public Company Limited

The average daily trading of Thanachart Securities Public Company Limited ("TNS") in 2012 was in the amount of 2,711 million baht, an increase from 2,267 million baht in the previous year, with the market share of 4.82 percent. The trading volume consisted of 66.36 percent of retail customers, 13.68 percent of foreign customers, and 19.96 percent of financial institution customers.

Net profit for the year ended 31 December 2012 was 458 million baht, an increase of 165 million baht or 56.14 percent from the previous year. Total income amounted to 1,645 million baht, an increase of 11.37 percent. Of the total income, 1,222 million baht was from brokerage fees; 152 million baht was from fees and service income; and 138 million baht was from interest income on margin loans. Interest expenses, fees and service expenses, and operating expenses were 1,075 million baht, an increase from the previous year, in line with growing business volume and increase in income.

As of 31 December 2012, TNS's net liquid capital ratio was at 60.70 percent which was higher than the minimum requirement of 7.00 percent set by the Securities and Exchange Commissions (SEC).

Thanachart Fund Management Company Limited

As at the end of 2012, Thanachart Fund Management Company Limited ("TFUND") had asset under management amounting to 119,691 million baht, an increase of 24,998 million baht or 26.40 percent from the end of 2011. Composition of asset under management was 83.62 percent mutual fund, 8.29 percent provident fund, and 8.09 percent private fund.

As for the performance in 2012, TFUND had its net profit of 141 million baht, an increase of 52 million baht or 58.43 percent from the previous year.

Thanachart Insurance Public Company Limited

Thanachart Insurance Public Company Limited ("TNI") had its net profit for the year 2012 of 616 million baht, an increase of 180 million baht or 41.28 percent from the previous year. The key contributing factors were the growth in insurance premium income in all channels and the focus on profitable products while loss incurred and operating expenses were managed efficiently.

Thanachart Life Assurance Public Company Limited

For the year ended 31 December 2012, Thanachart Life Assurance Public Company Limited ("TLIFE") had its net profit of 1,715 million baht, an increase of 945 million baht or 122.81 percent from the previous year. Insurance premium income grew from hire purchase customer base by 1,151 million baht or 66.16 percent; ordinary insurance increased by 1,887 million baht or 43.79 percent. As a result, net underwriting income increased from the previous year by 2,863 million baht or 40.49 percent. On the other hand, insurance expenses increased by 2,636 million baht or 40.71 percent from the previous year. As a result, underwriting profit

increased by 227 million baht or 38.03 percent from the previous year. Gains on investment increased by 874 million baht or 99.67 percent, due to its gains from disposal of investments.

TS Asset Management Company Limited

TS Asset Management Company Limited ("TS AMC") has given a focus on debt restructuring, in alignment with the policy and business plan of Thanachart Group. As of 31 December 2012, TS AMC's total assets amounted to 10,070 million baht. For the performance of the year 2012, TS AMC had its net profit of 1,718 million baht, an increase of 1,624 million baht from the previous year. This was the result of NPL management and continued debt restructuring. Income from debt restructuring and gains on properties foreclosed and other assets were 2,501 million baht and 192 million baht respectively while operating expenses were 177 million baht.

Ratchthani Leasing Public Company Limited

At the end of 2012, total assets of Ratchthani Leasing Public Company Limited ("THANI") amounted to 19,209 million baht, an increase of 6,855 million baht or 55.49 percent from the end of 2011. This was due to continuous growth in hire purchase customers especially the truck hire purchase. Hire purchase loans amounted to 18,659 million baht, an increase of 6,607 million baht or 54.82 percent. This accounted for 97.13 percent of total assets. Total liabilities and shareholders' equity were 16,705 million baht and 2,504 million baht respectively.

The net profit of the year 2012 was 489 million baht, an increase of 284 million baht or 138.86 percent from the previous year. Total income amounted to 1,583 million baht, an increase of 462 million baht or 41.24 percent, due to continuous growth of hire purchase loans especially truck hire purchase. Interest expenses were 673 million baht, an increase of 134 million baht or 24.81 percent, mainly due to an increase in additional low cost of borrowings to support business growth which resulted in a decrease in cost of fund. Impairment loss of loans was 81 million baht, a decrease of 45 million baht or 35.57 percent, due to the impact from flooding in Bangkok and its vicinities in the last quarter of the previous year.

NFS Asset Management Company Limited

For the year 2012, the net profit of NFS Asset Management Company Limited ("NFS AMC") amounted to 460 million baht, an increase of 14 million baht or 3.1 percent from 2011. Of the total income, the income from debt restructuring was 409 million baht, an increase of 189 million baht from 2011; the reversal of allowance for impairment loss of loans amounted to 59 million baht; the gains on properties foreclosed amounted to 170 million baht; and reversal of impairment loss of properties foreclosed amounted to 16 million baht. On the other hand, operating expenses and interest expenses were 79 million baht and 27 million baht respectively.

MAX Asset Management Company Limited

For the year 2012, MAX Asset Management Company Limited ("MAX AMC") had its net profit of 280 million baht, an increase of 161 million baht or 134.5 percent from 2011. The income from loans totaled to 29 million baht and gains on properties foreclosed were 323 million baht, due mainly to the sale of its properties which were sizable lands with high value. The operating expenses recorded at 27 million baht.



NATURE OF BUSINESS OPERATION

Overview of Business Operation

Thanachart Capital Public Company Limited (“the Company”) 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 business, insurance business, hire purchase business, and leasing business and (2) supporting business group consisting of brokerage business, service 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. In regards to 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 details of the business operations of each company are as follows:

Companies of Thanachart Financial Conglomerate

A) Companies in Financial Business Group

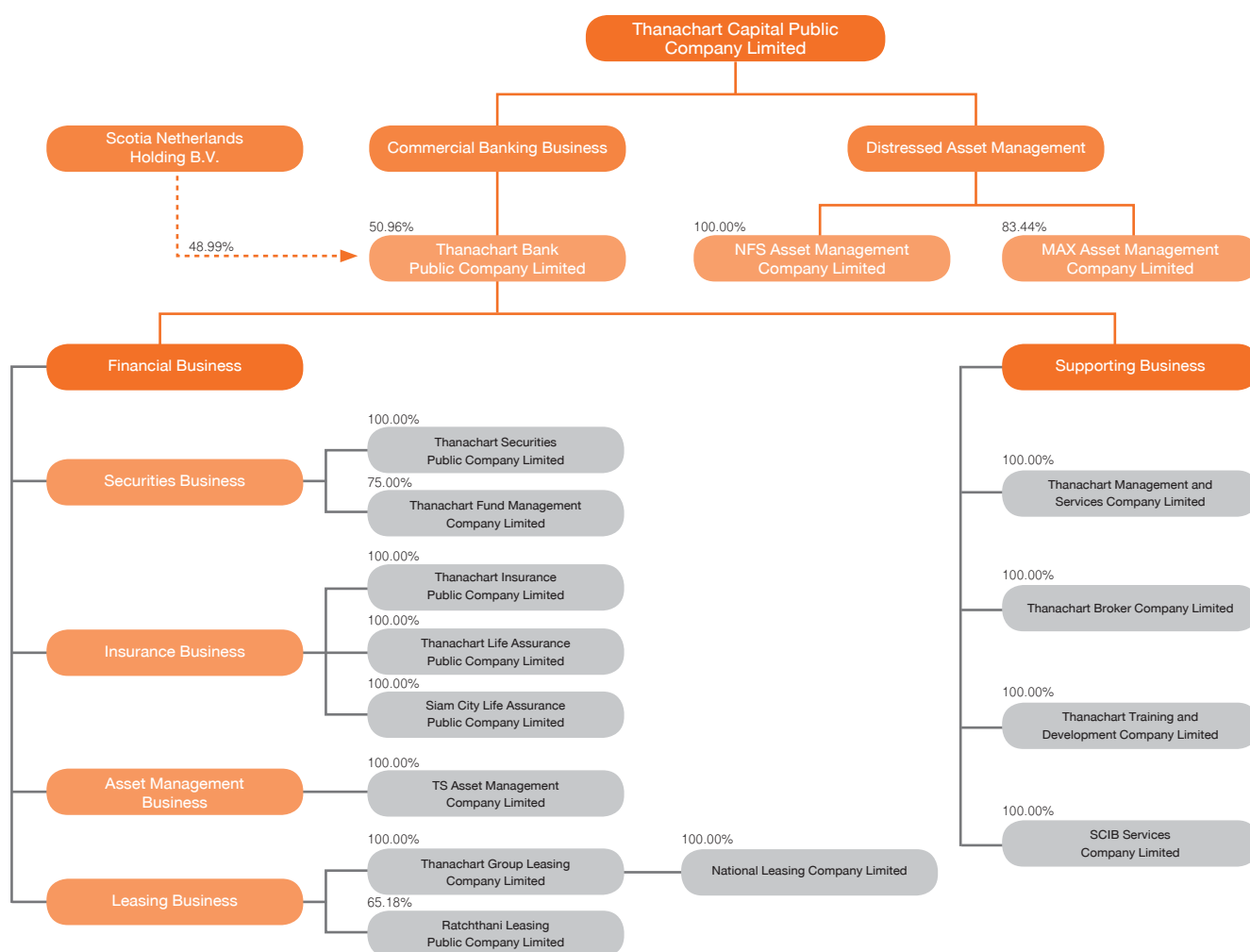
1. **Thanachart Capital Public Company Limited** operates as the holding company and thus is a parent company of Thanachart Financial Conglomerate.
2. **Thanachart Bank Public Company Limited** operates commercial banking business and other businesses permitted by the BOT, such as selling life and non-life insurance products, securities broker, underwriting, and repurchasing of unit trusts.
3. **Thanachart Securities Public Company Limited** (“TNS”) operates securities businesses including securities brokerage, securities analysis service, proprietary trading, securities borrowing and lending, investment advisory service, seeking and innovating new financial instruments both domestically and internationally in order to satisfy the various needs of the customers. Furthermore, TNS is engaged in promoting and informing about mutual funds of various fund management companies that TNS represents, financial advisory service, underwriter, broker of debt and equity securities, as well as securities registrar.
4. **Thanachart Fund Management Company Limited** (“TFUND”) is a joint venture between TBANK (holding 75 percent of the total shares) and Government Savings Bank (holding 25 percent) operating mutual fund, private fund, provident fund management businesses, and investment advisory business.
5. **Thanachart Insurance Public Company Limited** (“TNI”) provides non-life insurance services including fire insurance, automobile insurance, marine and transportation insurance, and miscellaneous insurance.
6. **Thanachart Life Assurance Public Company Limited** (“TLIFE”) provides 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 Public Company Limited** (“SCILIFE”) operates life insurance service including ordinary life insurance and group life insurance which are financial security and provide life and health protection. The service is offered to individual, institution clients, and general organizations. Products and main target customers are different from TLIFE.
8. **Thanachart Group Leasing Company Limited** (“TGL”) operates hire purchase business by only maintaining its existing portfolio.
9. **Ratchthani Leasing Public Company Limited** (“THANI”) operates hire purchase business for both new and used car with an expertise in specific types of automobile such as trucks (6-wheeler and 10-wheeler) for individual and juristic person for commercial use. Furthermore, it provides hire purchase service for taxi, big bike, and tractor vehicles for agricultural use.
10. **NFS Asset Management Company Limited** (“NFS AMC”) was granted a license to operate distressed asset management business. It buys or takes transfers of non-performing loans from financial institutions of Thanachart Group and other financial institutions.
11. **MAX Asset Management Company Limited** (“MAX AMC”) was granted a license to operate distressed asset management business. It buys or takes transfers of non-performing loans from other financial institutions.
12. **TS Asset Management Company Limited** (“TS AMC”) was granted a license to operate distressed asset management business. It took transfers of non-performing loans from SCIB and TBANK.
13. **National Leasing Company Limited** (“NL”) operates asset leasing business but not with the outside third party.

B) Companies in Supporting Business Group

1. **Thanachart Management and Services Company Limited** (“TMS”) gives staffing support services in the form of service staff.
2. **Thanachart Training and Development Company Limited** (“TTD”) organizes training activities for employees of member companies of Thanachart Group.
3. **Thanachart Broker Company Limited** (“TBROKE”) operates life and non-life insurance broker business, providing recommendation and promoting life and non-life insurance products of insurance companies within and outside Thanachart Group for customers of Thanachart Group and general public. Furthermore, it is engaged in other businesses related to life and non-life insurance business.
4. **SCIB Services Company Limited** (“SSV”) offers service business to Thanachart Group. The services include cleaning service, security service, messenger service, etc.

Shareholding Structure of Thanachart Group

As of 31 December 2012



- Note:**
1. Percentage of shareholding above includes shares held by related parties
 2. Scotia Netherlands Holding B.V. (subsidiary of the Bank of Nova Scotia) received all ordinary shares of TBANK from the Bank of Nova Scotia 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), the Company has adopted the following policies and approaches in managing the member companies of the Group.

Business Policies

The Company and TBANK are responsible for establishing key business policies of Thanachart Group annually. Each subsidiary company 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 Subsidiary Companies

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

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, various information technology systems, and reducing staffing costs. The centralized support services available now within Thanachart Group include information technology, personnel, systems and regulatory development, compliance, 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 Member Companies of Thanachart Group

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 the Company 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 Sub-committees. Independent directors are appointed to the Boards of Directors to provide effective checks and balances on the powers of executive directors. The established scope of responsibilities of the Boards of Directors are also in line with

the principles of good corporate governance promoted by the authorities concerned. In addition, the Boards of Directors of the Company and the subsidiary companies 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

The Company 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, the Company conducts analysis of the key risks faced by the member companies of the Group which may need direct financial or management support from the Company. The report on risk factors and risk status is prepared and reported to the Boards of Directors of member companies of Thanachart Group. The established risk management policy of Thanachart Financial Conglomerate is in line with the guidelines given by the BOT.

Income Structure of the Company and Its Subsidiaries

The income structure of the Company and its subsidiaries based on the consolidated financial statements as of 31 December 2012, 2011, and 2010 was as follows:

(Unit: Million)

	2012		2011		2010	
	Amount	Percent	Amount	Percent	Amount	Percent
Interest income						
Interbank and money market items	2,348	6.23	1,899	5.44	1,057	3.19
Investments and trading transactions	491	1.30	86	0.24	90	0.27
Investments in debt securities	4,503	11.95	4,319	12.37	3,666	11.06
Loans	21,502	57.05	20,942	59.96	14,952	45.11
Hire purchase and financial lease	21,155	56.12	17,012	48.71	15,262	46.05
Total interest income	49,999	132.65	44,258	126.72	35,027	105.68
Interest expenses	25,765	68.36	19,943	57.10	11,998	36.20
Net interest income	24,234	64.29	24,315	69.62	23,029	69.48
Non-interest income						
Net fees and service income	4,230	11.22	3,720	10.65	3,517	10.61
Gains on trading and foreign exchange transactions	663	1.76	891	2.55	571	1.72
Gains on investments	852	2.26	1,139	3.26	523	1.58
Share of profit from investment accounted for under equity method	283	0.75	258	0.74	369	1.11
Gains on property foreclosed and other assets	1,059	2.81	47	0.14	664	2.00
Net insurance premium/life insurance premium income	3,874	10.28	2,127	6.09	2,351	7.09
Dividend income	488	1.30	755	2.16	492	1.49
Other operating income	2,009	5.33	1,673	4.79	1,630	4.92
Total non-interest income	13,458	35.71	10,610	30.38	10,117	30.52
Net operating income	37,692	100.00	34,925	100.00	33,146	100.00

Nature of Business Operation of Each Business Group

Business Policy and Strategies of Thanachart Group

In 2012, 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 are 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 allows Thanachart Group to be a fully integrated financial services group with highly successful in competition, but also is 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 leading banks in the commercial banking industry with an asset size appropriate for business competition. The objective is to provide varieties of alternatives to customers. Moreover, synergy of Customer Experience Management and Sale and Service Model system from Scotiabank has enabled Thanachart Group to offer a superior experience by providing the best services to fully satisfy financial needs of our customers. Besides that, Thanachart Group also puts an emphasis on diversification of income sources in order to balancing interest income and fee-based income. These aims have been communicated to all of our staff. In 2012, Thanachart Group has set six Strategic Intentions as follows:

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 Used and CYC segments.

4. We intend to grow deposit base in order to maintain and improve liquidity to be sufficient for supporting growth.

5. We intend to grow our loan market share in targeted segments.

6. We intend to increase the fee-based income proportion to be on par with industry average.

The above six Strategic Intentions have been communicated to all staffs at all levels so that they all share a mutual objectives consistent with visions and strategic objectives of the Thanachart Group. In order that the strategies are in alignment, efficiently evaluated and able to manage the organization systematically, Thanachart Group has developed a plan namely “CEO’s Six-Point Agenda” which serves 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 operates its commercial banking business in compliance with Financial Institution Business Act and other relevant notifications issued by the BOT. It also acts as investment unit distributor for mutual fund, securities brokerage, life and non-life insurance brokerage agent, financial advisor, bond representative, and custodian service.

As of 31 December 2012, TBANK had a total of 629 branches (excluding Tonson branch, head office), 55 exchange booths (29 booths in branch and 26 stand alone booths), 2,061 ATMs (Automatic Teller Machines), 3 Recycling Machines, 45 CDMs (Cash Deposit Machines) and 122 PUMs (Passbook Update Machine).

Product and Service Group

TBANK continues to develop its products and services to better serve the various needs of the customers. Its four main products and services include the following:

Product and Service	Characteristics	Competitive Strategies
Group 1 Deposit Products	<p>Deposit products are offered to both individual and corporate customers. There are 4 main types of deposits products including saving deposit, fixed deposit, current deposit and foreign currency deposit.</p>	<p>As a result of intense competition in the deposit market especially from the government banks and large commercial banks, TBANK continues to expand its customer base by focusing more on small and medium size customers through integrated product offerings. In 2012 TBANK has continuously launched new products to the market with appropriate rate of return for the customer and suitable with the market rate. For instance, Smile Payroll is for small and medium size retail customers to use as a payroll account. 7-day, 14-day, 1-month and 2-month fixed deposit products are offered as saving alternative for individual and corporate clients. In addition TBANK offers other fixed deposit products according to the needs of the market such as short term 4-month and 5-month deposit and long term 11-month and 15-month deposit. Furthermore, TBANK offers higher return fixed deposit with step-up interest rates called "Fixed Super Grow Up" which customers can withdraw the money before the deposit maturity and still receive a good rate of return when compared to regular fixed deposits. Such product offerings increase the customer's convenience in managing their saving accounts while maximizing their benefits. All products have received good responses from customers.</p>
Group 2 Lending Products	<p>1. Corporate Loans are used to fund the business and used as working capital which the customers can choose from different types of loan products.</p> <p>1.1 Corporate Banking TBANK has developed and offers various products and services according to the needs of corporate clients, such as: flexible loans, project finance, trade finance and financial advisory service in order for customers to have appropriate funding option. TBANK offers the services in both debt and capital market for example, issuing and offering debentures and other securities registered in the Stock Exchange of Thailand. Furthermore, risk management products are offered to the customers</p>	<p>In 2012 TBANK has segmented their customers in order to better understand the needs of the customers and offers better suited products.</p> <p>For corporate customers, TBANK focuses on improving relationships with the customers and offers a full range of financial products based on the individual needs of each customer.</p>

such as forward contract, foreign currency swap, and etc. TBANK also offers cash management which answers to various needs of the customers.

1.2 Small Medium Size Enterprises (SME) SME-S Loan for customers with credit lines not exceeding 10 million baht. **Top Up Facilities** for additional credit line. **O/D** for working capital. **LG** for corporate and individual customers who need credit line guaranteeing loans or business operation whether for government or private sectors.

Furthermore TBANK focuses on expanding business in the SME market. This market has a demand for financial support. TBANK offers SME-S loan for the SME customers who require a credit line not exceeding 10 million baht. The focus is given on quick turnaround time with the credit review and approval process.

2. SME Auto Loan for automotive business owner who has short-term financial needs with the proceeds of loans to be used as working capital or for enhancing their liquidity position, as well as, long-term financial needs with the proceeds of the loans to be used for business expansion or cost saving. Furthermore, there are other financial products such as fleet, financial lease, and etc.

The emphasis is on offering lending product and services to the automotive business owners who have good relationship in hire purchase business with TBANK. TBANK uses the data in hand as a tool to improve loan approval process and credit scoring system. TBANK continues to develop loan product ensuring that the customers has the credit line and products that match their financial needs, whether for the car manufacturer, new car owner, used car dealer or used car auction. TBANK focuses on customers with good credit and stable financial health for fleet and financial lease products. Furthermore, TBANK continues to develop the IT infrastructure to increase efficiency in offering its products and services nationwide.

3. Trade Finance TBANK provides a full range of trade finance products and services including Import L/C Issuance, Trust Receipt, Collection Agency of D/P and D/A for overseas buyers, Packing Credit, Export Bill Purchased/Discounted, Export Bill for Collection, Letter of Guarantee, Stand-by L/C, and overseas money transfer.

The focus is on accuracy, convenience, competitive interest rate, and fee. TBANK takes into consideration the customers' needs and the promotion of business transaction as the main concerns. TBANK targets to expand the customer base with large and medium-size businesses. TBANK provides trade finance credit line, liquidity support, advice on trade documents, and other trade finance products. A strong network and alliance across all continents allow TBANK to offer superior products and services for its customers.

4. Hire Purchase Loan TBANK currently offers new car hire purchase loan, used car hire purchase loan, and sale and lease back loan under the product named "Cash Your Car." This product is in response to hire

TBANK's hire purchase loan services are 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 places an emphasis on sales promotion

purchase customers who need 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 are able to choose the period of payment and installment plan at the most suitable for them.

activities with car dealers in each region, aiming to offer hire purchase loan conditions that meet the needs 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 expands distribution channels, providing customer's convenience by offering the "Cash Your Car" product through TBANK branches.

5. Secured Personal Loans, consists of, **housing loan** under the name "TBANK Home Loan", **multi-purpose loan** named "Cash Your Home" and "Home Plus".

TBANK places emphasis on efficient service delivery and fully integrated products that fulfill to all customer needs. As well, marketing promotion which is in line with the situation and competitive condition, is highlighted. The Retail Banking Department is responsible for developing products, terms and conditions, as well as interest rates charged. The target customers include people who need home loans and people who need personal loans with houses as collateral. The main distribution channel is personal sales and marketing teams that are responsible for the sales target set in the business plan. Moreover, branches are channels to advertise personal loans or new products to the customers.

6. Unsecured Personal Loans
TBANK provides many types of unsecured personal loans. To be accessible and responsive to cover a wide range of customer needs, therefore, the purpose of loans may or may not be specified. TBANK's unsecured personal loans are offered in variety with the following **product names:**

- **T-Loan**

T-Loan is a multi-purpose loan providing for general customers. The repayments are arranged in equal installment monthly and specified time.

- **Wish-List loan**

Wish-List loan is an additional credit line of loan provided to TBANK's hire purchase customers who have good repayment record.

- **Special for Corporate Staff**

TBANK provides this loan specifically to customers whose companies have a campaign with TBANK.

Products under unsecured personal loans define competitive strategies on product development, marketing campaign, distribution channel, and appropriate services to serve target customers' needs. Thus, TBANK provides 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 are easily understandable and practical for every day needs.

Main competitive strategies of each product

1. Personal Loan

Providing a variety of product to cater to customer needs in each group that fit their purposes.

2. Revolving Credit Card

Providing cardholders with a credit line to spend for any purposes. Customers can withdraw cash within a credit line as per their needs at ATM worldwide.

3. Credit Card

Emphasizing on everyday needs of cardholders with simplified and practical use of the card. Cardholders receive benefits as per their needs for every purchase.

- **Scholar Loan**

Scholar loan is a loan for payment of tuition or any expenses for obtaining a master's or doctorate degree.

- **Pension Secured Loan**

This is a special multi-purpose loan for government employees who receive monthly pension payment from the Comptroller General's Department.

- **FLASH Card** is a product that provides cardholders with enhanced flexibility as it serves as a source of a revolving credit. FLASH Card places an emphasis on fast and convenience service which enables the cardholders to withdraw cash from ATMs worldwide. FLASH Card also allows the cardholders to pay the minimum amount in each collection period.

- **Credit Card Services**

This product provides the line of credit to purchase products/services as cash or allows cardholders to withdraw cash. TBANK collaborates with VISA and MASTERCARD to provide credit card in multiple types suitable to customers' qualifications and needs under the following **product names**

- **Thanachat "Drive" Credit Card:**

For customers who need a credit card with cash back for every payment made at any gas station.

- **Thanachat Platinum Credit Card:**

For customers who are looking for exclusive services and privilege benefits in a view of luxury and convenience.

Group 3 Electronic Products and Services

TBANK offers electronic products and services that enable customers to make financial transactions at a better efficient manner. These services include 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

The strategy focuses on cross-selling and up-selling via bank branches to both small and large scale companies. For individual customers who need convenient transaction and safety for money transfer, the Bank initiates the promotion campaign aiming at easy accessibility and services. The money can be received on the same day of a transfer. Branches have been available in shopping centers or nearby office areas for customers' convenience. TBANK offers services as follows:

Product and Service	Characteristics	Competitive Strategies
	<p>System), Bill Payment service for goods and services, and a debit card. To meet the customer needs, the Bank has also developed the service system through the internet, which are as follows:</p> <ul style="list-style-type: none"> - Thanachart i-Net service - Thanachart SMS Alert service - Cash Back Debit Card 	<ol style="list-style-type: none"> 1. Internet Banking Service. This service is 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 notifies 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 is that customers receive cash back directly into their accounts for every spending. The EMV technology provides an ultimate security to protect a card from data stealing.
Group 4 Other Products	<ol style="list-style-type: none"> 1. Foreign Exchange Services TBANK's services include 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), and etc. 2. Securities Business Support Services TBANK's securities business support services are, for example, Custodian, Trustee, Fund Supervisor, and Bondholder Representative. 	<p>TBANK has expanded its branch network and currency exchange booths to serve all business sectors and tourists nationwide. TBANK has also adjusted exchange rates by benchmarking with the movements of the world's currency market. As a result, its customers receive real time rates and fair prices.</p> <p>Besides acquiring Foreign Sub Custodian license from the SEC in order to serve Thai Funds which invest 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 continues 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>

Factors Influencing Opportunities or Constraints to Business Operations

Compared with the previous year, the growth of the global economy in 2012 remained weak, mainly due to a number of key factors such as the U.S. public debt or the so-called fiscal cliff, the euro zone debt crisis, and Japan's long-running deflation. The global economy showed signs of gradual recovery during the second half of 2011, mainly due to the various corrective measures introduced by the crisis-hit countries. However, it was going to take quite some time to fix structural economic problems that built up over years. As a result, the global economic weight shifted towards Asia which not only was expected to register remarkable economic growth, but also was an investment target with high potential. Most noteworthy was the forthcoming establishment of the ASEAN Economic Community, of which Thailand was a member. In relation to the growth of the Thai economy, although it was hard hit by devastating floods in the last quarter of 2011, Thailand managed to achieve economic growth of 6.4 percent in 2012, thanks to a number of main drivers of growth including strong domestic demand, the private sector's continuously increasing consumption which was supported by the government's various stimulus measures, recovery of export sector, as well as the private sector's investments for post-flood reconstruction and rehabilitation of damaged infrastructure.

As the global economy is faced with both volatility and uncertainties, Thanachart Bank has put in place a plan to closely monitor and review the industry landscape which consists of political risk and impacts from the major industrialized countries' fiscal policy relaxation to boost economic growth, reduction in the policy interest rate, implementation of Quantitative Easing (QE) measures, as well as the European Central Bank's offer to purchase euro zone countries' short-term bonds in the secondary market in a programme called Outright Monetary Transactions (OMT). The above risk factors has direct impact on the money supply in the market, liquidity in the commercial banking industry, volatility of Thai baht to US dollar, and the change of the Bank of Thailand's benchmark interest rate.

Developments worth monitoring include new business opportunities such as the forthcoming establishment of the ASEAN Economic Community (AEC) whereby the government and the Bank of Thailand cooperate in relaxing rules and regulations for the purpose of promoting more overseas investments. The Financial Sector Master Plan Phase II (2010 - 2014) consists of measures aiming at reducing system-wide operating costs and strengthening financial

infrastructure. Meanwhile, under the supervision of the Bank of Thailand, the Capital Account Liberalization Master Plan has been prepared, aiming at encouraging Thai companies and local depositors to operate their businesses and diversify their investment risk more efficiently. The initiative will also give rise to an environment that fosters more balanced capital flows and promotes financial market development. The central bank has already relaxed the rules governing overseas investment. These include, among others, allowing listed companies to invest in foreign securities directly, allowing Thais to invest in foreign-currency bonds which are offered and issued in Thailand, and allowing institutional investors which manage investments of retail investors to manage independently the risk arising from the exchange rate volatility, allowing retail investors to invest in foreign securities without having to get prior approval from the Bank of Thailand, as well as relaxing restrictions on capital flows to support foreign investments in line with the ASEAN link project. The Bank of Thailand has also formulated a Payment Systems Roadmap for 2012 - 2016, which consists of six key projects including (1) promotion and development of electronic payments, (2) promotion of payment systems access, (3) preparation for the ASEAN Economic Community (AEC), (4) payment systems risk reduction, (5) enhancement of safe ATM usage, and (6) consumer protection and financial literacy.

Industry Conditions and Competition Trends

At the end of 2012, the total number of commercial banks in the banking industry amounted to 31, of which 16 were registered in Thailand while the remaining 15 were foreign banks' branches. The overall performance of Thai commercial banks was quite strong, thanks to the support from the continuing growth of key businesses including lending which achieve 13.7 percent growth in 2012, representing double-digit growth for three consecutive years. The loans grew almost triple the normal rate, mainly due to the continuous expansion of corporate loans as a result of the need for post-flood reconstruction and rehabilitation to accommodate growing domestic demand. Noteworthy was also the growth of household loans, mortgage, credit card loans, and other household loans, particularly automobile hire purchases, mainly due to the fact that auto makers were able to resume normal production and had to speed up their production to meet backlog demand accumulated over the previous period as well as additional demand boosted by first-time car buyer tax rebate. As a result, the total loans of the commercial banking industry as a whole amounted to 11,277,738 million baht, of which 10,152,702 million baht or 90.02 percent were the loans of the locally registered commercial banks with the remaining

1,125,036 million baht or 9.98 percent were the loans of the foreign banks' branches. On the other hand, the total deposits of the commercial banking industry as a whole amounted to 10,219,904 million baht, of which 9,540,114 million baht or 93.35 percent were the deposits of the locally registered commercial banks with the remaining 679,790 million baht or 6.65 percent were the deposits of the foreign banks' branches. As a result, as at the end of 2012, the total deposits of the commercial banking industry grew 27.90 percent from the end of 2011, partly due to the efforts to mobilize additional deposits to meet the rising demand for loans and to protect against the potential risks arising from the global economic crisis.

Company's Size Compared to Competitors

As at the end of 2012, Thanachart Bank had 630 branches. Its total assets amounted to 1,016,088 million baht, an increase of 130,028 million baht or about 14.67 percent over the previous year. Its Return on Average Assets (ROAA) amounted to 0.89 percent while its Return on Equity (ROE) amounted to 10.56 percent. Its total loans amounted to 754,063 million baht, an increase of 118,843 million baht or 18.70 percent over the previous year. Its total ATMs amounted to 2,061. In addition, to emphasize its position as a universal bank which provides a variety of services to customers, Thanachart Bank already reached an agreement to sell its equity stake in Thanachart Life Assurance Public Company Limited to Prudential Group (Prudential plc.), a leading financial services group based in United Kingdom. The two companies will jointly offer life insurance products that meet the needs of the Bank's customers nationwide. With the expertise of Prudential Group, new life insurance products will be developed. As well, the staff of Thanachart Bank will be trained so that they gain knowledge and skills in offering and introducing life insurance products as well as providing better services to customers.

Competitive Trends

In 2013, the global economy is expected to remain weak. However, recent key economic indicators reflect gradual increase in economic stability. The economies of Thailand's counterparts also recovered gradually. The recovery of the U.S. economy, the expansion of Chinese economy and the emerging economies will an important role in driving the global economy further, particularly in the second half of the year. Meanwhile, the euro zone economy and the Japanese economy were expected to become weaker.

With regard to the Thai economy, according to economic forecasts made by research institutes, both domestic and overseas, the available economic indicators show signs of positive growth. The Thai economy is expected to grow by 4.5 - 5.5 percent in 2013, mainly due to the strong domestic demand for investment and consumption. The consumption of the private sector is supported by the first-time car buyer tax rebate with continued impact from the previous year, as well as the overhaul of the personal income tax structure, with the tax rates to be reduced, beginning in 2013.

The investments of the private sector are also on the rise, mainly due to the investments for accommodating strong domestic demand and for reconstruction of some industries' remaining infrastructure damaged by flood. On the other hand, the export sector which has gradually recovered is going to play a more important role in driving the economy again in the second half of 2013, to offset the reduced impact of the stimulus measures which are expiring. Meanwhile, inflationary pressures remain stable, close to previous year's level. The stability is in line with the world crude oil prices. As a result, the inflation rate in 2013 is expected to be 2.5 - 3.5 percent, provided that there is no serious crisis. However, there are both domestic and international risk factors that need to be closely monitored. The international risk factors include, among others, the sustainability of the U.S. economic recovery, the euro zone debt crisis, the slowdown of the Chinese economy, and dispute between China and Japan over control of the Senkaku/Diaoyu islands. On the other hand, the domestic risk factors include, among others, the 300-baht minimum daily wage policy, political uncertainties, capital flow volatility, as well as the rapid growth of household loans which may lead to an increase in defaults.

The competition in the Thai commercial banking industry remains intense, taking into account the deposit and loan expansion of non-bank financial institutions and the state's specialized financial institutions, as well as the financial services of non-financial institutions such as 7-Eleven and Pay at Post, the payment services for buying financial products and services, as well as selling of life insurance products and selling of non-life insurance products. In light of the above, in 2013, several commercial banks attempt to enhance their potentials in all areas in order to achieve competitive advantage. Emphasis is placed on sales and service improvement based on the customer-centric approach, universal banking system which enables the banks to meet the financial needs of specific customer groups in line with the market segmentation strategy, increase in service channels such as bank branches in

department stores and communities to cover target customers nationwide, increase in the number of ATMs, increase in the number of 'electric corners' which offer ATM, CDP and UDP services, as well as restructuring branches aiming at providing customers with more efficient services. The efforts are expected to bring about an increase in fee based income and more efficient services for target customers in different areas such as internet banking, mobile banking, trade finance and cash management. Emphasis is also placed on forming strategic alliances with business partners, in order to expand networks and enhance business potential, which in turn will enable the banks to better meet the diverse needs of target customers. The strategic alliances also help promote development and implementation of the product bundling strategy which involves offering several products for sale as one combined product. Importantly, the alliances also help promote cross-selling of the financial conglomerate members' various products such as bancassurance products. In addition, the commercial banks focus on enriching their brand through advertising media and public relations campaigns, as well as through their participation in more Corporate Social Responsibility (CSR) activities. Apart from the competition on interest rates, the development of the non-pricing strategies will enable the commercial banks to carve out their specific spot in the competitive landscape. Such competitive positioning will enable them to achieve competitive advantage in the future.

Products of Securities Business and Fund Management Business

Securities Business is provided to customers through Thanachart Securities Public Company Limited ("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 derivative business Sor 1, which includes forward contract broker and forward contract buyer. As for Fund Management Business, this service is provided through Thanachart Fund Management Company Limited ("TFUND") who operates mutual funds, private funds, provident fund management business, and investment advisory businesses.

Securities Business

Thanachart Securities Public Company Limited

Products and Services

TNS operates two key areas of business - brokerage business and investment banking and advisory business. As of 31 December 2012, TNS had 34 branches and offered the following services:

1. Brokerage Business implied 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. TNS started foreign securities brokerage since the year 2009 in order to offer investment alternative with efficient risk diversification for both individual and corporate customers. The company used Direct Market Access (DMA) System to directly purchase securities in foreign countries worldwide as follows:

Asia: Australia, Hong Kong, Singapore, Malaysia, Japan, Philippines, Indonesia, South Korea, Taiwan, and China

America: United States of America and Canada

Europe: Netherland, Belgium, Portugal, France, Germany, United Kingdom, Italy, Denmark, Finland, Sweden, Norway, Spain, Switzerland, Poland, and Austria

3. Derivative Business included trading services for future contracts and derivatives.

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

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

6. Investment Unit Dealer included services of sale support and provided fund facts and related information on mutual funds of various asset management companies that TNS represented.

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

8. Securities Registrar included 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. In 2012, Thailand's stock market continued to provide great return and was ranked one of the three highest return stock markets in the world. Although investors were cautious about the global economic crisis in the first half of the year, the economic indicators in the 3rd and 4th quarters showed a sign of recovery. Dollar currency did not depreciate as speculated. Unemployment rate continued to subside. In 2012, trading volume reached 15.83 trillion baht, the highest since 1975. Retail client transactions captured the highest volume at 55 percent of the market while foreign clients transaction was a net buyer of 76,896.93 million baht. In terms of mobilization of the number of initial public offering (IPO) in 2012, there were a total of 18 new IPOs (8 companies in SET and 10 companies in MAI). In 2012, the SET index closed at 1,391.93 points, 366.61 points or 35 percent higher than 2011. This held a record high in 19 years since 1994 (closed at 1,360 points). Average daily trading volume was 32,304.36 million baht. TNS developed new financial products such as SBL products or trading of foreign securities at offshore, so that investors were able to diversify the risks of investing in a full range of securities. TNS' total trading value in 2012 was 664,304.72 million baht, accounted for 4.82 percent market share, ranked number 7 out of 32 companies in the industry.

2. Currently, there are a total of 41 members in the Thailand Future Exchange (TFEX), of which 40 are general securities companies and 1 are gold-trading member. In 2012, total trading volume was 10,457,928 contracts, or a daily average of 43,823 contracts, an increase of 6.5 percent from a daily average of 41,145 contracts in 2011. As of 30 December 2012, there were 238,981 outright contracts, an increase of 323.3 percent from 2011, mainly from SET50 Index Futures (37.6 percent), Gold Futures (33.89 percent), Single Stock Futures (20.2 percent), and USD Futures (6.3 percent). TNS trading volume accounted for 2.39 percent market share, ranking number 18 out of all members in TFEX. In 2012, there were 80,893 TFEX trading accounts, an increase of 28.6 percent from 62,883 accounts in 2011. The proportions of the most active investors were domestic investors which accounted for 53.4 percent of the market, foreign investors 7.7 percent and institutional investors 38.9 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 high net-worth 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 systematic financial management. This business sector, therefore, has become more popular among financial Institutions who try 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 superior 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

Thanachart Fund Management Company Limited

Products and Service

TFUND puts 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 utilizes many types of distribution channels for sales, such as TBANK's branches and other investment unit distributors licensed by the SEC. TFUND's staff was legally qualified and was 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 2012, there were a total of 23 fund management companies, with total assets under management of 2,265,390.71 million baht (excluding Vayupak Fund, Foreign Funds, Property Fund for Resolving Financial Institution Problem, and Property and Loan Fund), an increase of 29.39 percent from 2011. During 2012, there were 860 newly issued funds, accounting for 1,405,146.91 million baht of net assets. Among the newly issued funds, 683 were short-term fixed-income funds investing in domestic and foreign debt securities with maturity not exceeding one year, which accounted for 1,315,882.17 million baht of net assets or 93.65 percent of total net assets of the newly issued funds during

2012. For TFUND, the newly issued funds were 90.37 percent short-term fixed-income fund with maturity not exceeding one year, in line with the market trend.

As of 30 December 2012, TFUND had 119,691.04 million baht assets under management from which retail mutual funds accounted for 100,082.77 million baht, private funds accounted for 9,688.53 million baht, and provident funds accounted for 9,920.74 million baht.

Insurance Business

The Insurance business of Thanachart Group can be divided into two key areas, namely non-life insurance operated by Thanachart Insurance Public Company Limited ("TNI"), which offers all types of non-life insurance services, and life insurance operated by Thanachart Life Assurance Public Company Limited ("TLIFE"), which offers life insurance services to institutional, corporate and individual customers.

Non-Life Insurance Business

Thanachart Insurance Public Company Limited

Products and Services

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

Competition and Market Outlook

In 2012, non-life insurance business in Thailand experienced a growth in direct premium income compared to 2011. In the first 10-month period of 2012, the growth was 27.5 percent, an increase compared to 14.5 percent in the same period last year. This was due to strong economy and first car policy which resulted in high automobile premium income when compared with the previous year.

Non-life insurance market is structured with 60 percent automobile insurance, 33 percent miscellaneous insurance, 5 percent fire insurance, and 2 percent marine insurance.

TNI focuses 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 are 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

adjusts 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' most selected products are automobile and fire insurance and these customers mainly are the Bank's lending customers as well as customers from the company's marketing campaigns.

Customer group with a policy claim limit exceeding 5 million baht includes institutional customer, private enterprises that possess branch network, both in commerce and industrial sectors. Main Products of this customer group are 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. In addition, this service is only offered to domestic customers.

According to Thai Reinsurance Public Company Limited, Thai economy is expected to continue growing from 2012. The insurance industry would likely to experience an expansion of 15.7 percent in premium received or a total of 199,088 million baht. Miscellaneous insurance received the highest growth rate of 19.5 percent, followed by automobile insurance with 15.0 percent, marine and fire insurance with 5.6 and 5.0 percent, respectively.

Life Insurance Business

Thanachart Life Assurance Public Company Limited

Product and Services

Life insurance business provides life and health insurance for customers which aid the customers with financial planning for them and their families.

TLIFE offers life insurance and saving, which can 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

Currently, the life insurance industry consists of 24 insurance companies and 1 bank namely Government Saving Bank. The key distribution channel includes agent, bancassurance, direct marketing, and other special channels.

TLIFE operates 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 target customer group. The company has utilized various channels, such as, the bancassurance channel, corporate network channels, insurance brokers, cooperatives, and other agents. TLIFE is customer centric, developing new products and offering services suited to the needs of customers and appropriate marketing channels. As TLIFE is a part of 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 corporate, co-operatives and companies through other distribution channels.

In the 11-month period of 2012, the life insurance industry captured a total premium income of 343,474 million baht representing an increase of 17.98 percent. The main market sector went to individual and group insurance as follows:

Individual insurance received a total premium of 288,290 million baht which accounted for 83.93 percent of the market and a 17.39 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. TLIFE was ranked number 11 in the industry with 3,994 million baht in total premium.

Group insurance received a total premium of 42,058 million baht which accounted for 12.24 percent of the market, a 27.50 percent growth. The main source of premiums, 56.78 percent, came from Group Mortgage. This year the industry benefited from the fiscal stimulate measure, first car buyer policy, and thus, a high demand in new car market and hire purchase loans. In the 11-month period of 2012, mortgage insurance experienced a strong growth of 34.36 percent with a total premium of 23,882 million baht. TLIFE had 3,193 million baht in total premium, a 7.59 percent market share, and was ranked number 5 for group insurance business. For group mortgage insurance, TLIFE was ranked number 4 with a total premium of 2,753 million baht.

Currently, TLIFE offers 2 main product groups in the market.

Individual Life Insurance Product includes saving products and annuity products. The star products include:

Speedy Saving 10/2 A 10-year life insurance coverage with 2-year premium payment. A cash back policy at the end of the first year at the rate of 3 percent and 6 percent for 2nd to 10th year. At the maturity of life insurance at the end of 10th year, a return of 200 percent rate. All of which would total to a total cash return benefit of 257 percent.

Big Bonus 12/6 A 12-year life insurance policy with a 6-year premium payment. A cash back policy at the end of year 1- 4 at the rate of 8 percent, year 5 - 8 at a rate of 10 percent, and year 9 - 12 at a rate of 12 percent. At the policy maturity at the end of 12th year, a 660 percent return. All of which would total to a total cash return of 780 percent.

Thanachart Annuity 85/60 (tax shield product) A life insurance policy up to 85 years of age with a premium payment up to 59 years of age. An annual benefit of 12 percent annuity between 60 - 85 years of age, totaling 312 percent cash benefit with guaranteed annuity over 20 years. For this product, 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 shield product) A new life insurance product with a policy coverage up to 90 years of age with a premium payment period of 5 years. An annuity benefit of 12 percent between 60 - 90 years of age, totaling 372 percent cash benefits. The policy covers from year 1 to the age of 59 years old at 250 percent of premium. For this plan, insurance premiums can be used for an income tax shield up to a maximum of 300,000 baht per year.

Group Life Insurance Product TLIFE provides appropriate products to each distribution channel. Thanachart Smile Car Plus+ and Thanachart Smile Car Extra, leveraging from hire purchase loan channel, covers all liabilities of car loans. Thanachart Smile Home and Thanachart Smile Home Plus, through mortgage loan channel, covers all liabilities of home loans. Thanachart Smile SME, through SME loans, covers all liabilities of SME loans and SME enterprises. Thanachart Smile Card covers all liabilities for credit card obligations. Moreover, TLIFE also provides group insurance for cooperatives, other companies, and institutions.

For 2013, life insurance industry is expected to experience consistent growth although not as strong as 2012 which was enhanced by fiscal stimulus measures, i.e. first car policy and first home policy. However, the impact from these policies will ripple into the first quarter of 2013. There is no significant adverse impact to the industry although the global

economic problem and Euro debt crisis still persist, the economies of the United States of America and China show sign of improvement, which will enhance growth of Thai economy. Despite some concerns regarding 300 baht minimum wage, other positive factors will overcompensate, resulting in a higher consumption and spending. Directly, life insurance industry will benefit from more disposal income for consumers to spend on insurance. Indirectly, life insurance business will benefit from insurance products for other loans and credit cards. In summary, although there is no direct positive contributor to the life insurance industry; there is no adverse factor or concern either. Furthermore, the bancassurance channel is strong and firmly supported by partner banks. Life insurance business in 2013 promises to have another year of strong growth.

Siam City Life Assurance Public Company Limited

Products and Services

Siam City Life Assurance Public Company Limited ("SCILIFE") is another life insurance subsidiary company of TBANK and also provides individual and group life insurance services, mainly focuses on saving product, life, and health insurance for individual, institutional, and corporate customers.

Individual Life Insurance Product SCILIFE offers saving product, term product, and life-long product as follows:

SCI Life 20/10M A policy coverage of 20 years with 10-year premium payment. A cash back policy of 3 percent in year 1 - 19 and 150 percent in year 20. A total return of 207 percent.

Healthy Max A policy coverage of 5 years with 5-year premium payment, which can claim death benefit from all causes whether from illness or accident. Policy also covers medical expense for both illness and accident. Death benefit claim is up to 100,000 baht and medical expense claim up to 200,000 baht per claim.

Smile Life A90/10 A 90-year policy coverage with 10-year premium payment. Death claim at 100 percent of premium amount throughout the policy life. A bonus of 0.25 percent for direct premium payment for year 2 - 10. A cash back of 100 percent at the end of 90th year. An option to buy additional policy is available for daily medical expense (HB) or life insurance and critical illness (CI).

Group Life Insurance Product SCILIFE provides life insurance and health insurance for group products.

Smile Group Employee Benefit A policy covers both in and out of working hours with an option of life insurance only or with health insurance. The policy does not require health check-up and is the same price for all genders and all ages.

Competition and Market Outlook

Target Customer

SCILIFE market strategy focuses on individual and group customers. An emphasis is on health insurance product for middle-upper income customers. For group customer, an emphasis is on a total solution product for a company with 10 - 50 headcounts through bancassurance channel of the Bank.

Channel Distribution

SCILIFE operates its business through various sale channels in order to satisfy the various needs of customers and better serve all customer groups. The distribution channels include bancassurance, telemarketing, and brokers.

In 2013, the Company has a strategy to improve the accessibility to target customers, in particular, telemarketing channel and broker channel. Furthermore, the existing customers are being served with better service and greater efficiency by adding premium payment channel for example.

Asset Management Business

Products and Services

Asset management business of the Group can be categorized as follows:

1. NFS Asset Management Company Limited ("NFS AMC") and MAX Asset Management Company Limited ("MAX AMC") which is directly held by the Company. They operate the asset management business by buying or taking transfers of non-performing loans of 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.

2. TS Asset Management Company Limited (“TS AMC”) is directly held by TBANK and operates the asset management business particularly for non-performing loans and foreclosed assets of SCIB and TBANK. TS AMC manages and sells foreclosed assets to the third party.

Competition and Market Outlook

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 coordination with the companies under the Group is promoted to increase sale channel which includes brokers or agents, finding and contacting private companies in organizing public auctions to dispose of the properties, 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.

Leasing Business

Products and Services

Ratchthani Leasing Public Company Limited (“THANI”) offers hire purchase and financial leasing services for a particular car market, i.e. old and new cars for commerce transportation, or in another word a large-size vehicle, used car for individual customer and specific vehicles-tractor, crane vehicle, taxi and large-size motorcycle (big bike).

Furthermore, THANI also offers registration renewal service, insurance renewal service, and annual car check up service. The services are offered for the convenience of customers, enhance income of THANI, and to preserve customers’ properties, as well as, prevent the damage for THANI.

Competition and Market Outlook

In the past 2 - 3 years, used car hire purchase business has become a new interest of financial institutions and is

expanding. The competition is high, as seen in low interest rate and down payment. However, hire purchase business for used car and special vehicle type requires a unique expertise and experience, different from new car hire purchase. THANI has been in this market since incorporated. Its staff has high experience and capability in this market. As a result, THANI maintains competitive edge and the business continues to expand as planned.

Funding for Products and Services

Source of Fund

One source of TBANK and its subsidiaries fund is the capital, comprising of issued and paid-up capital. The total capital at the end of 2012 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 2012 were in the amount of 698,372 million baht.

2. Borrowings in the amount of 78,149 million baht could be divided into 7,130 million baht of hybrid tier I, 40,516 million baht of subordinated debentures, 11,072 million baht of unsubordinated debentures, 13,235 million of short-term debentures 4,930 million baht of bills of exchange, and 1,266 million baht of others.

Funding or Borrowings of Parties Related to Executives or Major Shareholders

At the end of 2012, 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 Thanachart Group Leasing for business operation in hire purchase for all types of automobile in accordance with business policy of Thanachart Group. In 2012, there was no outstanding loan balance compared with outstanding loan balance in 2011 of 353 million baht.

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 2012, there was no outstanding loan balance compared with outstanding loan balance in 2011 of 22 million baht.

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

TBANK gave loans to Ratchthani Leasing for business operation in hire purchase for all types of automobile in accordance with business policy of Thanachart Group. In 2012, There was no outstanding loan balance compared with outstanding loan balance in 2011 of 7,867 million baht.

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

TBANK gave loans to TS Asset Management Company for business operation in non-performing asset

management in accordance with Thanachart Group. In 2012, the outstanding loan balance was 6,060 million baht, a decrease from 9,822 million baht at the end of 2011.

The outstanding loan balance of Thanachart Group was 6,060 million baht, accounting for 0.80 percent of total outstanding loan balance in 2012. All lending and borrowing activities were transacted under the permission of the BOT.



RISK MANAGEMENT AND RISK FACTORS

Risk Management Overview

The fact that the global economy slowed down as a result of the U.S. economic slump and the euro zone debt crisis was a risk factor that affected the export of Thailand in 2012. However, the Thai economy enjoyed positive growth, as a result of the expanding consumption and investment in the private sector, thanks to the various economic stimulus measures initiated by the government. Noteworthy was the tax rebate measure for first-time car buyers, which was more effective than anticipated, coupled with strong confidence of business owners. As a result, the Thai economy in the last quarter of 2012 registered higher growth than earlier expected.

In 2013, thanks to the progress on corrective measures to reduce Greek public debt and a clearer solution to the U.S. fiscal cliff crisis, the global economy as a whole is expected to recover gradually. The development serves as a positive factor for the recovery of the export sector in playing the key role in driving the Thai economy.

However, the economic recovery in key industrialized countries remains fragile. Japan's weaker economy, the possibility of a protracted dispute between Japan and China, and the government's infrastructure investments which face likely delay are risk factors which need to be monitored closely in 2013.

Recognizing the importance of risk, Thanachart Capital Public Company Limited has always paid close attention to the risk management. In addition, its subsidiary Thanachart Bank Public Company Limited has conducted the assessment of its capital adequacy by going through the Internal Capital Adequacy Assessment Process (ICAAP), which provided a framework for dealing with various risks. The assessment was in accordance with the measure imposed by the Bank of Thailand for overseeing the capital base of commercial banks under Basel II. The assessment enables Thanachart Bank to manage its capital efficiently and place it in a strong capital position which can support business expansion without difficulty.

However, the Board of Directors and high-ranking executives of the Company still keep on overseeing, monitoring and developing the risk management systems on an on-going basis, ensuring that the various measures remain appropriate and timely in dealing with changing risks, both internal and external. The Company has also established an organizational structure which supports the risk management in line with the policy framework of various committees, with details as follows:

TCAP's Risk Management Structure

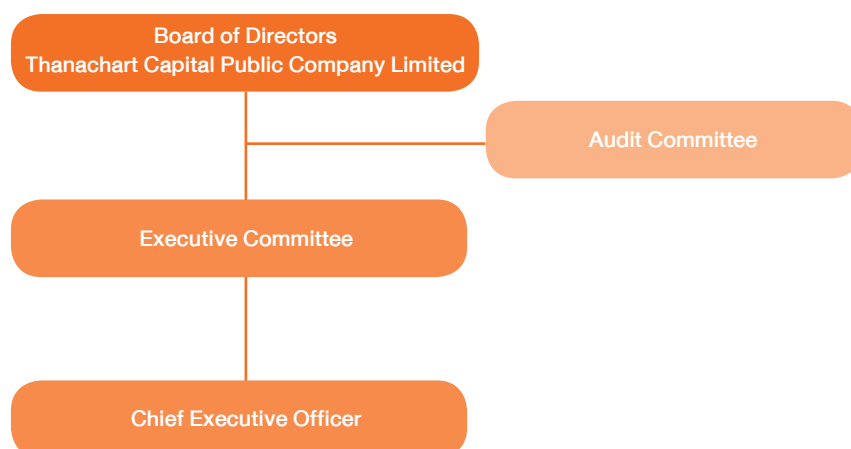
Board of Directors has a role in policy determination and establishes guidelines for an efficient enterprise-wide risk management that is in line with TCAP operations by taking into consideration the impact of risks on TCAP's operational goal and financial position that has to be in line with its normal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

TCAP's Risk Management Structure

As of 31 December 2012



- 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 risk management reports of subsidiaries and summary of total risk management report have been constantly informed to board of directors as at scheduled.

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 2012 Relative to 31 December 2011 Could be Categorized into Business Types

Type of Business	2012		2011	
	Outstanding (Million Baht)	Percent	Outstanding (Million Baht)	Percent
Agricultural and mining	16,655	2.20	10,848	1.70
Manufacturing and commercial	89,126	11.80	82,335	12.92
Real estate and construction	51,573	6.83	48,275	7.58
Public utilities and service	63,472	8.40	58,660	9.20
Personal consuming				
Housing loans	82,742	10.95	73,809	11.58
Securities	2,614	0.35	2,236	0.35
Hire-purchase	396,985	52.55	286,490	44.96
Others	31,301	4.14	54,271	8.52
Others	20,980	2.78	20,340	3.19
Total loans	755,448	100.00	637,264	100.00

The overall credit data as of 31 December 2012 revealed that TCAP and its subsidiaries' lending on hire purchase business accounted for 52.55 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.

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 2012 Compared with Those of 31 December 2011 was as Follows:

Loans Classification	2012		2011	
	Outstanding (Million Baht)	Percent	Outstanding (Million Baht)	Percent
Substandard	5,312	15.79	7,151	18.18
Doubtful	4,543	13.51	11,775	29.94
Doubtful of loss	23,781	70.70	20,405	51.88
Total	33,636	100.00	39,331	100.00

TCAP and its subsidiaries' non-performing loans decreased from 39,331 million baht as of 31 December 2011 to 33,636 million baht as of 31 December 2012. From the credit overview, the non-performing loans were accountable for 4.58 percent of total loans and interest receivables, decreasing from 6.32 percent in December 2011. They could be classified by type of business, as follows:

Non-Performing Loans Classified by Type of Business

Type of Business	2012		2011	
	Outstanding (Million Baht)	Percent	Outstanding (Million Baht)	Percent
Agricultural and mining	263	0.77	364	0.92
Manufacturing and commercial	12,201	36.13	16,869	42.63
Real estate and construction	3,943	11.68	4,045	10.22
Public utilities and service	3,913	11.59	5,729	14.48
Personal consuming				
Housing loans	4,470	13.24	3,638	9.19
Securities	173	0.51	306	0.77
Hire-purchase	5,313	15.73	3,683	9.31
Others	2,739	8.11	3,710	9.37
Others	757	2.24	1,230	3.11
Total non-performing loans	33,772	100.00	39,574	100.00

Troubled Debt Restructuring

(Unit: Million Baht)

	2012	2011
Number of debtors (persons)	55,118	54,225
Outstanding principal and accrued interest receivables	34,390	40,055
Loans not fully covered by collateral	19,787	14,829
Revaluation allowance for debt restructuring	348	386
Total loans and accrued interest receivables	756,402	638,084
Restructured debts to total loans (percent)	4.55	6.28

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 2012, the outstanding principal and the accrued interest receivables of the restructured debt amounted to 34,390 million baht or 4.55 percent of total loans and accrued interest receivables. The net restructured debt (less collateral) amounted to approximately 19,787 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, marketable securities, non-marketable securities, 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 2012, TCAP and its subsidiaries' net amount of property foreclosed at accounting cost value

(after the allowance for impairment) totaled to 9,915 million baht, or 0.97 percent of the total assets with the allowance for impairment stood at 763 million baht, which accounted for 7.15 percent of the accounting cost value.

1.5 Risks from Guarantees and Avals

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 2012, TCAP and its subsidiaries' obligations in the form of avals and guarantees for loans amounted to 30,587 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 require 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 2012, TCAP and Its Subsidiaries' Trading Investments and Available-for-Sale Securities Classified by Type of Investment

(Unit: Million Baht)

	Fair Value	
	2012	2011
Investments		
Trading investments		
Government and state enterprise securities	6,040	10,855
Private debt securities	5,730	4,758
Foreign debt securities	628	637
Domestic marketable equity securities	16	45
Available-for-sale investments		
Government and state securities	55,434	41,103
Private debt securities	30,718	18,553
Foreign debt securities	11,746	25,425
Domestic marketable equity securities	8,235	8,553
Total investment in trading and available-for-sale securities	118,547	109,929

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	-	-	-	-	-	15,181	15,181
Interbank and money market items	24,656	30,232	3,045	4,460	-	9,544	71,937
Derivative assets	-	-	-	-	-	2,177	2,177
Investments	1,543	9,550	33,615	68,572	23,841	13,875	150,996
Loans	336,017	21,258	11,169	264,364	122,233	407	755,448
Receivables from clearing house	-	-	-	-	-	944	944
Receivables from purchase and sale securities and derivatives	-	-	-	-	-	2,103	2,103
Total financial assets	362,216	61,040	47,829	337,396	146,074	44,231	998,786
Financial liabilities							
Deposits	244,658	263,795	170,498	7,535	-	6,935	693,421
Interbank and money market items	10,936	61,062	5,117	8,429	-	2,233	87,777
Liabilities payable on Demand	-	-	-	-	-	4,989	4,989
Derivative liabilities	-	-	-	-	-	1,206	1,206
Borrowings	5	15,218	12,140	46,586	15,516	41	89,506
Payables to clearing house	-	-	-	-	-	126	126
Payables from purchase and sale securities and derivatives	-	-	-	-	-	2,872	2,872
Total financial liabilities	255,599	340,075	187,755	62,550	15,516	18,402	879,897

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 2012, 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

	2012		2011	
	Million Baht	Percent	Million Baht	Percent
Borrowings and deposits				
From public	693,421	79.64	435,865	57.45
From financial institutions	72,178	8.29	50,852	6.70
From foreign entities	15,599	1.79	9,299	1.23
Bill of exchange and promissory notes	6,098	0.70	218,997	28.87
Debentures	83,310	9.57	43,487	5.73
Energy conservation fund	98	0.01	169	0.02
Total	870,704	100.00	758,669	100.00

Funds Classified by Maturity

	2012		2011	
	Million Baht	Percent	Million Baht	Percent
Less than 1 year	787,523	90.45	701,108	92.41
More than 1 year	83,181	9.55	57,561	7.59
Total	870,704	100.00	758,669	100.00

As of 31 December 2012, deposits and borrowings of TCAP and its subsidiaries amounted to 870,704 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 2012 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	15,181	-	-	-	15,181
Interbank and money market items	11,818	56,905	3,214	-	71,937
Derivative assets	-	2,177	-	-	2,177
Investments	1,027	50,497	86,713	12,759	150,996
Loans	36,651	240,320	478,477	-	755,448
Receivables from clearing house	-	944	-	-	944
Receivables from purchase and sale securities and derivatives	-	2,103	-	-	2,103
Total of financial assets	64,677	352,946	568,404	12,759	998,786
Financial liabilities					
Deposits	247,781	436,861	8,779	-	693,421
Interbank and money market items	12,889	66,081	8,807	-	87,777
Liabilities payable on demand	4,989	-	-	-	4,989
Derivative liabilities	-	1,206	-	-	1,206
Borrowings	46	23,865	62,101	3,494	89,506
Payable to clearing house	-	126	-	-	126
Payable from purchase and sale securities and derivatives	-	2,872	-	-	2,872
Total financial liabilities	265,705	531,011	79,687	3,494	879,897
Off balance sheet items					
Avals to bills and guarantees of loans	11	429	114	-	554
Obligation under unmatured import bills	450	435	-	-	885
Letter of credits	258	2,925	-	-	3,183
Other commitments	43,578	8,179	2,455	2	54,214
Total off-balance sheets	44,297	11,968	2,569	2	58,836

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 2012, in light of the U.S. economic slump, the euro zone debt crisis as well as Thailand's participation in ASEAN Economic Community (AEC) which supported the liberalization of various services including financial services, the Bank of Thailand made amendments to a number of rules and regulations. The objectives were to get financial institutions prepared for the financial liberalization and to improve the financial system so that it could accommodate new compliance requirements which were of international standard. In 2013, the Bank of Thailand has improved the regulations governing the minimum capital requirements of financial institutions under Basel III. The objective is to ensure that commercial banks have better quality and higher level of capital base and that they are in a strong position which can accommodate possible damage, either during normal times or during times of crisis. In addition, following the passage of two bills to amend the Anti-Money Laundering Act and the Anti-Terrorism Act which have to follow the international standards, Anti-Money Laundering Office (AMLO) will issue notifications requiring more disclosure of financial transactions executed by customers. As a result, the Company and its subsidiaries have to make necessary changes to the existing work systems and processes in preparation for the legal requirements. However, the new requirements will not have much impact on the strategies and business operations of the Company and its subsidiaries whose internal work systems and customer service standards are improved and developed on an on-going basis. Conducting business affairs in line with the rules and regulations of the authorities concerned has always been the key mission of the Company and its subsidiaries.



CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

Corporate Social Responsibilities

Thanachart Group is determined to play a participative role in building and developing society, by continuing conducting business operations and social responsibility activities at the same time. Although the goal of its operations is to make profit, Thanachart Group conducts its business affairs within the ethical framework and in line with good corporate governance principles. The purpose is to be an organization capable of developing and operating business in a sustainable manner while maintaining a balance between economic success, social responsibility and environmental protection. It has always been the Group's intent to be a socially and environmentally responsible organization, both in the conduct of business affairs and in the performance of various activities aiming at promoting sustainable livelihood of people in society and communities. Importantly, the Group also encourages its employees to participate in socially responsible activities. During the early part of 2012, the Group joined Thanachart Foundation for Thai Society in giving assistance to and alleviating the suffering of people who were affected by floods. The objectives were to rehabilitate the disaster victims and to further enhance the socially responsible activities in which the Group has always been involved.

CSR-in-Process

This type of corporate social responsibility 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. It treats all groups of stakeholders including shareholders, customers, consumers, and business counterparts in a fair and equitable manner. Recognizing the importance of good corporate governance, Thanachart Group also place strong emphasis on transparency in information disclosure. It regularly and continuously organizes training activities for its staff on good corporate governance. In regard to the employees, the Group has promoted and fostered good relations with its staff by offering competitive remuneration, excellent welfare benefits, and a stimulating work environment. In addition, as part of its energy conservation policy, the Group encourages its staff to participate in activities aiming at using less electricity and paper, thus conserving energy and preserving the environment.

CSR-after-Process

This type of corporate social responsibility covers any activities other than those undertaken in the ordinary course of its business. Thanachart Group had been involved in this type of activities for a long time since the beginning of its operations. Later, as 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 are 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, staff of TBANK and other members of Thanachart Group in each regional hub will start implementing the CSR activities together. Their customers and business counterparts, as well as people living in communities, will also be invited to participate in the activities. As a guideline for the implementation of the activities, Thanachart Group has established a framework of social issues to be addressed. They can be divided into four main groups as follows:

1. Development activities for youth and disadvantaged children.
2. Community health and hygiene.
3. Conservation of culture and national identity.
4. Assistance to society and alleviation of suffering of natural disaster victims.



Thanachart Group's CSR activities have been implemented through the various projects as follows:

Thanachart Initiates and Fulfills Thai Identity Project

The activities of TBANK's project place emphasis on promoting the country's unique identity and beautiful culture by encouraging young people to read Thai aloud with correct pronunciation and to learn about good manners in Thai culture, which they can use 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 40 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. 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 Her Royal Highness Princess Maha Chakri Sirindhorn's Cups, honorable shields and certificates of honour, as well as scholarships.

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 Her Royal Highness 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". In 2011, TBANK continued implementing the project.

The intention to maintain and preserve Thai identity including reading aloud Thai and using Thai manners in daily life is the inspiration behind the project. The objective is for Thai people to preserve the unique values and prevent their disintegration over time as a result of the social situation in which many people get carried away by fads and fashion. Moreover, the project helps inculcate in Thai youth the love of Thai culture. The love makes them cherish the culture and helps keep it as part of Thai society forever. Both the Thai language and Thai manners are widely recognized as unique characteristics of Thai identity.

In addition, TBANK had arranged video to widely educate student and undergraduate in the institution for dissemination of reading Thai and good Thai manners.

Project to support Red Cross

"Annual Red Cross Fair" Activity

TBANK participated in the sales of Red Cross lottery tickets as well as the Red Cross Fair which was organized annually. In 2012, the 36th anniversary fair was held from 30 March to 7 April 2012 in Suan Amporn Park, under the theme entitled "All Thai People Join Their Hearts to Celebrate the 80th Birthday of Her Majesty the Queen, President of



- 1 - 2. 2012 Offering Ceremony of Royal Kathin Robes to Wat Dhammabucha, Muang District, Surat Thani Province
3. Mr. Somjate Moosirilert humbly presented proceeds from TBANK's participation in Annual Red Cross Fair to Her Royal Highness Princess Maha Chakri Sirindhorn
- 4 - 6. Photographs about assistance given to flood-hit schools in 2011 - 2012

the Thai Red Cross Society”, with Her Majesty the Queen serving as Honorary President. TBANK was the only commercial bank which participated in the fair. The purpose was to raise funds with the proceeds to be humbly presented to Her Royal Highness Princess Maha Chakri Sirindhorn. TBANK was one of the top five institutes which presented the highest proceeds. The continuing participation in the Annual Red Cross Fair for 36 years is an extension of the project implemented earlier by Bangkok Metropolitan Bank and Siam City Bank respectively. The net proceeds from its sales of Red Cross lottery tickets and from its participation in the fair were humbly presented annually to Her Royal Highness Princess Maha Chakri Sirindhorn, Executive Vice-President of the Council of the Thai Red Cross Society, for charity at the discretion of Her Royal Highness as partial financial support to the Council.

The participation in the annual fair could be traced back to the year 1976 when Bangkok Metropolitan Bank was the only commercial bank which was invited to join the Red Cross Fair, at which the bank used 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 TBANK, the name at the fair was changed to ‘Thanachart Bank’s Booth’. Today, it is still the only commercial bank with a booth at the Annual Red Cross Fair in Suan Amporn Park.

Blood Donation in Honor of the Royal Father Project

This activity has been implemented by the Bank’s Khon Kaen Hub for eight consecutive years. The activity involves a campaign aiming at encouraging both members of the public and staff to donate blood in honor of His Majesty the King and Her Majesty Queen Sirikit for charity. 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 donation. 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 the cooperation in preserving the environment. In 2012, 1,159 people donated 483,450 cc of blood to the Thai Red Cross Society.

Project on TBANK’s continuous support to a group of schools

Reuse Project entitled ‘Pi Chai Ngan Nong Chai Rien’ (Senior use them for work, junior use them for learning)

With the idea that materials can be reused, TBANK reuses all structural and decorative materials (such as tables, chairs, bookshelves, educational materials, incandescent lamps and structures) at its booths at Money Expo to build multipurpose facilities and libraries, as well as donating table and chair sets, sports equipment, and stationery materials. In 2012, TBANK gave a library building, tables, chairs, bookshelves and equipment to Pak Dan Temple School in Sichon District, Nakhon Si Thammarat



7 - 8. Thanachart Initiates and Fulfills Thai Identity Project in 2012

Province, which was adversely affected by floods in the southern part of the country. The objectives of the activity were to facilitate the rehabilitation and restoration of the school and to give moral support to the young students so that they will have both good education and good future.

Projects to support disaster victims

TBANK continued to implement these CSR activities which were undertaken during the period from 2011 and 2012 when many provinces in Thailand, including part of Bangkok, were hard hit by great floods. The flood havoc resulted in deaths, injuries and considerable property damage. As a result, Thanachart Group joined Thanachart Foundation for Thai Society in organized activities aiming at giving assistance to disaster victims through the projects entitled “Thanachart joins hands to help flood victims in 2011” and “Thanachart Foundation for Thai Society helps flood victims” respectively. Emphasis was placed on alleviating the suffering of the victims and restoration of flood-hit educational institutions, particularly small schools that needed immediate assistance so that they could reopen and were capable of developing the potential of the youth. Moral support was also given to educational personnel who helped the youth fulfill their academic potential so that they would become productive citizens capable of improving Thai society in the future.

In 2012, Thanachart Group organized activities aiming at helping disaster victims, through Thanachart Foundation for Thai Society which served as an intermediary between people

who donated money and more than 50 damaged schools which received the donations. The rehabilitation assistance could be divided into the following groups:

Group 1: Restoration construction such as toilet construction and improvements, wall construction, building painting, laying tiles and landscape improvements,

Group 2: Libraries, computers as well as teaching and learning materials,

Group 3: Tables, chairs, school supplies as well as playgrounds for children.

With the assistance from Thanachart Foundation for Thai Society, learning and teaching at the recipient schools became more efficient. As well, staff of the Foundation and the various hubs in flood-hit areas visited teachers and students at the schools to provide them with moral support and continued assistance. New social development projects which the Foundation would implement were also proposed to them.

Thanachart Foundation for Thai Society

Thanachart Foundation for Thai Society focuses on building and developing society, aiming at serving as prototypes in community and social development. These include development of knowledge in self-development and improvement, development of practical knowledge, thinking and skills, development of self-confidence and volition, as well as development of right attitudes and core values in making a living and in improving one's livelihood, based on the concept



- 9 - 10. Reuse Project entitled 'Pi Chai Ngan Nong Chai Rien' (Senior use them for work, junior use them for learning) with donations and assistance given to Pak Dan Temple School in Sichon District, Nakhon Si Thammarat Province
- 11 - 12. Blood donation project of TBANK's Khon Kaen Hub

of the “Sufficient Economy” of His Majesty the King. The Foundation also places emphasis on building networks and cooperation for giving assistance to society in different situations, taking into account the diverse array of current social problems.

In 2012, Thanachart Foundation for Thai Society gave assistance to children and youth through flood victim support activities, recognizing the importance of social foundations of education. In addition, the Foundation continued to implement the project concerned with laying foundations for primary-age Thai children and youth, aiming at promoting learning by reading by improving the libraries of the schools under the patronage of the Foundation. It ensured that the libraries possessed appropriate books which were selected from the top 100 well-researched books. The Foundation also supports the enhancement of the financial literacy for youth. The objective is to develop the schools into a force in school banking, which plays a supporting role in teaching youth how to save money and manage their finances. The Foundation will develop teaching materials which make it easy for youth to become financially literate. To support the project, voluntary staff of Thanachart Group will also assist in teaching financial literacy to youth so that they realize their potential and develop into quality youth.

Project for Buddhism

Activity to maintain and support Buddhism through the offering of ‘Royal Kathin Robes’

TBANK annually organizes the offering ceremony of Royal Kathin Robes. In 2012, the Bank offered the Royal Kathin Robes, graciously bestowed by His Majesty the King, to Wat Dhammabucha, Muang District, Surat Thani Province. In this connection, member companies of Thanachart Group, customers, business counterparts, executives, and staff as well as members of the general public jointly donated 8,413,398.78 baht in good faith to the temple as part of the funds to be used for renovating its ordination hall (Ubosot) and maintaining the monasteries.

The offering ceremony of Royal Kathin Robes, graciously bestowed by His Majesty the King, was first organized in 2006 and offered to Wat Keaw Go Ra Wa Ra Ram Temple in Krabi Province. Since then, TBANK 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, TBANK 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 ("the Company") 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 Company, at least once per annum. The business ethics as well as codes of conduct for directors, executives, and staff have 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. 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. Moreover, tests are organized annually to check employee understanding of the key components of their training. As well, the Company established a project entitled 'Thanachart Can Do...Good Dharma & CG...Initiates and Fulfill Dharma', by using videos as a tool to send messages to employees via Thanachart Group's internal TV systems, namely "Thanachart Channel (T-Channel)". The videos have been broadcasting at different times during the day, with the contents of the videos including the various activities whereby the employees practiced dharma, by thinking good thoughts and doing good deeds, as well as inculcating in themselves a sense of responsibility to one's own duties. 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 2012 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 shareholders' meeting in order to honor their voting rights equitably and independently, and encouraging shareholders to have sufficient information of the Company.

1.2 Shareholders' Meeting

In 2012, TCAP held the Annual General Meeting of Shareholders on Friday, 5 April 2012. 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' Meeting 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 follows:

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 2012 which indicated the schedule of the Meeting, the agendas, and dividend payment were published.

Internet Website The information was published on the (www.thanachart.co.th) website 30 days prior to the meeting and composes of the Notice of Shareholders' Meeting and related information including; date, time, meeting agendas, meeting venue, registration process, related information for decision making, meeting rules, vote casting procedures, meeting documents as well as proxy statement. This information replicated the documents mailed to each shareholder. In addition, the Annual Report was also provided to shareholders before the meeting date.

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 in 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 14 October 2011 until 14 November 2011, 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 were 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 2012

- 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 shareholders' 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. The Company 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 shareholders were provided equitable right to express their opinions and ask questions.

- The total number of shareholders attending the meeting in person and by proxy were 2,159 shareholders.

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

- The Chairman of the meeting assigned the Company Secretary to explicitly inform the shareholders on meeting rules, vote casting, and vote counting procedures.

- In casting votes, the ballot papers were required for every agenda item and during the agenda of director voting, the company provided shareholders to vote for each director.

- 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 2012 Annual General Meeting of Shareholders has been submitted to the Stock Exchange of Thailand (SET) and also made available on the Company's website "www.thanachart.co.th" within 14 days after the meeting day.

1.3 Measures for Controlling the Use of Inside Information

The Company has established measures aiming at controlling the use of inside information, prohibiting executives and related parties to use the Company's inside information for one's own personal benefit. The summary of the measures is as follows:

- All work units of the Company are required to establish a system for keeping inside information in a safe place, ensuring that the information is properly managed and maintained.

- The directors, executives at managerial level, and the first four executives below the managerial level, as well as the head of the Accounting Department are required to:

- (1) Submit reports of their shareholdings and positions in various companies of their own, spouse, and children who have not reached their legal age, on a quarterly basis in line with the requirements imposed by the Capital Market Supervisory Board, with copies to the Chairman of the Board of Directors, Chairman of the Audit Committee, and the Company Secretary every time.

- (2) Submit reports of purchase, sale, and transfer of the Company shares to the Office of Securities and Exchange Commission (SEC) within three business days from the date of purchase, sale, and transfer of the shares.

- The directors, executives, staff, outsource personnel, and consultants who have access to material inside information which have not yet been disclosed to the public are prohibited from using the information for the benefit of one's own or others. The prohibitions are stipulated in Thanachart Group's announcements and code of ethical conduct.

- The regulatory notification on the rules governing the trading of securities issued by the Company stipulates a silent period prohibiting the following persons from trading the securities, starting 15 days prior to the end of each quarter and lasting until the second day after the disclosure of financial statements and information about financial positions to the Stock Exchange of Thailand.

- (1) Directors and executives at the level of vice president and above of the Company and member companies of the Group.

- (2) Staff and outsource personnel hired by the Company and member companies of the Group, working in those work units that have access to inside information related to financial statements and the information about financial positions of the Company and member companies of the Group.

- (3) Consultants who have access to financial statements and information about the financial positions of the Company and member companies of the Group.

- In case it is found that the inside information has been used for one's own benefit, such use of the information is considered violation and is subject to penalties imposed by the Disciplinary Committee.

1.4 Measures for Addressing Conflicts of Interest

The Company places strong emphasis on prevention of conflicts of interest. As a result, it has established policies, made announcements and issued rules and regulations, aiming at making the organization's operation transparent and reliable. These include, among others, the following:

- It has adopted the good corporate governance policy, the code of business conduct for the Company, the code of ethics for directors, executives, and staff, as well as the principles aiming at preventing directors, executives, staff, and related parties from pursuing one's own or any group of people's personal benefit.

- The Company has established the risk management policy for Thanachart Group as well as policies governing related party transactions among member companies of Thanachart Group as well as those transactions between member companies of the Group and (1) directors or persons with managing authority or parties related to Thanachart Group and (2) major shareholders or businesses which have related interests. It has also adopted policies on the use of services from parties outside Thanachart Group, the use of services between member companies of Thanachart Group, the use of services from major shareholders, directors, persons with managing authority in members of Thanachart Group, and parties who are related to the above groups. The principles are as follows:

- (1) The Company has established rules and restrictions on the transactions with the above parties.

- (2) The Company has established procedures for obtaining advice in writing from regulators before proposing the transactions to the persons who have approval authority, except the cases in which the transactions are deemed normal.

- (3) The directors and persons with managing authority, who have conflicts of interest, shall not participate in the approval of the transaction and shall not be entitled to vote on the agenda item concerned.

(4) The Company limits the scope of approval authority in executing related party transactions. The limitations include cases in which the transactions could not be executed in accordance with the established policies or cases involving a conflict of interest, which have to be submitted to the Board of Directors of the company executing the transactions, for approval, with the related reports to be sent to the Company for information.

(5) In considering the rules governing the transactions that involves conflicts of interest, the rules must be in compliance with the Public Limited Companies Act, securities and stock exchange laws, and other related laws. In case of doubts, advice must be sought from the Compliance Unit. In this connection, the Compliance Unit is authorized to establish rules for governing the related party transactions, as it deems appropriate.

(6) The information about the executed transaction has to be disclosed in line with the established rules. The report on the transaction has to be sent to the Company for information, within a specified timeframe. As well, the information about the transaction shall be disclosed to the public, in compliance with the requirements of the authorities concerned and the accounting standards.

- The Company puts in writing procedures for executing related party transactions. These include: (1) collecting names of the related businesses or parties, which will serve as database for checking the transactions, (2) checking the transactions as well as getting advice from the Compliance Unit on legal issues and rules of practice, (3) approval, (4) information disclosure in line with requirements of the authorities concerned, and (5) review of the related transactions by the Compliance Unit, the report of which will be sent to the Audit Committee. The Audit Committee will review the related party transactions or those which may involve conflicts of interest, ensuring that they are appropriate and complete.

- The Company has established procedures for buying, selling, renting, and leasing assets of the Company, member companies of Thanachart Group, or related parties.

- The announcements made by different committees stipulate that, if there is any transaction in which the directors, executives or related parties have a conflict of interest, the information about the conflict of interest in the agenda item under consideration has to be disclosed and the directors or executives concerned are prohibited from participating in the meeting when the transaction is being considered.

- The directors, the first four executives below the managerial level, and the head of the Accounting Department, as well as their spouses and children who have not reached the legal age are required to disclose their shareholdings and positions in different companies on a quarterly basis. The information will be used for identifying transactions that may involve a conflict of interest and serve as a database for disclosing about related party transactions and businesses in the notes to financial statements.

- It requires disclosure of information about the relationships between the Company and employees as well as their spouses, cousins and business counterparts or counterparties to agreements. The objective is to prevent conflicts of interest.

- Any act of pursuing personal benefits in a dishonest manner is considered disciplinary violation.

1.5 Internal Control

The Company places strong emphasis on the establishment of effective internal control systems, both at the managerial and operational levels. As a result, it puts in writing a clear description of duties, responsibilities, and scope of authority of operational staff and executives. It also puts in place the control system for beneficial use of assets. In addition, it separates the duties of the operational staff and those of the personnel responsible for monitoring, controlling, and assessing the performance. The objective is to establish an appropriate system of checks and balances. Moreover, there is an internal control related to financial management system. It puts in place a system for submitting financial reports to the executives of the work units concerned, as well as a system for taking into consideration the use of suggestions given by the auditors and the examiners of the Bank of Thailand in streamlining the internal control systems.

In addition, Thanachart Group has established the Audit Department which is responsible for auditing the main business operations and key financial transactions, ensuring that they are efficient and in compliance with the designated guidelines. As well, the Audit Department ensures that the Group's conduct of business affairs is in compliance with the related laws and regulations. It also puts in place the Compliance Unit which is responsible for monitoring and reviewing the business operations and ensuring that they are in compliance with applicable laws. To enable the Audit Department and the Compliance Unit to perform and fulfill their duties independently, they are required to report directly to the Audit Committee and they are responsible for submitting

regular progress reports to the Audit Committee directly. In addition, their performance is appraised by the Audit Committee.

The Company conducts an appraisal of the adequacy and appropriateness of its internal control systems, as well as the review of its subsidiaries' performance on an annual basis. As for 2012, the Board of Directors adopted a resolution that the Company's internal control systems were adequate and appropriate in five areas including organization and the environment, risk management, control of the operation of the management, information and communication systems, and monitoring systems

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 Corporate Governance Policy, Business Codes of Conduct, and 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

Thanachart Group embraces the principle of treating employees fairly and equitably. The employees are provided with opportunities to apply their knowledge and skills in carrying out their responsibilities. Importantly, they are provided with appropriate remuneration in line with their individual performance, taking into account the economic situation and

the inflation rate as well as the performance management system which is based on competencies and key performance indicators (KPIs). These performance criteria are in line with the CEO's six-point agenda established for the Group.

Moreover, Thanachart Group places strong emphasis on regular development of human resources and teams in various areas including development of business knowledge base, enhancement of operational potential, as well as development of leadership in managing organizations. At the same time, the Group ensures that the employees recognize the importance of complying with regulatory rules and the code of professional ethics as well as the importance of acquiring expertise in financial services business. In relation to the knowledge base, Thanachart Group has been well supported by Scotiabank, a leading bank at international level.

In 2012, Thanachart Bank, a subsidiary of the Company, carried out improvements to its branch management and reviewed various work processes including the end-to-end process. Importantly, it also made preparations for the development of modern technology systems related to provision of services including, among others, consumer lending systems, centralized operating systems, and customer relationship management system. Moreover, in improving efficiency in customer service and preparing for continuous business expansion in the future, it streamlined work systems, organizational structures, as well as work force, ensuring that each unit had an appropriate number of staff.

The "Go Together" Project is a special project the Chief Executive Officer of Thanachart Bank moved to be organized, aiming to strengthen the unity of the organization under the Thanachart vision "Synergy" with a total of 22 conferences in 2012. 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 operation 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 2013 under the Strengthening for Growth scheme. The scheme is to

present the Company's strength and readiness to move forward with unity under synergy of Thanachart people, ensuring that the Bank has sustainable profit and is moving towards a leading domestic bank.

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 person who has a conflict of interest is 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 statements 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. The Company has also disclosed 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 8000 Ext. 3027, 3102-3 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
 - Management Discussion & Analysis: MD&A
 - Annual Registration Statement Form 56-1
 - Financial Statements and Annual Report
 - Board of Directors' resolutions, shareholders' meeting resolutions, and other information
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 to shareholders by mail

In 2012, the Company's senior management and Investor Relations unit 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 the Company with great benefits.

The Company'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

The Company specifies definitions and qualifications of the independent director in accordance with the Capital Market supervisory Board's guidelines 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. (The Company specifies a more stringent qualification than that of the Capital Market supervisory Board, which specifies at not more than one percent).

(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 two 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 two 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 two 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 two 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 two 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 one 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 business nor being an executive director nor having related benefit that may obstruct the independent opinion. As well, an independent director must not have any prohibited characteristic that undermines independence in carrying out the duties in the Company's operations.

Every Independent Director is 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 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 person 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 the Company is currently accounted for 55.5 percent of the total number of Board of Directors (five out of nine). The constituent of the Company's Board of Directors as of 31 December 2012 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 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 is 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 is 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 is 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 can 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 is 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 decides on the remuneration and employment conditions of the President and the Chief Executive Officer, as proposed by the 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

The Company's Board of Directors has appointed the Executive Committee, which as of 31 December 2012, consisted of the following:

1. Mr. Suphadej Poonpipat
Chairman of the Executive Committee
2. Ms. Suvarnapha 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 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 the Company's business operations and ensuring that they comply with the Company'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.

The Company's Board of Directors approved the establishment of the Audit Committee to ensure that the Company has effective management standards, good corporate governance, credibility, and complying with authority policies. The Committee consists of three independent directors with special knowledge or experience in accounting or finance. The members of the Audit Committee are 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

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 the Company's internal control systems and to report them to the Company'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 at 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.

Nomination Committee

The Company'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 2012, 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 following:
 - 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 continue 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 as the Company's director 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 the succession plan 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 determines the Nomination Policy which can 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 companies 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.

Policies

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 Board of Directors for consideration to appoint and/or for the Board of Directors to present to the Shareholders Meeting for approval in the case of a vacancy due to end of tenure or other cases, the nomination policies are 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 those positions.
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 directors, in compliance with the Nomination Committee's criteria.

Remuneration Committee

The Company's Board of Directors approved the establishment of the Remuneration Committee on 28 March 2002. As of 31 December 2012, 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, 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, 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 in order to consider the annual remuneration.
4. To consider the annual remuneration for directors, 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 is appropriate, taking into account their duties and responsibilities.
6. To annually review a structure and criteria of remuneration packages for directors, 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 staff.
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 determines the Remuneration Policy which can be summarized as follows:

Remuneration Evaluation Process Guidelines

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

Policies

1. Determine regulations for remuneration and fringe benefits of 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 directors, members of sub-committees, 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 risk 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 investments in the Company's various financial instruments, subject to the established risk limits.

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

3. 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.

4. 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 committees to carry out the following duties:

1. The Executive Committee is responsible for ensuring that the Company'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 2012, the Company'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 following:

1. Mr. Suphadej Poonpipat
Chief Executive Officer
2. Mr. Somjate Moosirilert
Senior Executive Vice President
3. Mr. Taweesak Saksirilarp
Executive Vice President,

4. Mr. Watchara Permphetak
Senior Vice President,
Business Division

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

6. Ms. Darawan Bunnumstien
First Vice President,
Debt Restructuring Department

7. Mrs. Thanawan Chaisithikarnkha
First Vice President,
Accounting Department

Company Secretary

The Company has appointed Mr. Panupan Tuangthong who has appropriate education background, qualifications, and experience to assume the role of Company 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 the good corporate governance principles and that the management of the Company's business is more effective.

Duties, Roles, and Responsibilities of the Company Secretary

1. The Company Secretary is responsible for overseeing various activities of the Board of Directors.

2. The Company 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 Company Secretary is also required to inform the directors when there are significant changes.

3. The Company Secretary is responsible for preparing detailed documentation and information which are useful for new directors and advising them a direction of the Company's business operations.

4. The Company 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 Company Secretary is responsible for keeping minutes of the meetings of shareholders and the meetings of the Board of Directors. The Company 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 Company 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 Company Secretary is responsible for disclosing information and forwarding corporate news or report to the relevant regulatory agencies, in compliance with its statutory requirements. The Company Secretary is also responsible for keeping reports on the conflicts of interest reported by directors or executives.

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

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

Board of Directors Meetings

The Company 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 agendas 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 is responsible for preparing the Notices of the meetings together with supporting documents. They 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 2012, the Board of Directors held 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 2012

Name		Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee	Executive Committee
		(12 Meetings)	(16 Meetings)	(3 Meetings)	(4 Meetings)	(12 Meetings)
1. Mr. Banterng	Tantivit	12	-	-	-	-
2. Mr. Suphadej	Poonpipat	12	-	-	-	12
3. Mrs. Siripen	Sitasuwan	12	16	3	4	-
4. Mr. Somkiat	Sukdheva	12	16	3	4	-
5. Mrs. Puntip	Surathin	12	16	3	3	-
6. Mr. Phimol	Rattapat	12	-	-	-	-
7. Ms. Suvarnapha	Suvarnaprathip	12	-	-	-	12
8. Mr. Somjate	Moosirilert	12	-	-	-	12
9. Mr. Taweesak	Saksirilarp	12	-	-	-	10

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 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. There are two cases that the directors can be appointed which are: 1) Appointment of directors to replace those retiring. 2) Appointment of directors to fill the positions which becomes vacant in the interim period. 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, unless the case where the term of directorship is less two months. 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) 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 votes they have in (1). They cannot split their votes.
- (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. 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

It is the Company's policy to encourage and make arrangements for directors, executives, company secretary, and personnel supporting the work of the corporate secretary as well as the staff concerned with the Company's corporate governance, to participate in various training courses and seminars. The objective is to enhance their knowledge in various areas relating to their roles and responsibilities in line with the good principles of corporate governance. As a result, the members of the Board of Directors, members of committees, and executives will be able to carry out their duties more efficiently. In this connection, the Corporate Secretary Office is responsible for checking available training courses and seminars. He regularly provides the directors and executives in advance with information on the training courses and

seminars organized by the Thai Institute of Directors (IOD), SET, SEC, as well as other leading training institutions.

In addition, Thanachart Group continuously organizes training courses and seminars aiming at providing its directors and executives with knowledge relating to the Group's businesses as well as knowledge of how to develop and operate the businesses in an efficient manner.

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 Chief Executive Officer's performance. In 2012, overall Board of Directors' performance was graded "Very Good" with 4.77 points out of 5.00 points, an increase from 4.71 points in 2011.

Succession Plan

The Nomination 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 or 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's Remuneration

(A) Financial Remuneration

As of 31 December 2012, the company paid 26,008,956.44 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 2011), which could be summarized as follows:

1. The remuneration payments made in 2012 to the Board of Directors were as follows:

List of Directors		Types of Remuneration (Baht Per Year)			
		Monthly Compensation	Meeting Stipends	Performance Allowance	Total
1. Mr. Banterng	Tantivit	1,100,000.00	550,000.00	3,066,791.32	4,716,791.32
2. Mr. Suphadej	Poonpipat	550,000.00	275,000.00	1,533,395.64	2,358,395.64
3. Mrs. Siripen	Sitasuwan	550,000.00	275,000.00	1,533,395.64	2,358,395.64
4. Mr. Somkiat	Sukdheva	550,000.00	275,000.00	1,533,395.64	2,358,395.64
5. Mrs. Puntip	Surathin	550,000.00	275,000.00	1,533,395.64	2,358,395.64
6. Mr. Phimol	Rattapat	550,000.00	275,000.00	1,533,395.64	2,358,395.64
7. Ms. Suvarnapha	Suvarnaprathip	550,000.00	275,000.00	1,533,395.64	2,358,395.64
8. Mr. Somjate	Moosirilert	550,000.00	275,000.00	1,533,395.64	2,358,395.64
9. Mr. Taweesak	Saksirilarp	550,000.00	275,000.00	1,533,395.64	2,358,395.64
Total		5,500,000.00	2,750,000.00	15,333,956.44	23,583,956.44

Note: The Annual General Meeting of Shareholders for the Year 2012 held on 5 April 2012 approved the increase in the remuneration level paid to the Company's Board of Directors to not more than 11,000,000 baht per annum (excluding the remuneration for sub-committees and the performance allowance). The Board of Directors is authorized to approve the remuneration payments to its members. In this connection, the Company's Board of Directors' Meeting No.5/2012 held on 28 May 2012 had a resolution to increase monthly compensation and meeting stipends paid to directors (effective from 1 June 2012). The details are as follows:

1. Monthly compensation paid to Chairman amounts to 100,000 baht per month while directors receive 50,000 baht per month.
2. Meeting stipends paid to Chairman amounts to 50,000 baht per month while directors receive 25,000 baht per month

2. The remuneration payments made in 2012 to the Audit Committee were as follows:

List of Directors		Types of Remuneration (Baht Per Year)		
		Monthly Compensation	Meeting Stipends	Total
1. Mrs. Siripen	Sitasuwan	550,000.00	273,750.00	823,750.00
2. Mr. Somkiat	Sukdheva	412,500.00	182,500.00	595,000.00
3. Mrs. Puntip	Surathin	412,500.00	182,500.00	595,000.00
Total		1,375,000.00	638,750.00	2,013,750.00

Note: The Company's Board of Directors' Meeting No. 5/2012 held on 28 May 2012 had a resolution to increase monthly compensation and meeting stipends paid to the Audit Committee (effective from 1 June 2012). The details are as follows:

1. Monthly compensation paid to Chairman of the Audit Committee amounts to 50,000 baht per month while members of the Audit Committee receive 37,500 baht per month.
2. Meeting stipends paid to Chairman of the Audit Committee amounts to 18,750 baht per month while members of the Audit Committee receive 12,500 baht per month

3. The remuneration payment made in 2012 to the Nomination Committee were as follows:

Name		Amount (Baht Per Year)
1. Mr. Somkiat	Sukdheva	93,750.00
2. Mrs. Siripen	Sitasuwan	56,250.00
3. Mrs. Puntip	Surathin	56,250.00
Total		206,250.00

Note: The Company's Board of Directors' Meeting No. 5/2012 held on 28 May 2012 had a resolution to increase meeting stipends paid to the Nomination Committee (effective from 1 June 2012). The Chairman of the Nomination Committee receives 31,250 baht per month while members of the Nomination Committee receive 18,750 baht per month.

4. The remuneration payment made in 2012 to the Remuneration Committee were as follows:

Name		Amount (Baht Per Year)
1. Mr. Somkiat	Sukdheva	100,000.00
2. Mrs. Siripen	Sitasuwan	60,000.00
3. Mrs. Puntip	Surathin	45,000.00
Total		205,000.00

Note: The Company's Board of Directors' Meeting No. 5/2012 held on 28 May 2012 had a resolution to increase meeting stipends paid to the Remuneration Committee (effective from 1 June 2012). The Chairman of the Remuneration Committee receives 31,250 baht per month while members of the Remuneration Committee receive 18,750 baht per month.

5. There was no payment made to the Executive Committee

6. The remuneration paid to seven executives of the Company 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 57,007,204 baht These payments did not include payment to the executive working in the Company Accounting Group.

7. The remuneration payments made to directors and executives of subsidiary company were as follows:

Thanachart Bank is the main business of the Company and, in 2012, TBANK made payments to three Committees, including the Board of Directors, the Audit Committee, and the Nomination and Remuneration Committee. The payments amounted to 24,472,877.86 baht in forms of monthly compensation, meeting stipends, and performance allowance (based on the performance in 2011). As of 31 December 2012, the Bank made the following payments:

7.1 The remuneration payment made in 2012 to the Bank's directors were as follows:

List of Directors	Type of Remuneration (Baht per year)			
	Monthly Compensation	Meeting Stipends	Performance Allowance	Total
1. Mr. Banterng Tantivit	693,000.00	513,600.00	2,419,998.09	3,626,598.09
2. Mr. Suphadej Poonpipat	346,500.00	256,800.00	1,209,999.04	1,813,299.04
3. Mr. Kiattisak Meecharoen	346,500.00	256,800.00	1,209,999.04	1,813,299.04
4. Mr. Narong Chivangkur	346,500.00	256,800.00	1,209,999.04	1,813,299.04
5. Mr. Sataporn Jinachitra	346,500.00	256,800.00	1,209,999.04	1,813,299.04
6. Assoc. Prof. Dr. Somjai Phagaphasvivat	346,500.00	256,800.00	1,209,999.04	1,813,299.04
7. Mr. Alberto Jaramillo	346,500.00	214,000.00	318,246.32	878,746.32
8. Mr. Claude David Morin	164,866.94	85,600.00	0.00	250,466.94
9. Ms. Suvarnapha Suvarnaprathip	346,500.00	256,800.00	1,209,999.04	1,813,299.04
10. Mr. Brendan George John King	346,500.00	256,800.00	1,209,999.04	1,813,299.04
11. Mr. Kobsak Duangdee	346,500.00	256,800.00	1,209,999.04	1,813,299.04
12. Mr. Somjate Moosirilert	346,500.00	256,800.00	1,209,999.04	1,813,299.04
<u>Resignation Directors during the year</u>				
1. Mrs. Michele Chiu Kwok	140,649.19	0.00	1,209,999.04	1,350,648.23
2. Mr. Martin Weeks	0.00	0.00	600,026.92	600,026.92
Total	4,463,516.13	3,124,400.00	15,438,261.73	23,026,177.86

Note:

1. Mrs. Michele Chiu Kwok resigned from directorship on 28 May 2012
2. Mr. Claude David Morin has been the Bank's director since 10 July 2012
3. Mr. Martin Weeks resigned from directorship on 30 June 2011

7.2 The remuneration payments made in 2012 to the Audit Committee of TBANK were as follows:

List of Directors	Type of Remuneration (Baht per year)		
	Monthly Compensation	Meeting Stipends	Total
1. Mr. Kiattisak 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 Phagaphasvivat	109,800.00	151,250.00	261,050.00
Total	439,200.00	687,500.00	1,126,700.00

7.3 The remuneration payments made in 2012 to the Nomination and Remuneration Committee of TBANK were as follows:

List of Directors	Meeting Stipends (Baht per year)
1. Mr. Narong Chivangkur	200,000.00
2. Mr. Sataporn Jinachitra	120,000.00
3. Mrs. Michele Chiu Kwok	0.00
4. Mr. Claude David Morin	0.00
Total	320,000.00

Note: 1. Mrs. Michele Chiu Kwok resigned from directorship on 28 May 2012.
2. Mr. Claude David Morin has been the Bank's director since 10 July 2012.

7.4 There was no payment made to the Bank's Executive Committee.

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 39 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 the form of salaries, allowances, cost-of-living allowances, and contribution payments to the provident fund amounted to 257,388,768 baht.

7.6 With regard to the remuneration of the Independent Directors of the subsidiaries, there is one Independent Director who assumes the directorship in Thanachart Life Assurance Public Company Limited and received the compensation amounted to 200,000 baht in 2012.

Remuneration other than cash payments

- None -

Thanachart Group's Human Resources Development Policy

After merger completion, Thanachart Group has been determining to develop its human resources in a continuous manner. The objective is to enhance the knowledge, competencies, and skills required for doing one's work properly in accordance with the established roles and responsibilities as well as new work procedures and new work systems. The development also enables the staff to provide customers with efficient services continuously, in compliance with the rules and regulations established by the authorities concerned and in accordance with the code of professional ethics. The Group also promotes positive behavior and enhances potential of staff in various fields, in accordance with the established vision, mission, and targets of Thanachart Group. It has made available a diverse array of channels for learning. These include efficient in-house training (both classroom and on-the-job), self-study via e-learning and Thanachart Knowledge Management (T-KM) as well as learning through Thanachart Bank's TV Channel (T-Channel). Moreover, apart from participating in external seminars and training activities, staff is regularly encouraged to go on field trips to domestic and overseas institutions with different areas of expertise. Key human resources development projects in 2012 included, among others, the following:

1. Staff development project for professional certifications in financial services including investment consultants, life insurance agents, and non-life insurance agents, in compliance with the requirements imposed by the authorities concerned Training activities and certification exams were organized for all the staff members who could offer and sell products of Thanachart Group to customers. As well, training activities were organized for those who were required to renew their professional licenses in compliance with the established regulations. This project was to ensure that all staff could give quality advices to customers.

2. Project on enhancing staff knowledge of rules and regulations established by the authorities concerned Thanachart Bank recognizes the importance of complying with the rules and regulations established by the authorities concerned. As a result, it has organized training activities and exams to test knowledge and understanding of all the

concerned staff at every level The topics of the training courses included, among others, Know Your Customer (KYC) and Customer Due Diligence (CDD), Anti-Money Laundering Law, National Credit Bureau, Good Corporate Governance, International Accounting Standard 39 (IAS 39), Information Security Awareness, and the Foreign Account Tax Compliance Act (FATCA).

3. Training activities to support business strategies and to accommodate Thanachart Bank's expansion

- Development aiming at raising the level of service quality of the Bank's branches by using the prototypes and knowledge from Scotiabank in developing and preparing training programmes. Emphasis was placed on provision of services and offers of financial products that matched customer needs and, at the same time, fostered good relationships between customers and the Bank. This in turn would make customers impressed with the Bank's services.

- Training activities aiming at preparing the staff for new work processes and new work systems in various areas such as credit card systems, credit systems, customer relationship management (CRM) systems, asset appraisal system, imaged cheque clearing and archive system (ICAS), debt management systems, and financial accounting system.

- Providing the Bank's branch staff nationwide with additional product knowledge and selling skills in an integrated manner. These included, among others, knowledge about financial planning, retirement planning, as well as knowledge about loans, hire purchases, various types of mutual funds, non-life insurance, life insurance, cash management, and new financial products such as USD derivatives and ETF Gold.

4. Development of the managerial quality and leadership projects Thanachart Bank joined hands with reliable institutions in regularly organizing training activities and seminars for development of managerial quality and leadership. The objective was to increase efficiency in thinking and strategic management for staff at managerial levels. The training projects included, among others, Orange Diamond Program which was aimed at developing branch managers, as well as training courses entitled 'Pathway to Management', and 'Leading Your Team with Smart Coaching' respectively. On the other hand, a seminar entitled 'Luncheon Talk for Management' was also held regularly for high-level executives. Many interesting issues of benefit to management, such as Asian Economic Community (AEC) and Basel III were discussed at the regular seminar.

In 2012, the total number of training activities and seminars, both internal and external, which were organized by Thanachart Group amounted to 537 programs with a total of 1,151 groups being trained. On the other hand, the total number of employees being trained amounted to 44,539 staff. In summary, each employee of Thanachart Group undertook an average of 3.5 days of training per annum.

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 2012, 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 2012, 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 2012 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 to 1,000,000 baht.

1.2 Audit fee of the Company's 19 subsidiaries equaled 19,330,000 baht

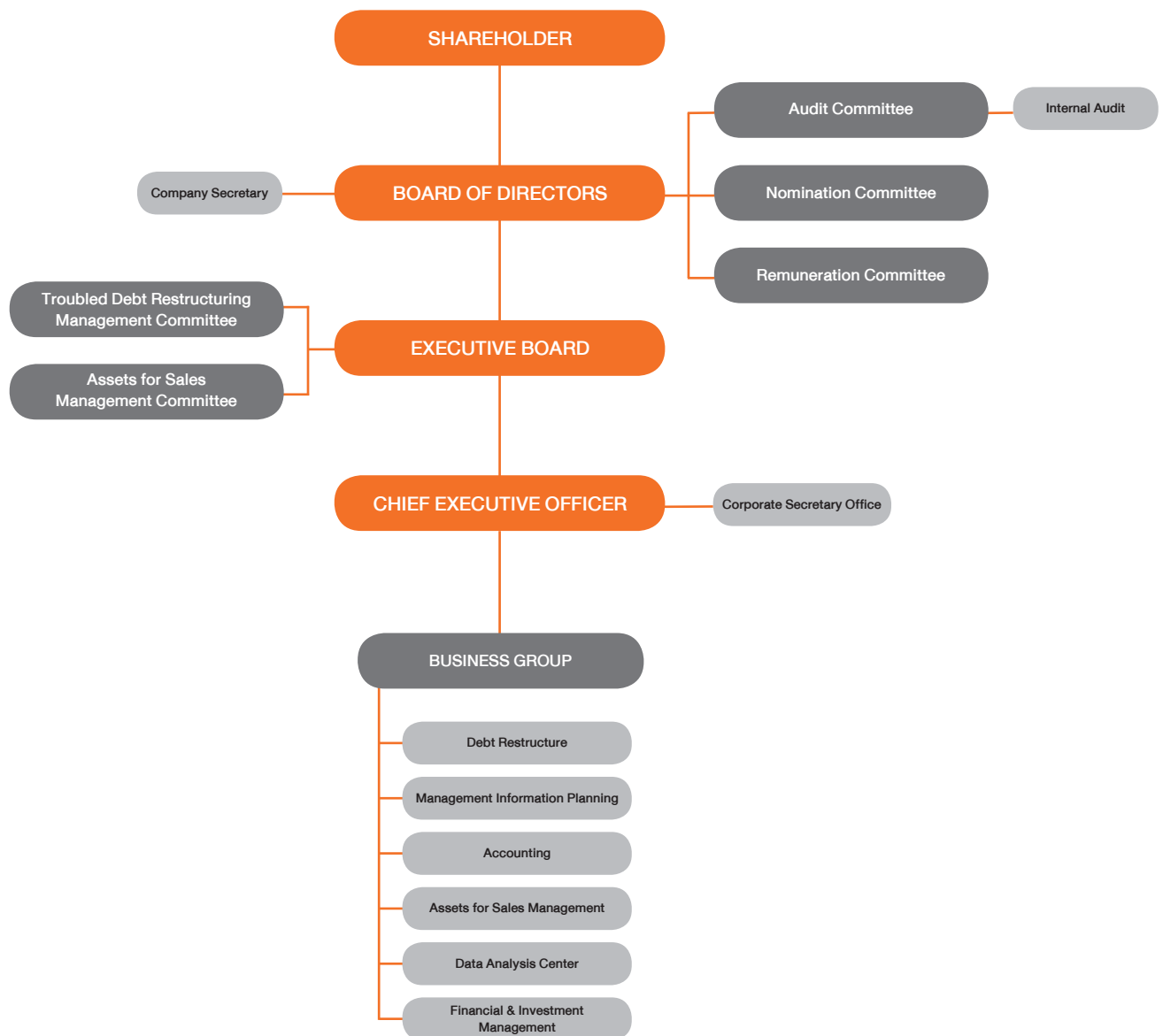
2. Non-audit Fee

In the year 2012, 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), audit for specific purposes and review of the operation regarding the taxation. The fee paid during the year 2012 was 1,200,000 baht, and the fee that must be paid for an uncompleted service in the future under the agreement was equal to 4,387,050 baht.



SUPERVISION AND MANAGEMENT STRUCTURES

Thanachart Capital Public Company Limited



Information as at 31 December 2012



BOARD OF DIRECTORS AND EXECUTIVES MANAGEMENT OF THE COMPANY

(Information as at 31 December 2012)

The Board of Directors

Mr. Banterng Tantivit
Chairman
(Non-Executive Director)

Number of years that the executive holds a position of Directors	20 years
Age	68 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	
2012 - Present	<ul style="list-style-type: none"> • Chairman, Thanachart Insurance Public Company Limited
2006 - Present	<ul style="list-style-type: none"> • Director, Siam Piwat Holding Company Limited
2005 - Present	<ul style="list-style-type: none"> • Chairman, Thanachart Life Assurance Public 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 and 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
2010 - 2011	<ul style="list-style-type: none"> • Chairman, Siam City Bank Public Company Limited (Currently named as SCIB Public Company Limited)
2006 - 2012	<ul style="list-style-type: none"> • Vice Chairman, Thanachart Insurance Public Company Limited
2006 - 2010	<ul style="list-style-type: none"> • Director, Arsom Silp Institution of the Arts Council
Family relationship with management	None
No. of TCAP share(s) held	None

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

Number of years that the executive holds a position of Directors	20 years
Age	62 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)	<p><u>Thai Institute of Directors Association</u></p> <ul style="list-style-type: none"> • Certificate, Role of the Compensation Committee (RCC), Class 15/2012 • Certificate, Role of Chairman Program (RCP), Class 28/2012 • Certificate, Financial Institution Governance Program (FGP), Class 4/2012 • Certificate, Director Accreditation Program (DAP), Class 8/2004 <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 8/2009
Experience(s) in the past 5 years	
2011 - Present	<ul style="list-style-type: none"> • Director, DMS Property Investment Private Limited • Vice Chairman and Chairman of the Executive Committee, Pathum Ricemill and 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 • Vice Chairman and Chairman of the Executive Committee, Thanachart Insurance Public 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 Public 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 and 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)

Number of years that the executive holds a position of Directors	13 years
Age	64 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, Solaris Asset Management Company Limited (Currently named as Seamico Asset Management 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)

Number of years that the executive holds a position of Directors	13 years
Age	68 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"> • Thai Directors Compensation Survey 2012 • New Change in Board Responsibility Practices: A Step Forward to Value and Sustainability • Anti-Corruption Seminar • Certificate, Advance Audit Committee Program (AACP), Class 7/2012 • Certificate, Monitoring the System of Internal Control and Risk Management (MIR), Class 12/2012 • 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	
2011 - Present	<ul style="list-style-type: none"> • Chairman of the Audit Committee, Energy Earth Public Company Limited
2003 - Present	<ul style="list-style-type: none"> • Chairman, Korvac (Thailand) Company Limited
2006 - 2009	<ul style="list-style-type: none"> • Chairman, Thai Mart Land Company Limited (Currently named as Thai Mart Retail Group 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 the Audit Committee, Member of the Nomination Committee,
and Member of the Remuneration Committee (Independent Director)

Number of years that the executive holds a position of Directors	4 years
Age	64 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, Defense Institute of Technology, Ministry of Defense
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 and 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 and Exhibition Bureau
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
2003 - 2009	<ul style="list-style-type: none"> • Director and Member of the Nomination Committee and Corporate Governance, Siam Commercial Bank Public Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Mr. Phimol Rattapat
Director (Non-Executive Director)

Number of years that the executive holds a position of Directors	13 years
Age	77 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
Family relationship with management	None
No. of TCAP share(s) held	None

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

Number of years that the executive holds a position of Directors	8 years
Age	67 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 Public 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)

Number of years that the executive holds a position of Directors	4 years
Age	56 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>Thai Listed Companies Association, The Stock Exchange of Thailand</u> <ul style="list-style-type: none"> • Certificate, TLCA Leadership Development Program (LDP)/2012 <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 • 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 Public Company Limited • Director and Chairman of the Executive Committee, Thanachart Fund Management Company Limited • Director and Member of the Executive Committee, Thanachart Insurance Public 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
2011 - 2012	<ul style="list-style-type: none"> • Governor, The Stock Exchange of Thailand
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 Securities 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 Public Company Limited
2009 - 2011	<ul style="list-style-type: none"> • Vice Chairman, The Stock Exchange of Thailand • Director, Thai Capital Market Development Committee
2009 - 2010	<ul style="list-style-type: none"> • 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)

Number of years that the executive holds a position of Directors	6 years
Age	58 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
Family relationship with management	None
No. of TCAP share(s) held	None

Note: Number of years holding directorship since 1993 in which the Company registered as a public company limited

Executives

Mr. Watchara Permphithak Senior Vice President, Business Division

Age	51 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	
2012 - Present	<ul style="list-style-type: none">• Director, Owendelle Company Limited• Senior Vice President, Asset Development, Thanachart Bank Public Company Limited
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
Family relationship with management	None
No. of TCAP share(s) held	None

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

Age	52 years
Education(s)	Bachelor of Business Administration, Sukhothai Thammathirat Open University
Directorship and Executive Training Program(s)	<u>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	None
Family relationship with management	None
No. of TCAP share(s) held	None

Ms. Darawan Bunnumstien
First Vice President, Debt Restructuring Department

Age	51 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"> • 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	0.00006% (800 Shares)

Mrs. Thanawan Chaisithikarnkha
First Vice President, Accounting Department

Age	47 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>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 Public Company Limited
2002 - 2012	• Vice President, Accounting Department, Thanachart Capital Public 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 2011 to 2012

(Information as at 31 December 2012)

No.	Name	Position	Number of Share(s) held as at 31 December 2012	Number of Share(s) held as at 31 December 2011	Increase (Decrease)	Percentage of shareholding (%)
1.	Mr. Banterng Tantivit	Chairman (Non-Executive Director)	-	2,060,000	(2,060,000)	-
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. Suvarnapa Suvarnaprathip	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 Permphiithak	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	-	0.00006
13.	Mrs. Thanawan Chaisithikarnkha	First Vice President, Accounting Department	-	-	-	-

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

(Information as at 31 December 2012)

Name		TCAP	Subsidiary Companies										Associated Companies		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	27	28	29
Mr. Banterng	Tantivit	xxx	xxx		xxx	xxx					xxx ///	xxx	x	x	xxx	x	x	x													
Mr. Suphadej	Poonpipat	xx /// B	xx ///		xx ///	x ///					xx //	x	x	x	x				xx ///	x	x	x									
Mrs. Sirpen	Sitasuwan	x																						xxx							
Mr. Somkiat	Sukdheva	x																						x	xxx						
Mrs. Puntip	Surathin	x																								x					
Mr. Phimol	Rattapat	x																									xxx	x			
Ms. Suvarnapha	Suvarnaprathip	x //	x //		x /																										x
Mr. Somjate	Moosrifert	x / C	xxx	x ///	x /			xxx ///	xxx																						
Mr. Taweesak	Saksirilarp	x / D				xxx ///	xxx	xxx	x																						
Mr. Watchara	Permpthithak	E	E			x //	x		x	x																					
Ms. Romanee	Jenpinit	F																													
Ms. Darawan	Bunnumstien	F					x	x																							
Mrs. Thanawan	Chaisithikarnkha	F							x																						

Note: XXX Chairman XX Vice Chairman X Director // 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

List of subsidiary and associated companies

(Information as at 31 December 2012)

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 Public Company Limited |
| 4. Thanachart Insurance Public Company Limited | 9. TS Asset Management Company Limited |
| 5. Thanachart Life Assurance Public Company Limited | 10. Owendelle Company Limited* |

Associated Companies

11. MBK Public Company Limited

Related Companies

- | | |
|--|---|
| 12. MBK Resort Public Company Limited | 21. Thai Royal Orchid Real Estate Company Limited |
| 13. Siam Piwat Holding Company Limited | 22. DMS Property Investment Private Limited |
| 14. Siam Piwat Company Limited | 23. Solaris Asset Management Company Limited |
| 15. Plan Estate Company Limited | 24. Energy Earth Public Company Limited |
| 16. Deebuk Company Limited | 25. Korvac (Thailand) Company Limited |
| 17. Thai Farming Company Limited | 26. YLG Bullion and Futures Company Limited |
| 18. B.V. Holding Company Limited | 27. NL Development Public Company Limited |
| 19. Pathum Ricemill and Granary Public Company Limited | 28. President Bakery Public Company Limited |
| 20. Royal Orchid Hotel (Thailand) Public Company Limited | 29. Seacon Development Public Company Limited |

Note: * A Subsidiary Company that transferred shares to TBANK in accordance with debt restructuring plan.

Details Related to Directors of Subsidiary Companies as of 31 December 2012

Subsidiary Companies that significantly generated income more than 10 percent of total income in consolidated comprehensive income statements of the latest accounting year were Thanachart Bank Public Company Limited and Thanachart Life Assurance Public Company Limited.

Name		Thanachart Bank Public Company Limited	Thanachart Life Assurance Public Company Limited
1. Mr. Banterng	Tantivit	XXX	XXX
2. Mr. Suphadej	Poonpipat	XX ///	X ///
3. Mr. Kiettisak	Meecharoen	X	X
4. Mr. Narong	Chivangkur	X	
5. Mr. Sataporn	Jinachitra	X	
6. Assoc. Prof. Dr. Somjai	Phagaphasvivat	X	
7. Mr. Alberto	Jaramillo	X	
8. Mr. Claude	David Morin	X	
9. Ms. Suvarnapha	Suvarnaprathip	X //	X /
10. Mr. Brendan	George John King	X //	X
11. Mr. Kobsak	Duangdee	X /	
12. Mr. Somjate	Moosirilert	X / A	
13. Mr. Nophadon	Ruengchinda		X // B
14. Mr. Lalit	Dodampe Gamage Dharmasari		X
15. Mr. Peerapart	Meksingvee		X /
16. Mr. Wichak	Praditavanij		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 Managing Director



RELATED PARTY TRANSACTIONS

The Company has put in place a policy and regulations governing the prevention of conflicts of interest as well as related party transactions and related transactions in compliance with the laws and notifications of the authorities concerned. In considering the execution of a transaction, the Company will use the same procedure as applied to general customers or business counterparts and follow the normal process that has been appropriately established as necessary. In supporting its business operations and determining the prices of the related party transactions, in order to prevent conflicts of interest, the Company will use fair and appropriate prices and comply with the regulatory requirements, taking into account the maximum benefit to be received by the Company and its shareholders.

In 2012, the Company and its subsidiaries executed a number of key transactions with related persons and companies which included associated companies, controlling persons of the Company and its subsidiaries, management, directors or employees of the Company and its subsidiaries who had the authority to formulate plans and manage the operations of the Company and its subsidiaries. In this connection, the information about the related party transactions is disclosed in the notes of the Company's financial statements for the year ended 31 December 2012 under No. 41 on related party transactions. The related party transactions of the Company that might involve conflicts of interest in line with the notification issued by the Office of the Securities and Exchange Commission are as follows:

Related Party Transactions among Companies of Thanachart Group in 2012

1. Companies of Thanachart Group and nature of relationships

Company	Relationship	List of Related Directors
1. NFS Asset Management Company Limited (NFS AMC)	Subsidiary of TCAP with TCAP holding 100% stake	1. Mr. Banterng Tantivit
2. Max Asset Management Company Limited (MAX AMC)	Subsidiary of TCAP with TCAP holding 83.44% stake	2. Mr. Suphadej Poonpipat
3. Thanachart Bank Public Company Limited (TBANK)	Subsidiary of TCAP with TCAP holding 50.96% stake	3. Ms. Suvarnapa Suvarnaprathip
4. Thanachart Securities Public Company Limited (TNS)	Indirect subsidiary of TCAP with TBANK holding 100% stake	4. Mr. Somjate Moosirilert
5. Thanachart Fund Management Company Limited (TFUND)	Indirect subsidiary of TCAP with TBANK holding 75% stake	5. Mr. Taweesak Saksirilarp
6. Thanachart Insurance Public Company Limited (TNI)	Indirect subsidiary of TCAP with TBANK holding 100% stake	
7. Thanachart Life Assurance Public Company Limited (TLIFE)	Indirect subsidiary of TCAP with TBANK holding 100% stake	
8. Siam City Life Assurance Public Company Limited (SCILIFE)	Indirect subsidiary of TCAP with TBANK holding 100% stake	
9. Thanachart Group Leasing Company Limited (TGL)	Indirect subsidiary of TCAP with TBANK holding 100% stake	
10. Ratchthani Leasing Public Company Limited (THANI)	Indirect subsidiary of TCAP with TBANK holding 65.18% stake	
11. National Leasing Company Limited (NL)	Indirect subsidiary of TCAP with TGL holding 100% stake	

Company	Relationship	List of Related Directors
12. TS Asset Management Company Limited (TS AMC)	Indirect subsidiary of TCAP with TBANK holding 100% stake	
13. Thanachart Broker Company Limited (TBROKE)	Indirect subsidiary of TCAP with TBANK holding 100% stake	
14. Thanachart Training and Development Company Limited (TTD)	Indirect subsidiary of TCAP with TBANK holding 100% stake	
15. Thanachart Management and Service Company Limited (TMS)	Indirect subsidiary of TCAP with TBANK holding 100% stake	
16. SCIB Services Company Limited (SSV)	Indirect subsidiary of TCAP with TBANK holding 100% stake	
17. SCIB Public Company Limited (under liquidation)	Indirect subsidiary of TCAP with TBANK holding 100% stake	
18. Thanachart Legal and Appraisal Company Limited (TLA)	Having completed the liquidation registered with the Commerce Ministry on 9 Nov 2012	

2. Related transactions among companies of Thanachart Group

2.1 Loans among Thanachart Group

- Type and value of transaction

The Company gave a loan with an outstanding balance of 200 million baht in the form of promissory note at call to NFS Asset Management Company Limited, charging the minimum loan rate (MLR) of Thanachart Bank. (The loan was completely repaid at the end of September 2012.) As well, Thanachart Bank gave a loan with the remaining principal balance being 6,060 million baht in the form of promissory note at call to TS Asset Management Company Limited, charging the interest rate equal to the Bank's cost of fund plus a fixed percentage per annum.

- Necessities and rationales of the transaction

The transactions were considered as loans given to member companies of the Group for use in the normal business operations of each member company. In this connection, the Boards of Director or the Executive Board of the lending companies concerned were responsible for approving the above transactions, depending on circumstances. The loans were approved by the Credit Committee and the Executive Committee consecutively. Those having a conflict of interest in the transactions were not allowed to participate in the consideration and approval of the transactions. The applicable interest rate and terms of the transactions were the same as those applied to general customers with reference prices comparable to general customers with the same level of risk. The approved credit line was within the limit permitted by the Bank of Thailand (BOT) or in accordance with the requirements imposed by BOT.

2.2 Property leases among companies of Thanachart Group

- Type and value of transaction

Properties were leased by member companies of Thanachart Group as headquarters and branches, with details as follows:

Lessor	Lessee	Transaction value (Million Baht)
1. Thanachart Capital Public Company Limited	Thanachart Bank Public Company Limited	13.72
2. Thanachart Capital Public Company Limited	Thanachart Securities Public Company Limited	2.09
3. Thanachart Capital Public Company Limited	Thanachart Insurance Public Company Limited	0.43
4. Thanachart Capital Public Company Limited	NFS Asset Management Company Limited	0.92
5. Thanachart Capital Public Company Limited	Thanachart Group Leasing Company Limited	0.03
6. Thanachart Bank Public Company Limited	Thanachart Securities Public Company Limited	1.33
7. Thanachart Bank Public Company Limited	Thanachart Insurance Public Company Limited	1.37
8. Thanachart Bank Public Company Limited	Ratchthani Leasing Public Company Limited	0.05
9. Thanachart Bank Public Company Limited	Thanachart Broker Company Limited	0.53
10. Thanachart Bank Public Company Limited	TS Asset Management Company Limited	0.75
11. NFS Asset Management Company Limited	Thanachart Bank Public Company Limited	0.32
12. Ratchthani Leasing Public Company Limited	Thanachart Bank Public Company Limited	0.10
13. SCIB Public Company Limited	Thanachart Bank Public Company Limited	0.76

- Necessities and rationales of the transaction

The objective of the property leases was to lease out the unused properties to the member companies of Thanachart Group for use as headquarters or branches. The transactions were considered as normal business operations and helped avoiding economic waste. The tenants of Thanachart Group were charged the same rental rate applicable to general tenants. Such transactions were, therefore, reasonable and justified.

2.3 Property insurance and third party liability insurance which the Company and its subsidiaries (the insured) purchased from Thanachart Insurance Public Company Limited (the Insurer)

- Type and value of transaction

The Company and its subsidiaries purchased property insurance and third party liability insurance from Thanachart Insurance Company, with the total premiums in 2012 amounting to 46.04 million baht. The related details are as follows:

Type of Insurance	Company	Insurance Premiums (Million Baht)
1. Executive cars	All member companies of Thanachart Group	8.08
2. Cars under hire purchase	Thanachart Bank Public Company Limited	16.04
3. Repossessed cars while being moved to auctions	Thanachart Capital Public Company Limited	0.07
4. Third party liability	Thanachart Bank Public Company Limited	1.08
5. Cash in transit insurance	Thanachart Bank Public Company Limited	0.79
6. Property insurance to cover buildings, decorations, office equipment and furniture, computers and peripherals, rented buildings, etc.	Thanachart Capital Public Company Limited Thanachart Bank Public Company Limited Thanachart Securities Public Company Limited Thanachart Insurance Public Company Limited Thanachart Life Assurance Public Company Limited Thanachart Fund Management Company Limited Max Asset Management Company Limited NFS Asset Management Company Limited Thanachart Training and Development Company Limited Thanachart Broker Company Limited TS Asset Management Company Limited SCIB Services Company Limited Siam City Life Assurance Public Company Limited Ratchthani Leasing Public Company Limited	16.89
7. Portable electronics insurance to cover computers, notebooks, projectors, and digital cameras	Thanachart Capital Public Company Limited Thanachart Bank Public Company Limited Thanachart Securities Public Company Limited Thanachart Insurance Public Company Limited Thanachart Life Assurance Public Company Limited Thanachart Fund Management Company Limited NFS Asset Management Company Limited Thanachart Training and Development Company Limited Thanachart Broker Company Limited SCIB Services Company Limited Siam City Life Assurance Public Company Limited Ratchthani Leasing Public Company Limited	0.43
8. Cars under hire purchase	Ratchthani Leasing Public Company Limited	2.66

- Necessities and rationales of the transaction

The purposes of purchasing the property insurance and third party liability insurance were to mitigate the impacts of risks arising from damage caused to properties of member companies of Thanachart Group and to cover liabilities for death, injuries, and assets of third parties visiting offices of Thanachart Group. In this connection, the insurance premiums which were paid to Thanachart Insurance Company were based on the same rates applicable to other parties. As a result, such transactions were reasonable and appropriate.

2.4 Directors and officers liability insurance which the Company and its subsidiaries (the insured) purchased from Thanachart Insurance Public Company Limited (the insurer)

- Type and value of transaction

The Company and its subsidiaries purchased the directors and officers liability insurance from Thanachart Insurance Company, with the total premiums in 2012 amounting to 8.59 million baht. The related policies provided liability coverage for directors and executives of the Company and all member companies of Thanachart Group.

- Necessities and rationales of the transaction

The insurance policies provided coverage for liability claims made against directors and executives of member companies of the Group, who performed duties and responsibilities by making use of their abilities in line with their appropriate roles. Purchasing this type of insurance was a normal industry practice. In this connection, the insurance premiums which were paid to Thanachart Insurance Company were based on the same rates applicable to other parties. As a result, such transactions were reasonable and appropriate.

2.5 Financial service professional liability insurance which Thanachart Fund Management Company Limited (the insured), the Company's purchased from Thanachart Insurance Public Company Limited (the insurer)

- Type and value of transaction

Thanachart Fund Management Company purchased financial service professional liability insurance from Thanachart Insurance Company to cover third party liability claims against misconduct of the organization's financial professional staff. The premiums for the related insurance policies in 2012 amounted to 1.05 million baht.

- Necessities and rationales of the transaction

It is necessary for the organization to protect against the risk arising from professional misconduct. In this

connection, the premiums paid to Thanachart Insurance Company were based on the same rates applicable to other parties. As a result, the transaction is reasonable and appropriate.

2.6 Personal accident insurance which SCIB Services Company Limited purchased for its staff (the insured) from Thanachart Insurance Public Company Limited (the insurer)

- Type and value of transaction

SCIB Services Company purchased personal accident (PA) insurance for its staff from Thanachart Insurance Company. The related premiums in 2012 amounted to 30,664 baht.

- Necessities and rationales of the transaction

The purpose of SCIB Services Company's purchase of the PA insurance from Thanachart Insurance Company was to provide the staff with protection which served as employee welfare benefit. As a result, the transaction was useful to the staff. The applicable premiums were based on the appropriate market rate, when compared to the rates charged by other insurance companies for insurance products with the same terms and conditions. As a result, the transaction was reasonable and appropriate.

2.7 Group life insurance and group personal accident insurance purchased from Siam City Life Assurance Public Company Limited (the insurer) for the staff of the Company and its subsidiaries including Thanachart Capital Public Company Limited, Thanachart Bank Public Company Limited, Thanachart Securities Public Company Limited, Thanachart Fund Management Company Limited, Thanachart Management and Service Company Limited, Thanachart Broker Company Limited, NFS Asset Management Company Limited, Max Asset Management Company Limited, TS Asset Management Company Limited, Thanachart Group Leasing Company Limited, Thanachart Life Assurance Public Company Limited, Thanachart Insurance Public Company Limited, Thanachart Training and Development Company Limited (the insured)

- Type and value of transaction

The Company and its subsidiaries purchased the group life insurance and the group personal accident insurance from Siam City Life Assurance Company. The related premiums in 2012 amounted to 22.60 million baht.

- Necessities and rationales of the transaction

The Company and its subsidiaries purchased the group life insurance and the group personal accident insurance from Siam City Life Assurance Company. The purpose

was to provide medical care to staff. The insurance served as employee welfare benefit. As a result, the transactions were useful to the staff. The applicable premiums were based on the appropriate market rates, when compared to the rates charged by other insurance companies for insurance products with the same terms and conditions. As a result, the transactions were reasonable and appropriate.

2.8 Employee dishonesty insurance purchased by the Company's subsidiaries including Thanachart Insurance Public Company Limited, Thanachart Life Assurance Public Company Limited, Siam City Life Assurance Public Company Limited (the insured) from Thanachart Insurance Public Company Limited (the insurer)

- Type and value of transaction

The above subsidiaries purchased the employee dishonesty insurance from Thanachart Insurance Company. The related premiums in 2012 amounted to 0.36 million baht.

- Necessities and rationales of the transaction

The Company's subsidiaries purchased the employee dishonesty insurance from Thanachart Insurance Company for the purpose of protecting against employee fraud or dishonest performance of duties. The applicable premiums were based on the appropriate market rates, when compared to the rates charged by other insurance companies for insurance products with the same terms and conditions. As a result, the transactions were reasonable and appropriate.

3. Transactions executed by the Company and its subsidiaries with their executives and parties related to these executives

3.1 Loans and Deposits

- Type and value of transaction

- The Company and member companies of Thanachart Group gave loans to their executives as well as parties related to the executives. The total value of the loans amounted to 68 million baht.

- The Company and member companies of Thanachart Group took deposits which were made by their executives as well as related persons. The total value of the deposits amounted to 696 million baht.

- Necessities and rationales of the transaction

The transactions were financial services in the ordinary course of business of the Company and member companies of Thanachart Group. These transactions were

subject to the same interest rates, terms and conditions as those applicable to general customers.

3.2 Life insurance purchased by the executives and their related parties (the insured) from Siam City Life Assurance Public Company Limited (the insurer)

- Type and value of transaction

The executives and related persons insured with Siam City Life Assurance Company with the total premium of 5.04 million baht in 2012.

- Necessities and rationales of the transaction

The transactions were underwriting services in the ordinary course of business of the insurance company. The premiums charged were based on the same rates applicable to other customers who bought life insurance which had the same terms and conditions. As a result, the transactions were reasonable and appropriate.

4. Transactions related to support services among member companies of Thanachart Group

It is Thanachart Group's policy to put together each support work into one company. This is for economies of scale and economies of scope. To utilize the available resources to their highest benefits, the Group has adopted a fee calculation policy whereby the annual actual costs are shared proportionately based on each service delivered or on the market price. The service fees are also subject to annual review and will be proposed to the Board of Directors of Thanachart Group's member companies for approval. The available services are as follows:

Thanachart Capital Public Company Limited

It gives services on management of non-performing loans (NPLs) and non-performing assets (NPAs).

Thanachart Bank Public Company Limited

It gives services on system and regulation development, human resources management, regulatory compliance, building and premises management, administration and procurement, internal audit, IT quality control, public relations and brand management, customer relations, operations, loan operations, hire purchase operations, accounting, risk control, debt collection over the phone, appraisal of collateral, legal services, bringing cases to court of law, legal enforcement, and IT system.

Thanachart Management and Service Company Limited

Providing support service staff.

Thanachart Training and Development Company Limited

Providing training services to Thanachart Group's employees.

SCIB Services Company Limited

Providing member companies of Thanachart Group with various support services such as cleaning service, security service, and messenger service.

Related party transactions between member companies of Thanachart Group and businesses related to directors and executives

1. MBK Public Company Limited and its subsidiaries (collectively MBK Group)

Related businesses and nature of relationship

Company	Relationship	List of Related Directors
1. MBK Public Company Limited (MBK)	Members of Thanachart Group jointly holding 19.90% stake	1. Mr. Banterng Tantivit
2. Pathum Ricemill and Granary Public Company Limited (PRG)	Subsidiary of MBK with MBK holding 74.52% stake	2. Mr. Suphadej Poonpipat
3. MBK Smart Force Company Limited (MBK-SF)	Subsidiary of MBK with MBK holding 99.97% stake	3. Mr. Piyaphong Artmangkorn
4. MBK Square Company Limited (MBK-SQ)	Subsidiary of MBK with MBK holding 99.97% stake	
5. T Leasing Company Limited (TLS)	Subsidiary of MBK with MBK holding 99.99% stake	
6. MBK Hotels and Resorts Company Limited (MBK-HR)	Subsidiary of MBK with MBK holding 99.99% stake	
7. MBK Business Company Limited (MBK-BUS)	Subsidiary of MBK with MBK holding 99.99% stake	
8. MBK Leisure Company Limited (MBK-LS)	Indirect associated company of MBK with MBK holding 49% stake via a subsidiary	
9. MBK Food and Entertainment Company Limited (MBK-FE)	Indirect subsidiary of MBK with MBK holding 99.99% stake via a subsidiary	
10. Plan Appraisal Company Limited (PAS)	Indirect subsidiary of MBK with MBK holding 99.99% stake via a subsidiary	
11. MBK Hotel and Tourism Company Limited (MBK-HT) (formerly MBK Hospitality Management Company Limited)	Subsidiary of MBK with MBK holding 99.99% stake	
12. Sapsinnthane Company Limited (SSTN)	Subsidiary of MBK with MBK holding 99.99% stake	
13. Riverdale Golf and Country Club Company Limited (RDGC)	Subsidiary of MBK with MBK holding 99.99% stake	

Company	Relationship	List of Related Directors
14. MBK Guarantee Company Limited (MBK-G)	Indirect subsidiary of MBK with MBK holding 99.99% stake via a subsidiary	
15. The Nine Center Company Limited (TNC)	Indirect subsidiary of MBK with MBK holding 99.99% stake via a subsidiary	
16. Plan Estate Company Limited (PST)	Indirect subsidiary of MBK with MBK holding 99.99% stake via a subsidiary	
17. PRG Granary Company Limited (PRG-G)	Indirect subsidiary of MBK with MBK holding 99.99% stake via a subsidiary	
18. Sima Pac Company Limited (SMP)	Indirect associated company of MBK with MBK holding 49.99% stake via a subsidiary	
19. Glas Haus Building Company Limited (GHB)	Indirect subsidiary of MBK with MBK holding 99.99% stake via a subsidiary	
20. CLP Management Company Limited (CLP-M)	Indirect subsidiary of MBK with MBK holding 99.99% stake via a subsidiary	
21. Absolute Travel Company Limited (ALT)	Indirect subsidiary of MBK with MBK holding 99.99% stake via a subsidiary	
22. Ratchasima Rice Company Limited (RSR)	Indirect subsidiary of MBK with MBK holding 99.99% stake via a subsidiary	
23. Innofood (Thailand) Company Limited (INF)	Indirect associated company of MBK with MBK holding 37.50% stake via a subsidiary	
24. Apple Auto Auction (Thailand) Company Limited (AAA)	Joint venture company between MBK and Apple Auto Auction Group with MBK holding 49.99%	

Related party transactions

1. Property leases between the Company and its subsidiaries (Lessors) and MBK Public Company Limited and its subsidiaries (Lessees)

- Type and value of transaction

The Company and its subsidiaries including Thanachart Bank Public Company Limited, Thanachart Securities Public Company Limited, Thanachart Insurance Public Company Limited, Thanachart Life Assurance Public Company Limited, and Thanachart Broker Company Limited (lessees) leased properties from MBK Public Company Limited, Glas Haus Building Company Limited, and The Nine Center Company Limited (lessors) for the following purposes:

- The Company leased property for use as headquarters. The value of the transaction in 2012 amounted to 3.28 million baht (as from 13 August 2012).
- Thanachart Bank leased property for use as headquarters, branches, currency exchange booths, and locations for ATMs. The value of the transaction in 2012 amounted to 41.04 million baht.
- Thanachart Securities Company, Thanachart Insurance Company, Thanachart Life Company, and Thanachart Broker Company leased properties for use as offices and branches. The values of the transactions in 2012 amounted to 8.82 million baht, 11.33 million baht, 6.66 million baht and 2.24 million baht respectively.
- Thanachart Insurance Company leased property for advertising its life insurance products. The value of the transaction in 2012 amounted to 6.61 million baht.

- Necessities and rationales of the transaction

The leases of the properties were for use in the ordinary course of business. The rental rates charged were close to the market rates applicable to the properties located in the nearby area. As a result, the transactions were reasonable and appropriate.

2. Property lease between Thanachart Bank Public Company Limited (lessor) and T Leasing Company Limited (lessee)

- Type and value of transaction

Thanachart Bank leased part of its office at Rama VII Building to T Leasing Company Limited. The rental and fees were charged from January 2012 to October 2012. The value of the transaction amounted to 2.04 million baht.

- Necessities and rationales of the transaction

Thanachart Bank leased part of its office at Rama VII Building to T Leasing Company Limited (formerly Thanachart Bank's subsidiary which was sold to MBK Public Company Limited) for use as office to support the business operations of T Leasing Company Limited without any interruption and any impact on customers after the sale of the Bank's equity stake. As well, the lessee had to pay the lessor for the use of the property. As a result, the transaction was reasonable and appropriate.

3. Management fees which the Company and its subsidiaries (the employers) paid to Plan Estate Company Limited (service provider)

- Type and value of transaction

The member companies of Thanachart Group employed Plan Estate Company Limited to manage non-performing assets. The fees charged for the management in 2012 were as follows:

Employing Company	Amount (Million Baht)
1. Thanachart Capital Public Company Limited	24.69
2. Thanachart Bank Public Company Limited	14.71
3. NFS Asset Management Company Limited	2.41
4. Max Asset Management Company Limited	8.50
5. NASSET Property Fund 6	1.03
6. TS Asset Management Company Limited	8.11

- Necessities and rationales of the transaction

The fees which were based on the cost-plus pricing method were normal rates which Plan Estate Company Limited charged general customers. As a result, the transactions were reasonable and appropriate.

4. Other expenses that the Company and its subsidiaries (employers) paid to Plan Estate Company Limited in the form of prize money for selling foreclosed assets.

- Type and value of transaction

The member companies of Thanachart Group paid the prize money for selling foreclosed assets to Plan Estate Company Limited in 2012 as follows:

Employing Company	Amount (Million Baht)
1. Thanachart Capital Public Company Limited	8.61
2. Thanachart Bank Public Company Limited	0.17
3. NFS Asset Management Company Limited	7.97
4. Max Asset Management Company Limited	9.32
5. NASSET Property Fund 6	0.01
6. TS Asset Management Company Limited	0.24

- Necessities and rationales of the transaction

The payments of the prize money for selling foreclosed assets were in line with the rates and conditions announced publicly for referring buyers to purchase foreclosed assets from the Company and its subsidiaries. The calculation of the prize money for selling foreclosed assets was based on a percentage of selling asset price. As a result, the transactions were reasonable and appropriate.

5. Sale of foreclosed assets of Thanachart Bank Public Company Limited (seller) to MBK Square Company Limited (buyer)

- Type and value of transaction

The transaction involved the sale of the Huay Kwang Branch (2) which was the foreclosed asset of Thanachart Bank. The value of the transaction amounted to 34.30 million baht.

- Necessities and rationales of the transaction

The foreclosed asset was put on sale by auction in order to get an appropriate market price. The asset was sold at a price higher than the book value. As a result, the transaction was reasonable and appropriate.

6. Sale of office furniture by Thanachart Bank Public Company Limited (seller) to Pathum Ricemill and Granary Public Company Limited (buyer)

- Type and value of transaction

The transaction involved the sale of unused office furniture such as desks, chairs, and cabinets (249 items in total). The value of the transactions amounted to 0.268 million baht.

- Necessities and rationales of the transaction

The transaction involved the sale of unused office furniture. As there were related expenses such as removal expenditure, transportation and storage fees, the unused assets were sold at market prices which were based on the highest prices when comparing the prices of three companies buying the assets. The prices paid for the assets were higher than their book value. As a result, the transactions were reasonable and appropriate.

7. Service agreement between the Company and its subsidiaries (employers) and Apple Auto Auction (Thailand) Company Limited (service provider) for services on inventory management and auction of repossessed cars

- Type and value of transaction

The transactions involved use of services on inventory management and auction of repossessed cars of the Company, Thanachart Bank and Thanachart Group Leasing Company. The total value of the transactions in 2012 amounted to 8.6 million baht.

- Necessities and rationales of the transaction

The selection of the provider for the services on inventory management and auction of repossessed cars was based on the best rate offered by the service provider for repayment amounts. The selection was also subject to normal consideration and approval procedures. As a result, the transactions were reasonable and appropriate.

8. Life insurance and personal accident insurance which were purchased by member companies of MBK Group including MBK Public Company Limited, Pathum Ricemill and Granary Public Company Limited, CLP Management Company Limited, MBK Business Company Limited, MBK Guarantee Company Limited, The Nine Center Company Limited, MBK Square Company Limited, Apple Auto Auction (Thailand) Company Limited, MBK Leisure Company Limited, Absolute Travel Company Limited, MBK Food and Entertainment Company Limited, MBK Smart Force Company Limited, T Leasing Company Limited, Plan Estate Company Limited, Plan Appraisal Company Limited, MBK Hotel and Tourism Company Limited, Sapsinthanee Company Limited, MBK Hotels and Resorts Company Limited, Ratchasima Rice Company Limited, Sima Pac Company Limited, PRG Granary Company Limited, Innofood (Thailand) Company Limited, and Riverdale Golf and Country Club Company Limited (the insured) from Siam City Life Assurance Public Company Limited (the insurer)

- Type and value of transaction

The transactions involved the purchase of life insurance and personal accident insurance for the employees of member companies of MBK Group. The total value of the related premiums in 2012 amounted to 2.02 million baht.

- Necessities and rationales of the transaction

The transactions were considered normal business operations of Siam City Life Assurance Company. The premiums were based on the rates applicable to other parties. As a result, the transactions were reasonable and appropriate.

9. Insurance contracts between Thanachart Insurance Public Company Limited (the insurer) and member companies of MBK Group, including T Leasing Company Limited and MBK Smart Force Company Limited (the insured)

- Type and value of transaction

The insurance products sold by Thanachart Insurance Company included the following:

- The automobile insurance purchased by T Leasing Company Limited with the related premium in 2012 amounting to 14,292.97 baht.
- The directors and officers liability insurance purchased by MBK Smart Force Company Limited with the related premium in 2012 amounting to 5,371.40 baht.

- Necessities and rationales of the transaction

The transactions were part of normal business operations of Thanachart Insurance Company. The related insurance policies had the same coverage and premiums as the ones applicable to other customers. As a result, the transactions were reasonable and appropriate.

2. Krungthai Card Public Company Limited

Details of the contract counterparties

Company	Relationship	List of Related Directors
Krungthai Card Public Company Limited	President of Siam City Life Assurance Public Company Limited and Senior Vice President	Ms. Chancharas Boonkhun
Siam City Life Assurance Public Company Limited	Subsidiary of Thanachart Bank Public Company Limited with the Bank holding 100% equity stake	

- Type and value of transaction

The transactions involved the loans given by Thanachart Bank to Krungthai Card Public Company Limited were part of normal business operations of the Bank. The outstanding loan balance as at 31 December 2012 amounted to 4,138 million baht.

- Necessities and rationales of the transaction

The loans given by Thanachart Bank to Krungthai Card Public Company Limited were part of normal business operations of the Bank. The transactions were subject to the same fees and interest rates applicable to general customers. As a result, the transactions were reasonable and appropriate.

Measures or Procedures for Approving Related Party Transactions

The Company has put in place a policy and regulations aimed at protecting conflicts of interest as well as executing related party transactions and connected transactions in compliance with the requirements imposed by the Stock Exchange of Thailand. It has also announced the regulations, to which both its staff and executives are required to adhere to. The regulations cover the transactions between the Company and parties who may have a conflict of interest in accordance with the criteria established by the Office of the Securities and Exchange Commission.

In considering the execution of related party transactions, the Company will use the same procedures as applied to general customers or business counterparts and also follow the properly established normal processes as it deems necessary to support the Company's operations. In determining the price of the related party transactions, to prevent a conflict of interest, the Company will use a fair and appropriate price and comply with the regulatory requirements, taking into consideration mainly the maximum benefit to be received by the Company and its shareholders.

The execution of any related party transaction is subject to approval of the Board of Directors or parties authorized by the Board of Directors, the explicit policy of which has been announced. The directors or senior executives having a conflict of interest in the transaction are prohibited from participating in the discussion and are not entitled to vote on or approve the agenda item concerned. Importantly, the approval of the transaction has to be within the power and limit determined by the Company and also in compliance with the regulatory requirements.

In the conduct of business affairs related to lending or investment, payments, leases or renting out of movable or immovable property, securities trading, related party transactions, acquisition or disposal of assets, the Company is required to act prudently, aiming at preventing conflicts of interest, and to strictly adhere to rules and regulations imposed by the authorities concerned. Information related to such transactions shall be disclosed in compliance with the regulatory requirements, accounting standards as well as the Company's established regulations.

Policies and Trends on Related Party Transactions in the Future

Related party transactions between the Company and member companies of the Group or related persons will be normal business transactions. Related party transactions also cover support services given between member companies of the Group in line with the Group's policy. The Company has no policy encouraging parties having a conflict of interest to execute related party transactions.



GENERAL INFORMATION

Investment of the Thanachart Capital Public Company Limited in Other Companies

Information as at 31 December 2012

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 8000 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) 2217 8000 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 Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2217 8000	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	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, Shino-Thai Tower, 18 th Floor, Sukhumvit 21 Road (Asoke), North Klongtoey, Wattana, Bangkok 10110 Tel. +66 (0) 2259 8911-6 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 Floor (Zone D), Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. +66 (0) 2217 8000	Securitization	Ordinary	1,700,000	1,700,000	170,000	169,993	100.00

Note: Percentage of share (s) held including share holding by related persons

Company's References

Head Office : 444 MBK Tower, 16th - 17th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND

Registration No. : 0107536000510

Registered Capital : 12,778,297,030 baht

Paid-up Capital : 12,778,297,030 baht

Website : www.thanachart.co.th

E-mail : tcap_ir@thanachart.co.th

Tel. : +66 (0) 2217 8000

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, Ratchadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel: +66 (0) 2229 2800 Fax: +66 (0) 2654 5427 Call Center: +66 (0) 2229 2888 Website: www.tsd.co.th
Securities	:	Debenture Holders TCAP14NA
Representatives of Debenture Registrar	:	CIMB Thai Bank Public Company Limited 44 ,15 th Floor, Langsuan Road, Lumpini, Pathumwan, Bangkok 10330, THAILAND Tel: +66 (0) 2626 7503-6, 2626 7218 Fax: +66 (0) 2626 7543 Website: www.cimbthai.com
Securities	:	Debenture Holders TCAP22NA
Representatives of Debenture Registrar	:	Thanachart Bank Public Company Limited 1101 Petchburi Building, 2 nd Floor, Petchburitatmai Road, Makkasan, Ratchathewi, Bangkok 10400, THAILAND Tel: +66 (0) 2208 5000 Ext. 4503, 4518, 4519 Fax: +66 (0) 2651 7899 Website: www.thanachartbank.co.th
Auditor	:	Ernst & Young Office Limited 193/136 - 137 Lake Rajada Office Complex, 33 rd Floor, New Ratchadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel: +66 (0) 2264 0777 Fax: +66 (0) 2264 0789-90 Website: www.ey.com
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 the Company

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 9 October 2012 (which was the most recent closure date of the register book).

Name of Shareholders/Group of Shareholders	Ordinary Shares	Preferred Shares	Total	Percentage
1. THAI NVDR Company Limited	162,696,956	-	162,696,956	12.73
2. MBK Public Company Limited	129,914,400	-	129,914,400	10.17
3. Chase Nominees Limited 42	56,429,000	-	56,429,000	4.42
4. State Street Bank and Trust Company	50,848,597	-	50,848,597	3.98
5. Daiwa Securities Co., Ltd. Clients A/C	42,000,000	-	42,000,000	3.29
6. State Street Bank Europe Limited	30,549,316	-	30,549,316	2.39
7. Nortrust Nominees Ltd.	22,846,900	-	22,846,900	1.79
8. HSBC (Singapore) Nominees PTE Ltd.	20,975,100	-	20,975,100	1.64
9. The Bank of New York Mellon	15,786,900	-	15,786,900	1.23
10. Chase Nominees Limited 50	15,110,732	-	15,110,732	1.18
11. Other Shareholders	730,658,466	13,336	730,671,802	57.18
Issued and Paid-up Capital	1,277,816,367	13,336	1,277,829,703	100.00
Thai Shareholders	817,066,691	13,276	817,079,967	63.94
Foreign Shareholders	460,749,676	60	460,749,736	36.06

Source: Report of the Company's Major Shareholders as at 9 October 2012, which was prepared by Thailand Securities Depository Company Limited.

Company's Ordinary Shares and Preferred Shares

As at 31 December 2012, the Company had registered capital and paid-up capital as follows:

Registered Capital	THB 12,778,297,030
Paid-up Capital	THB 12,778,297,030
Ordinary Shares	1,277,816,397 shares, per share value of THB 10
Preferred Shares*	13,306 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 2012 are as follows:

- At the Board of Directors' Meeting No. 9/2012 held on 24 September 2012, the Board adopted a resolution approving payment of an interim dividend of 0.50 baht per share to shareholders on 22 October 2012 for the performance of the first half of the year from 1 January 2012 to 30 June 2012. The payment was paid to both ordinary shareholders and preferred shareholders at the same rate. The total payment amounted to 638,914,851.50 baht with 1,277,829,703 shares receiving the dividend.

- At the Annual General Meeting of Shareholders for the year 2012 held on 5 April 2012, the shareholders adopted a resolution approving the final dividend payment for the second half year performance from 1 July 2011 to 31 December 2011 to both ordinary and preferred shareholders at the same rate of 0.70 baht per share. The dividend was made on 30 April 2012, to 1,277,829,703 shares*, a total amount of 894,480,792.10 baht. Taking into consideration the interim dividend payment of 0.50 baht per share or 638,914,851.50 baht in total, which was made on 20 October 2011, for the period from 1 January 2011 to 30 June 2011 of which the resolution was adopted at the Board of Directors' Meeting No. 9/2011 on 26 September 2011, the total dividend paid for the performance of 2011 amounted to 1,533,395,643.60 baht or 1.20 baht 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 Payment Policy of the Subsidiary Companies Made to the Company

The Company has not specified the dividend payout ratio made to the Company by its subsidiary companies. However, the dividend payment of each subsidiary company depends on its performance.

Each subsidiary company's dividend payment policy is to pay a dividend when it has made profit. In order to make a dividend payment, it has to take in to account the excess cash for business operation, the capital adequacy for supporting the business, and legal reserve, depending on the business of each company. Any subsidiary company may pay an interim dividend occasionally to the Company when it considers that it has an adequate profit and deems appropriate to make the payment. After making the interim dividend payment, it is required to report the payment to the shareholders at the next shareholders' 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, 16th-17th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND
Tel: +66 (0) 2217 8000
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) 2217 8000
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 Park Place Building, 5th-7th Floor,
Ratchadamri Road, Lumpini, Pathumwan,
Bangkok 10330, THAILAND
Tel: +66 (0) 2126 8300
Fax: +66 (0) 2253 8455
Registration No. 0105535049696
www.thanachartfund.com

Thanachart Insurance Public Company Limited

999/1 The Nine Tower, 2nd-3rd, 5th Floor,
999/2, 4th Floor, 999/3, 4th Floor, Rama 9 Road,
Suan Luang, Bangkok 10250, THAILAND
Tel: +66 (0) 2308 9300
Fax: +66 (0) 2308 9333
Registration No. 0107555000473
www.thanachartinsurance.co.th

Thanachart Life Assurance Public 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. 0107555000520
www.thanachartlife.co.th

Siam City Life Assurance Public Company Limited

231 Thanachart Park Place Building, 10th Floor,
Ratchadamri Road, Lumpini, Pathumwan,
Bangkok 10330, THAILAND
Tel: +66 (0) 2252 5070
Fax: +66 (0) 2252 7155
Registration No. 0107555000481
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, 9th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND
Tel: +66 (0) 2613 6000 Ext. 1869, 1873 and 1868
Fax: +66 (0) 2217 8098
Registration No. 0105538045861

Thanachart Management and Service Company Limited

2 Thanachart Suanmali Building, 2nd Floor,
Chaleomkhet 4 Road, Wat Thepsirin, Pomprapsattruphai,
Bangkok 10100, THAILAND
Tel: +66 (0) 2220 2222
Fax: +66 (0) 2220 2520
Registration No. 0105533119077

Thanachart Training and Development Company Limited

207/6 Thanachart Building, 5th Floor,
Ratchadapisek Road, Dindaeng,
Bangkok 10400, THAILAND
Tel: +66 (0) 2290 3400
Fax: +66 (0) 2290 3419
Registration No. 0105550042966

TS Asset Management Company Limited

1101 Petchburi Building, 9th Floor,
Petchburitatmai Road, Makkasan, Ratchathewi,
Bangkok 10400, THAILAND
Tel: +66 (0) 2208 5552
Fax: +66 (0) 2254 1766
Registration No. 0105554031624

Ratchthani Leasing Public Company Limited

77/35-36 Sinsathorn Tower, 11th UP Floor,
Krunghthonburi Road, Khlongtongsa, Khlongsan,
Bangkok 10600, THAILAND
Tel: +66 (0) 2440 0844
Fax: +66 (0) 2440 0848
Registration No. 0107545000209
www.ratchthani.com

Thanachart Broker Company Limited

333 Thanachart Wongsawang Building, 3rd Floor,
Rachadapisek Road, Wongsawang, Bangsue,
Bangkok 10800, THAILAND
Tel: +66 (0) 2685 0200, 2685 0300
Fax: +66 (0) 2685 0333
Registration No. 0105540075314

SCIB Services Company Limited

1091/230 Petchburitatmai Road,
Makkasan, Ratchathewi,
Bangkok 10400, THAILAND
Tel: +66 (0) 2208 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 Board of Directors 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 2012, the Nomination Committee held 3 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 propose the agendas for the 2013 Annual General Meeting of Shareholders.
2. To select, nominate names of qualified persons to be appointed as directors replacing directors retiring by rotation, and propose them to the Company's Board of Directors for appointment at the 2013 Annual General Meeting of Shareholders. (Meeting held on 15 January 2013)
3. To review the qualifications required to extend the contract of the chief executive officer of the Company and propose that reappointment to the Company's Board of Directors.
4. To review the succession plan of the chief executive officer and management and propose the plan to the Company's Board of Directors for consideration.
5. To review the directorship period of independent directors and determine the age of the Company's 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 2012, the Remuneration Committee held 4 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



AUDIT COMMITTEE REPORT

Audit committee of Thanachart Capital 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 Securities and Exchange Commission Thailand, The Stock Exchange of Thailand and Bank of Thailand 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 2012, the Audit Committee received good cooperation from the Executives and associated employees, meeting with the auditors, internal auditors and management 16 times in total, 12 of which were regular meetings and 4 were extraordinary meetings, to be informed of and to consider the various issues, which are summarized as follows:

- 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.
- 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 including consideration of reporting to Bank of Thailand for the assessment of internal control, capability of employee and efficiency and effectiveness of auditing.
- 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, in order to acknowledge changing regulations that have effect to the company's performance to be able to adjust, resolve and closely monitor.
- 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.
- 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.
- 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.
- The Committee selected the auditors considering from knowledgeable and experienced personal and independence including consideration of fairness in Remuneration for auditors accordance with their responsibilities. The results reported to the Board of directors to then present to Annual General Meeting for appointing auditors.

The Audit Committee independently acts on its duties with cautiousness and give frankly opinion for the benefits of the company without limitation in data and cooperation from the company.

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 THE 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 accurate 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 2012. Those controls are complete in compliance with internationally accepted accounting principles and rules and regulations.

(Mr. Banterng Tantivit)
Chairman

(Mr. Suphadej Poonpipat)
Chief Executive Officer



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Thanachart Capital Public Company Limited

I have audited the accompanying consolidated financial statements of Thanachart Capital Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Thanachart Capital Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

(Phuphun Charoensuk)

Certified Public Accountant (Thailand) No. 4950

Ernst & Young Office Limited
Bangkok: 18 February 2013



STATEMENTS OF FINANCIAL POSITION

Thanachart Capital Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2012 and 2011

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Assets					
Cash		15,181,402	16,005,678	-	-
Interbank and money market items - net	6	71,978,183	63,232,094	4,852,214	75,753
Derivative assets	7	2,176,536	1,536,490	-	-
Investments - net	8	150,648,783	152,511,228	6,724,409	5,657,335
Investments in subsidiaries and associates - net	9	1,795,377	1,672,981	31,572,896	31,598,119
Loans to customers and accrued interest receivables	10				
Loans to customers		813,483,032	676,790,337	318,280	1,344,436
Accrued interest receivables		1,072,443	979,725	30	9,245
Total loans to customers and accrued interest receivables		814,555,475	677,770,062	318,310	1,353,681
Less: Deferred revenue		(58,152,765)	(39,686,523)	(6,875)	(7,847)
Less: Allowance for doubtful accounts	11	(24,542,763)	(26,900,029)	(214,590)	(258,777)
Less: Revaluation allowance for debt restructuring	12	(348,390)	(385,980)	-	-
Net loans to customers and accrued interest receivables		731,511,557	610,797,530	96,845	1,087,057
Customers' liability under acceptance		41,489	90,531	-	-
Property foreclosed - net	14	9,914,893	11,560,136	1,667,150	2,006,953
Land, premises and equipment - net	15	8,344,276	8,814,746	51,905	55,150
Intangible assets - net	16	4,294,348	4,709,482	385	400
Goodwill	17	14,258,959	13,981,349	-	-
Receivables from purchase and sale of securities		2,102,712	858,326	-	664
Accrued interest and dividend receivables		1,166,040	1,050,831	81,522	78,922
Reinsurance assets		1,155,602	2,573,393	-	-
Other assets - net	18	9,342,110	5,761,842	83,431	82,595
Total assets		1,023,912,267	895,156,637	45,130,757	40,642,948

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2012 and 2011

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Liabilities and equity					
Deposits	19	693,421,291	435,864,954	-	-
Interbank and money market items	20	87,776,950	60,151,091	3	246
Liability payable on demand		4,989,214	2,130,716	-	-
Derivatives liabilities	7	1,206,215	2,885,848	-	-
Debts issued and borrowings	21	89,505,860	262,653,021	15,000,000	12,000,000
Bank's liability under acceptances		41,489	90,531	-	-
Provisions	22	3,299,608	3,143,979	215,105	210,118
Accrued interest payable		4,059,655	3,267,864	95,462	79,960
Payables from purchase and sale of securities		2,872,487	850,724	-	-
Insurance contract liabilities	23	39,632,420	36,154,060	-	-
Other liabilities	24	13,317,363	12,282,710	188,127	147,750
Total liabilities		940,122,552	819,475,498	15,498,697	12,438,074

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

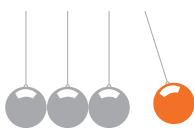
Thanachart Capital Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2012 and 2011

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
Note		2012	2011	2012	2011
Equity					
Share capital	25				
Registered, issued and paid-up					
13,306 preferred shares of Baht 10 each		133	133	133	133
(2011: 13,336 preferred shares of Bath 10 each)					
1,277,816,397 common shares of Baht 10 each					
(2011: 1,333,140,667 common shares of Baht 10 each)		12,778,164	13,331,407	12,778,164	13,331,407
		12,778,297	13,331,540	12,778,297	13,331,540
Premium on common share		2,065,645	2,065,645	2,065,645	2,065,645
Premium on treasury share	25	165,742	-	165,742	-
Other components of equity	26	2,125,600	1,563,281	367,003	300,712
Retained earnings					
Appropriated - statutory reserve	27	1,277,830	1,202,176	1,277,830	1,202,176
- treasury share reserve		-	387,501	-	387,501
Unappropriated		24,358,604	20,096,019	12,977,543	11,304,801
Less: Treasury share - common share	25	-	(387,501)	-	(387,501)
Equity attributable to owners of the Company		42,771,718	38,258,661	29,632,060	28,204,874
Non-controlling interests		41,017,997	37,422,478	-	-
Total equity		83,789,715	75,681,139	29,632,060	28,204,874
Total liabilities and equity		1,023,912,267	895,156,637	45,130,757	40,642,948

The accompanying notes are an integral part of the financial statements.



STATEMENTS OF COMPREHENSIVE INCOME

Thanachart Capital Public Company Limited and its subsidiaries

Statements of comprehensive income

For the years ended 31 December 2012 and 2011

(Unit: Thousand Baht except earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Profit or loss					
Interest income	30	49,998,744	44,257,936	447,750	432,811
Interest expenses	31	(25,764,451)	(19,943,007)	(560,583)	(612,786)
Net interest income		24,234,293	24,314,929	(112,833)	(179,975)
Fees and service income		5,720,103	5,025,814	19,368	10,906
Fees and service expenses		(1,489,786)	(1,306,283)	(1,621)	(5,028)
Net fees and service income	32	4,230,317	3,719,531	17,747	5,878
Gains on trading and foreign exchange transactions (losses)	33	663,010	891,302	(81)	235
Gains on investments	34	852,298	1,139,226	144,364	83,129
Share of profit from investments accounted for under equity method	9.2	282,846	257,924	-	-
Gains on property foreclosed and other assets		1,059,137	47,083	207,352	95,959
Insurance premium/Life insurance premium income		16,060,354	12,853,156	-	-
Dividend income		487,955	754,598	2,726,690	1,538,141
Other operating income		2,007,325	1,672,948	164,762	248,622
Total operating income		49,877,535	45,650,697	3,148,001	1,791,989
Insurance expenses		(12,185,991)	(10,725,748)	-	-
Net operating income		37,691,544	34,924,949	3,148,001	1,791,989
Other operating expenses					
Personnel expenses		10,709,428	10,849,565	114,553	108,961
Directors' remuneration	35	57,482	67,802	26,009	24,579
Premises and equipment expenses		3,224,799	3,486,178	59,775	81,294
Taxes and duties		946,191	911,738	4,829	6,182
Other expenses		7,639,735	5,624,421	83,718	110,592
Total other operating expenses		22,577,635	20,939,704	288,884	331,608
Impairment loss of loans and debt securities (reversal of impairment loss of loans and debt securities)	36	2,899,817	2,077,347	(32,576)	(176,071)
Profit before income tax		12,214,092	11,907,898	2,891,693	1,636,452
Income tax	37	(2,462,740)	(3,135,765)	-	(1,319)
Profit for the year		9,751,352	8,772,133	2,891,693	1,635,133

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

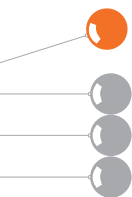
Thanachart Capital Public Company Limited and its subsidiaries

Statements of comprehensive income (continued)

For the years ended 31 December 2012 and 2011

		(Unit: Thousand Baht except earnings per share expressed in Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
Note		2012	2011	2012	2011
	Other comprehensive incomes				
38	Gains (losses) on remeasuring available-for-sale investments	962,408	(299,228)	66,291	10,715
	Share of other comprehensive income of associates	45,426	324	-	-
	Total other comprehensive income (losses)	1,007,834	(298,904)	66,291	10,715
	Total comprehensive income	10,759,186	8,473,229	2,957,984	1,645,848
	Profit attributable to				
	The Company	5,481,536	5,002,433	2,891,693	1,635,133
	Non-controlling interests	4,269,816	3,769,700	-	-
		9,751,352	8,772,133	2,891,693	1,635,133
	Total comprehensive income attributable to				
	The Company	6,043,855	4,869,224	2,957,984	1,645,848
	Non-controlling interests	4,715,331	3,604,005	-	-
		10,759,186	8,473,229	2,957,984	1,645,848
	Earnings per share of the Company				
39	Basic earnings per share				
	Profit attributable to the Company (Baht per share)	4.29	3.91	2.26	1.28
	Diluted earnings per share				
	Profit attributable to the Company (Baht per share)	4.29	3.91	2.26	1.28

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 2012 and 2011

(Unit: Thousand Baht)

Consolidated financial statements												
Equity attributable to the Company's shareholders												
Other components of equity												
Amount by which												
the value of investment												
Premium												
of a subsidiary												
company's share												
lower than attributable												
net book value												
Revaluation												
surplus												
on investments												
Share of other												
comprehensive												
income (losses) of												
associates												
Retained earnings												
Appropriated												
Statutory												
reserve												
Treasury shares												
Unappropriated												
reserve												
Treasury shares												
interests												
Non-controlling												
interests												
Total												

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

Thanachart Capital Public Company Limited and its subsidiaries

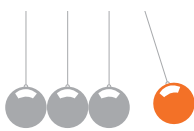
Statements of changes in equity

For the years ended 31 December 2012 and 2011

(Unit: Thousand Baht)

	Separate financial statements									
	Other components of equity					Retained earnings				
	Revaluation surplus on investments					Appropriated				
	Issued and paid-up share capital					Treasury shares				
	Preferred shares	Common shares	Premium on common share	Premium on treasury share		Statutory reserve	Treasury shares reserve	Unappropriated	Treasury shares	Total
Balance as at 1 January 2011	159	13,331,381	2,065,645	-	289,997	1,120,420	387,501	11,283,703	(387,501)	28,091,305
Dividend paid (Note 29)	-	-	-	-	-	-	-	(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 27)	-	-	-	-	-	81,756	-	(81,756)	-	-
Conversion of preference shares to ordinary shares	(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
Balance as at 1 January 2012	133	13,331,407	2,065,645	-	300,712	1,202,176	387,501	11,304,801	(387,501)	28,204,874
Dividend paid (Note 29)	-	-	-	-	-	-	-	(1,533,396)	-	(1,533,396)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	2,598	-	2,598
Transfer of retained earnings to statutory reserve (Note 27)	-	-	-	-	-	75,654	-	(75,654)	-	-
Share capital reduction from treasury shares cancellation (Note 25)	-	(553,243)	-	165,742	-	-	(387,501)	387,501	387,501	-
Total comprehensive income for the year	-	-	-	-	66,291	-	-	2,891,693	-	2,957,984
Balance as at 31 December 2012	133	12,778,164	2,065,645	165,742	367,003	1,277,830	-	12,977,543	-	29,632,060

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 2012 and 2011

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from operating activities				
Profit before income tax	12,214,092	11,907,898	2,891,693	1,636,452
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities				
Share of profit from investments accounted for under equity method	(282,846)	(257,924)	-	-
Depreciation and amortisation	1,624,707	1,756,275	39,166	52,945
Impairment loss of loans and debt securities (reversal)	2,899,817	2,077,347	(32,576)	(176,071)
Increase in provision for liabilities	270,729	96,318	4,987	4,119
Increase (decrease) in provision for impairment of property foreclosed	(1,834)	(59,872)	51,772	(71,731)
Increase (decrease) in provision for impairment of equipment/other assets	71,177	(148,547)	(1,527)	529
Increase (decrease) in provision for impairment/ revaluation of investments	(6,960)	89,835	(41,620)	(163)
Amortisation of deferred gain on disposal of property foreclosed	-	(30,356)	-	-
Unrealised loss (gain) on foreign exchange and financial derivatives	298,055	(145,040)	-	-
Gain on sales of/capital return from investments in subsidiary companies	(277,610)	(494,407)	(9,205)	(6,516)
Loss on transfers of assets for debt repayment	81,329	4,552	-	-
Loss (gain) on disposal of equipment	14,163	(39,130)	(1,862)	(32,375)
Decrease (increase) in accrued other income receivable	(9,812)	(123,780)	6,021	(6,545)
	16,895,007	14,633,169	2,906,849	1,400,644
Net interest income	(24,234,293)	(24,314,929)	112,833	179,975
Dividend income	(487,955)	(754,598)	(2,726,690)	(1,538,141)
Cash received from interest on operating activities	46,758,730	40,317,956	62,477	82,396
Cash paid for interest on operating activities	(16,673,292)	(11,962,976)	(47)	(15)
Cash paid for income tax	(3,793,498)	(3,935,905)	(13,766)	(15,273)
Income from operating activities before changes in operating assets and liabilities	18,464,699	13,982,717	341,656	109,586

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 2012 and 2011

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2012	2011	2012	2011
Cash flows from operating activities (continued)				
Operating assets (increase) decrease				
Interbank and money market items	(8,817,990)	23,198,723	(4,765,285)	13,447
Derivative assets	859,366	2,279,923	-	-
Investments in trading securities	3,878,783	(12,816,953)	6,099	3,086
Loans to customers	(129,872,742)	(21,858,774)	1,015,372	127,597
Property foreclosed	7,784,818	4,776,633	323,620	154,396
Receivables from purchase and sale of securities	(1,244,386)	1,148,525	664	(664)
Reinsurance assets	1,417,791	(2,040,620)	-	-
Other assets	(3,632,538)	(301,372)	(21,487)	(7,138)
Operating liabilities increase (decrease)				
Deposits	257,556,337	(96,517,456)	-	-
Interbank and money market items	27,643,242	9,891,914	(243)	(246)
Liability payable on demand	2,858,497	(996,228)	-	-
Derivatives liabilities	(2,460,410)	(924,746)	-	-
Payable from purchase and sales of securities	2,021,764	(3,203,216)	-	(603,600)
Insurance contract liabilities	3,478,360	6,380,389	-	-
Other liabilities	(355,550)	145,300	40,546	(3,533)
Net cash provided from (used in) operating activities	179,580,041	(76,855,241)	(3,059,058)	(207,069)
Cash flows from investing activities				
Decrease (increase) in investments in securities	(1,381,025)	6,322,104	(919,439)	1,919,745
Cash received from disposal of investments in subsidiary companies	-	480,055	-	-
Cash paid for purchase of investments in subsidiary companies	-	(16,313)	-	-
Cash received from interest	4,366,511	4,554,576	331,896	306,056
Cash received from dividend	685,299	965,830	2,726,690	1,538,141
Cash paid for purchase of land and equipment/ intangible assets	(1,030,544)	(1,411,139)	(8,184)	(2,486)
Cash received from disposal of equipment/ intangible assets	74,457	92,327	1,877	98,142
Net cash provided from (used in) investing activities	2,714,698	10,987,440	2,132,840	3,859,598

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 2012 and 2011

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from financing activities				
Cash received from debts issued and borrowings	554,884,940	1,046,133,464	3,000,000	-
Cash paid for debts issued and borrowings	(728,032,101)	(969,088,201)	-	(1,500,000)
Cash paid for interest expenses on debt issued and borrowings	(7,319,421)	(7,764,642)	(542,984)	(620,250)
Cash paid to non-controlling interest for decrease shares capital of a subsidiary company	(6,311)	(41)	-	-
Cash paid for dividend	(1,530,798)	(1,532,279)	(1,530,798)	(1,532,279)
Cash paid for dividend to non-controlling interests	(1,115,324)	(1,172,927)	-	-
Net cash provided from (used in) financing activities	(183,119,015)	66,575,374	926,218	(3,652,529)
Net increase (decrease) in cash	(824,276)	707,573	-	-
Cash at beginning of the year	16,005,678	15,298,105	-	-
Cash at ending of the year	15,181,402	16,005,678	-	-
Supplemental cash flows information				
Non-cash transactions				
Property foreclosed transferred from loans, other receivable and investments in receivables purchased	5,986,554	3,421,731	1,161	2,312
Property foreclosed received from capital returned from a subsidiary company	-	-	34,428	30,970
Bad debt written off/hair-cut loans from debt restructuring	5,067,147	1,482,300	548	3,193

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 2012 and 2011

1. General information

1.1 The Company 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, 16-17th Floor, MBK Tower, 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.

1.2 Entire Business Transfer from Siam City Bank Plc. (“SCIB”)

Thanachart Bank acquired SCIB’s shares to make it as a subsidiary of Thanachart Bank in April 2010, and included it in the consolidated statements since then. 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. After the transfer, SCIB discontinued its operations and then returned its banking license and banking authorisations to the Ministry of Finance, and registered the changes in its name to be “SCIB Plc.”. SCIB registered its dissolution in December 2011.

2. Basis of preparation of the financial statements

2.1 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.

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.

2.2 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”).

	Nature of business	Percentage of holding by the Company		Percentage of holding by the subsidiaries	
		2012	2011	2012	2011
<u>Subsidiaries directly held by</u>					
<u>the Company</u>					
Thanachart Bank Plc.	Commercial bank	50.96	50.96	-	-
NFS Asset Management Co., Ltd.	Asset management	100.00	100.00	-	-
Max Asset Management Co., Ltd.	Asset management	83.44	83.44	-	-
NASSET Property Fund 6	Investment in non-performing assets and collection rights	99.80	99.80	0.06	0.06
Thiravanit Co., Ltd.	In liquidation process	99.90	99.90	-	-
Thanachart SPV 01 Co., Ltd.	Not yet operation	100.00	100.00	-	-

	Nature of business	Percentage of holding by the Company		Percentage of holding by the subsidiaries	
		2012	2011	2012	2011
<u>Subsidiaries indirectly held by the Company</u>					
SCIB Plc.	In liquidation process	-	-	99.98	99.98
Thanachart Securities Plc.	Securities business	-	-	100.00	100.00
Thanachart Insurance Plc.	Non-life insurance	-	-	100.00	100.00
Thanachart Life Assurance Plc.	Life insurance	-	-	100.00	100.00
Thanachart Fund Management Co., Ltd.	Fund management	-	-	75.00	75.00
Thanachart Broker Co., Ltd.	Non-life insurance broker	-	-	100.00	100.00
Thanachart Group Leasing Co., Ltd.	Hire purchase	-	-	100.00	100.00
Thanachart Management and Services Co., Ltd.	Services	-	-	100.00	100.00
Thanachart Legal and Appraisal Co., Ltd.	Liquidated	-	-	-	100.00
Thanachart Training and Development Co., Ltd.	Training services	-	-	100.00	100.00
TS Asset Management Co., Ltd.	Non-performing asset management	-	-	100.00	100.00
Ratchthani Leasing Plc.	Hire purchase and leasing business	-	-	65.18	65.18
National Leasing Co., Ltd.	Leasing business	-	-	100.00	100.00
Siam City Life Assurance Plc.	Life insurance	-	-	100.00	100.00
SCIB Service Co., Ltd.	Service	-	-	100.00	100.00

- 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 2012 and 2011 and for the years then ended, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Net operating income	
	2012	2011	2012	2011
Thanachart Bank Plc.	930,776	818,978	26,491	18,143
SCIB Plc.	6	-	3	8,603
Thanachart Life Assurance Plc.	27,301	20,285	2,830	1,962
Siam City Life Assurance Plc.	12,465	11,195	392	(89)
Thanachart Insurance Plc.	8,310	7,142	2,438	1,974
Thanachart Securities Plc.	6,893	3,873	1,429	1,284
TS Asset Management Co., Ltd.	9,959	11,361	814	284
Ratchthani Leasing Plc.	18,835	12,033	1,091	171
NFS Asset Management Co., Ltd.	2,302	3,915	625	396

- c) In October 2011, SCIB transferred investment in 437,250,000 ordinary shares of Ratchthani Leasing Plc. to Thanachart Bank for a consideration of 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. stood at 48.35 percent. On 1 November 2011, Thanachart Bank purchased 437,486,500 additional shares at Baht 1.52 per share, or for a total of Baht 665 million, and as a result Thanachart Bank's shareholding increasing to 65.18 percent of the total shares of Ratchthani Leasing Plc. in issue. The investment was therefore treated as investment in subsidiary in Thanachart Bank's financial statements.

The consolidated statement of comprehensive income for the year ended 31 December 2011 thus included the operating results of Ratchthani Leasing Plc. from 1 November 2011 (the date that Thanachart Bank assumed control) to 31 December 2011.

- d) The consolidated statement of comprehensive income for the year ended 31 December 2011 included operating result of Siam City Asset Management Co., Ltd. from 1 January 2011 until 30 May 2011 (the date of disposal of the investment). Such subsidiary had total income of Baht 31 million and net income of Baht 3 million. A gain on disposal of Baht 26 million was recognised in the consolidated financial statements.
- e) The consolidated statement of comprehensive income for the year ended 31 December 2011 included operating result of Siam City Securities Co., Ltd., from 1 January 2011 until 31 August 2011 (the date of disposal of the investment). Such subsidiary had total income of Baht 114 million and net income of Baht 87 million. A gain on disposal of Baht 40 million was recognised in the consolidated financial statements.
- f) 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.
- g) 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.
- h) 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.

- i) 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.

2.3 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.

3. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal year 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

Financial Reporting Standard

TFRS 8	Operating Segments
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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 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 or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines. The management of the Company and its subsidiaries expect the adoption of this accounting standard to have the effect of increasing the brought-forward of the equity attributable to the Company (retained earnings and other components of equity) in the consolidated financial statements of the year 2013 by Baht 800 million and decreasing comprehensive income attributable to the Company by Baht 200 million (separate financial statements: increasing brought-forward of the equity of the year 2013 by Baht 250 million and decreasing comprehensive income by Baht 70 million).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

		<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets		1 January 2013
Accounting Standard Interpretation		
SIC 29	Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations		
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programs	1 January 2014

The management of the Company and its subsidiaries is evaluating the first-year impact to the financial statements of the accounting treatment guidance and accounting standard interpretations and has yet to reach a conclusion.

4. Significant accounting policies

4.1 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 multiplied 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 loan repayment 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 company ceases 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

Premium income consists of direct premium and reinsurance premium less premium of cancelled policies and premiums refunded to policy holders, and adjusted with unearned premium reserve.

Direct premium income is recognised on the date the insurance policy comes into effect. For long-term insurance policies with coverage periods of longer than 1 year, related premium are recorded as unearned items, and recognised as income over the coverage period.

Reinsurance premium income is recognised as income when the reinsurer places the reinsurance application or the 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.

4.2 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 direct 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.

4.3 Investments

Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in 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 are recorded in other comprehensive income in the statements of comprehensive income, and will be recognised in 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 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 impairment (if any).

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 securities is determined using the yield rates quoted by the Thai Bond Market Association, other markets, 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 from their net asset value.

The fair value of embedded derivatives investments which no active market or no available market value is determined using an internal model. Gains/losses arising from revaluation are recognised in profit or loss in the statements of comprehensive income. This method of measurement is in compliance with the principles stipulated by the BOT.

The Company and its subsidiaries recognise loss on impairment (if any) of available-for-sale securities, held-to-maturity debt securities and other investments in profit or loss in the statements of comprehensive income.

In the event of the Company and its subsidiaries transfer investments to another category, the investments are valued at their fair value prevailing on the transfer date. Differences between the carrying amount of the investments and their fair value on that date are recorded in profit or loss in the statements of comprehensive income or recorded as surplus (deficit) from revaluation of investments, which is presented as a separate item in equity and amortised over the remaining period to maturity of the debt securities, depending on the type of investment which is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss in the statements of comprehensive income. In case of disposal partial of the investment, the carrying value per share used to calculate the cost of the portion sold is determined using the weighted average method.

4.4 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 in 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.

4.5 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.

4.6 Loans to customers

Loans are stated at the principal balances, excluding accrued interest receivables, except for overdrafts which are presented at the principal balances plus accrued interest receivables. Unrecognised deferred income and discounts on loans are deducted from the loan balances.

Hire purchase and financial lease receivables are stated at the contract value of the hire purchase and financial 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 balances of 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".

4.7 Allowance for doubtful accounts

a) Allowance for doubtful accounts for loans

The Company and its subsidiary companies 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 an allowance for doubtful accounts is recognised as an expense during the year.

For loans, excluding hire purchase receivable - personal consuming of the subsidiary operates in banking business, the Company and its subsidiary companies 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 receivable) net of collateral value. For non-performing loans, provision is set at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or the present value of expected cash flows 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 receivables and financial lease receivables are treated as uncollateralised.

Effective 1 January 2012, for hire purchase receivable - personal consuming of the subsidiary operates in banking business, the subsidiary sets provision using the collective approach method, which classifies groups of receivable having similar credit risk characteristics and considers historical loss experience of loans which is calculated based on the probability of default and a percentage of the loss given default. Furthermore, the subsidiary has set aside an additional provision by taking into consideration the potential additional loss arising from changes in economic circumstances that may impact the ability to pay of certain borrowers. This methodology, its parameters and assumptions have been reviewed in detailed and will be monitored on an ongoing basis for continued applicability (2011: the subsidiary set aside provision for hire purchase receivables - personal consuming that were classified as normal loans and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances net of collateral value. For non-performing loans, provision was set at a rate of 100% of the debt balance without deducting the collateral value).

- b) Subsidiary engaged in securities business has provided 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 classifications 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 based on the loan balances without deducting collateral value for receivables overdue more than 3 months.
- d) Allowance for doubtful accounts for other receivables is set up based on the amount of debts that may not be collectible, determined from a review of the current status of the receivable as at the reporting date.
- e) The Company and its subsidiaries write off receivables when they determine that such receivables may not be collectible. Amounts written off as bad debts, or bad debt recovery, are deducted from or added to the allowance for doubtful accounts.

4.8 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's 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 in profit or loss in the statements of comprehensive income in the restructuring period. Such allowance is reviewed based on the net present value of future cash flows over the remaining period to maturity, recognising adjustments against impairment loss of loans account.

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 gain on restructuring or interest income in 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 profit or loss in the statements of comprehensive income when incurred.

4.9 Recognition and amortisation of customers' assets

Assets which customers have placed with the subsidiary company 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 the subsidiary company for internal control purpose. As at the reporting date, subsidiary company write off those amounts which there are no guarantee obligations from both assets and liabilities, and present only those assets which belong to the subsidiary company.

4.10 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 profit or loss in the statements of comprehensive income.

4.11 Land, premises and equipment and depreciation

- a) Land and assets under installation 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 their cost on a straight-line basis over the following estimated useful lives:

Buildings	-	20 - 30 years
Buildings improvement	-	5 - 10 years
Furniture, fixtures and equipment	-	3 - 10 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

- c) Land, premises and equipment are derecognised upon disposal or when no future economic benefits are expected from their 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 profit or loss in the statements of comprehensive income.

4.12 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 while intangible assets acquired in other cases 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 (if any).

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 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.

4.13 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 profit or loss in the statements of comprehensive income.

4.14 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.

4.15 Receivables from/payable to Clearing House

Receivables from/payable to Clearing House comprise the net balance receivable/payable in respect of securities trades settled and derivatives business including amounts pledged with Thailand Clearing House as security for derivatives trading.

4.16 Securities purchased under resale agreements/securities sold under repurchase agreements

Subsidiary companies enter into agreements with private entities to purchase/sell securities whereby there is an agreement to resell/repurchase the securities at certain dates and at 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 counter party, 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.

4.17 Premium receivable and allowance for doubtful accounts

Premium receivable from both direct and reinsurance is stated at its net realisable value. Subsidiary companies 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 receivable as at the end of reporting period.

4.18 Reinsurance assets and liabilities

- a) Reinsurance assets represent amounts due from reinsurers (consisting of claims receivable and various other items receivable for reinsurers excluding reinsurance premium receivable less allowance for doubtful accounts), amounts deposited on reinsurance and insurance reserve refundable from reinsurers. Insurance reserve refundable from reinsurers is estimated based on the proportion of premium reserve and loss reserve made in accordance with the law regarding insurance reserve calculation that has been reinsured.
- b) Amounts due to reinsurers are stated at the outstanding balances payable from reinsurance and amounts withheld on reinsurance. Amounts due to reinsurers consist of reinsurance premiums and other items payable to reinsurers.

4.19 Premium reserve/life insurance premium reserve

Non-life insurance contract

Premium insurance reserve comprise with unearned premium reserve and unexpired risks reserve.

a) Unearned premium reserve

Unearned premium reserve is calculated based on direct premium before deducting premium ceded as follows:

Transportation (cargo), travelling accident with coverage periods of not over six-months	- 100% of premium as from the date policy is effective, throughout the period of insurance coverage (2011: Unearned premium reserve for Marine and transportation is net premium written for the last ninety days and for travelling accident is calculated from net premium written for the last thirty days)
Other	- Monthly average basis (the one-twenty fourth basis)

b) Unexpired risks reserve

Unexpired risks reserve is the reserve for the future claims that may be incurred in respect of in-force policies. Unexpired risks reserve is set aside using an actuarial method, at the best estimate of the claims that are expected be incurred during the remaining period of coverage, based on historical claims data.

As at the end of the reporting period, the subsidiary compares the amounts of unexpired risks reserve with the unearned premium reserve, and if unexpired risks reserve is higher than unearned premium reserve, the difference is recognised as unexpired risks reserve in the financial statements.

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 the 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.

4.20 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, the subsidiaries set up additional reserve for incurred but not reported (IBNR) claims using an actuarial method based on a best estimate of claims which are expected to be paid in the future for losses occurring before or as at the reporting date, including both reported and unreported claims, and net of recorded claims.

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.

4.21 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 statements of comprehensive income over the lease period. Assets acquired under finance leases are depreciated over their estimated useful lives.

Leases of assets which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as expenses on the straight-line basis over the lease term.

4.22 Financial derivatives

The Company and its subsidiaries have entered into derivative financial instruments in order to manage risk of the Company and its subsidiaries and in response to customer needs.

Financial derivative contracts which were originated for trading purposes are recorded as off-balance items. Gains or losses arising from changes in the fair value of the contracts are recognised in profit or loss in the statements of comprehensive income. The fair values of the contracts are based on the quoted market prices. If the fair value of financial derivatives cannot be determined with reference to market price, it is determined using valuation techniques and models, in which the variables used are derived from observable market factors.

Other financial derivative contracts (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 foreign exchange contracts are presented at the net amount in the statements of financial position.

4.23 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.

4.24 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries assess whether there is an indication that an asset may be impaired. If any indication exists, 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 profit or loss in the statements 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 profit or loss in the statements of comprehensive income.

4.25 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' 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 in the statements of comprehensive income.

4.26 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 outstanding on the financial reporting date have been translated into Baht at the rates ruling at the reporting date.

Exchange gains and losses arising from trading or translation of foreign currencies are included in determining income.

4.27 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.

4.28 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.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with Thai Financial Reporting Standards 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 judgments and estimates are as follows:

5.1 Recognition and derecognition of assets and liabilities

In considering whether to recognise or to 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.

5.2 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.

5.3 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.

5.4 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.

5.5 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.

5.6 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 these estimated useful lives and salvage values when there are any changes.

In addition, the management is required to review land, premises and equipment for impairment on a periodical basis and record impairment losses 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.

5.7 Goodwill and intangible assets

The initial recognition and measurement of goodwill and intangible assets, and subsequent impairment testing, 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 flows. 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.

5.8 Finance lease/Operating lease

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

5.9 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.

5.10 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.

Life assurance policy reserve is calculated under an actuarial method, based on the best estimate at that time, which reflects current assumptions or assumption established at inception of the contract. Such reserve requires the management to exercise judgment in order to reflect the best estimates at that time.

5.11 Loss reserve and outstanding claims

At each reporting date, subsidiaries estimate loss reserves and outstanding claims in two 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 calculated 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. Such estimates require management to exercise judgment in order to reflect the best estimates available at that time.

5.12 Post-employment benefits under defined benefit plans

Obligations under the 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.

5.13 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 not provide provisions and contingent liabilities.

6. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	2012			2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	8,282	2,000	10,282	5,492	2,000	7,492
Commercial banks	1,119	20,414	21,533	579	8,518	9,097
Specialised financial institutions	70	29	99	40	8,238	8,278
Other financial institutions	300	23,634	23,934	197	22,618	22,815
Total	9,771	46,077	55,848	6,308	41,374	47,682
Add: Accrued interest receivables	9	43	52	-	11	11
Less: Allowance for doubtful accounts	-	(216)	(216)	-	(193)	(193)
Total domestic items	9,780	45,904	55,684	6,308	41,192	47,500
Foreign						
US Dollar	245	15,477	15,722	1,449	13,470	14,919
Euro	50	-	50	119	-	119
Others	317	-	317	523	103	626
Total	612	15,477	16,089	2,091	13,573	15,664
Add: Accrued interest receivables	-	208	208	-	68	68
Less: Allowance for doubtful accounts	-	(3)	(3)	-	-	-
Total foreign items	612	15,682	16,294	2,091	13,641	15,732
Total	10,392	61,586	71,978	8,399	54,833	63,232

(Unit: Million Baht)

	Separate financial statements					
	2012			2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	140	4,700	4,840	75	-	75
Specialised financial institutions	1	-	1	1	-	1
Total	141	4,700	4,841	76	-	76
Add: Accrued interest receivables	-	11	11	-	-	-
Total domestic items	141	4,711	4,852	76	-	76

As at 31 December 2012, the Company had deposits with a subsidiary company of Baht 4,831 million in the separate financial statements (2011: Baht 68 million).

7. Derivatives

As at 31 December 2012 and 2011, 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					
	2012			2011		
	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	766	675	77,561	858	820	63,491
Derivatives for banking book	316	19	27,038	-	1,706	31,788
Interest rate						
Derivatives for trading	493	489	101,254	64	60	5,957
Derivatives for banking book	-	-	26,100	-	-	3,967
Foreign exchange rate and interest rate						
Derivatives for trading	18	6	1,595	29	9	2,212
Derivatives for banking book	584	13	10,650	585	291	15,445
Others						
Derivatives for trading	-	4	54	-	-	641
Total	2,177	1,206	244,252	1,536	2,886	123,501

* 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 2012 and 2011:

Counterparty	Consolidated financial statements	
	2012	2011
	Percent	Percent
Financial institutions	90.99	80.01
Third parties	9.01	19.99
Total	100.00	100.00

8. Investments

8.1 Classified by type of investment

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2012		2011		2012		2011	
	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	6,141	6,040	10,883	10,855	-	-	-	-
Private debt securities	5,678	5,730	4,771	4,758	1	1	7	7
Foreign debt securities	620	628	642	637	-	-	-	-
Domestic marketable equity securities	16	16	38	45	-	-	-	-
	12,455	12,414	16,334	16,295	1	1	7	7
Less: Allowance for change in value	(41)		(39)		-		-	
Net	12,414		16,295		1		7	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2012		2011		2012		2011	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Available-for-sale securities								
Government and state enterprises securities	55,220	55,434	40,977	41,103	-	-	100	100
Private debt securities	30,315	30,718	18,409	18,553	646	655	20	20
Foreign debt securities	11,485	11,746	25,515	25,425	-	-	-	-
Domestic marketable equity securities	7,270	8,235	7,752	8,553	127	485	264	565
	104,290	106,133	92,653	93,634	773	1,140	384	685
Add: Allowance for change in value	1,865		985		367		301	
Less: Allowance for impairment	(22)		(4)		-		-	
Net	106,133		93,634		1,140		685	
Held-to-maturity debt securities								
Government and state enterprises securities	23,388	24,127	28,575	29,434	1,080	1,079	419	419
Private debt securities	2,731	2,802	6,592	6,689	3,636	3,627	3,636	3,625
Foreign debt securities	-	-	1,500	1,488	-	-	-	-
Investment in receivables purchased	1,543	1,279	1,658	1,352	888	791	929	824
	27,662	28,208	38,325	38,963	5,604	5,497	4,984	4,868
Less: Allowance for impairment	(264)		(306)		(97)		(105)	
Net	27,398		38,019		5,507		4,879	
Other Investment								
Investment in property fund	564		671		-		-	
Domestic non-marketable equity securities	4,191		3,926		112		163	
Foreign non-marketable equity securities	39		84		-		-	
	4,794		4,681		112		163	
Less: Allowance for impairment	(90)		(118)		(36)		(77)	
Net	4,704		4,563		76		86	
Total investment - net	150,649		152,511		6,724		5,657	

8.2 Classified by due date of debt securities

(Unit: Million Baht)

Consolidated financial statements										
	2012					2011				
	Maturity					Maturity				
	Less					Less				
	At call	1 year	1 - 5 years	Over 5 years	Total	At call	1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities										
Government and state enterprises securities	-	28,698	26,463	59	55,220	-	20,131	20,828	18	40,977
Private debt securities	-	955	20,720	8,640	30,315	-	1,557	14,856	1,996	18,409
Foreign debt securities	-	2,647	7,290	1,548	11,485	-	19,020	6,495	-	25,515
Total	-	32,300	54,473	10,247	97,020	-	40,708	42,179	2,014	84,901
Add: Allowance for change in value	-	73	635	170	878	-	36	103	41	180
Total	-	32,373	55,108	10,417	97,898	-	40,744	42,282	2,055	85,081
Held-to-maturity debt securities										
Government and state enterprises securities	-	4,514	13,384	5,490	23,388	-	6,833	15,682	6,060	28,575
Private debt securities	-	1,326	1,227	178	2,731	-	3,990	2,288	314	6,592
Foreign debt securities	-	-	-	-	-	-	1,500	-	-	1,500
Investments in receivables ⁽¹⁾	1,540	-	3	-	1,543	1,646	8	4	-	1,658
Total	1,540	5,840	14,614	5,668	27,662	1,646	12,331	17,974	6,374	38,325
Less: Allowance for impairment	(264)	-	-	-	(264)	(306)	-	-	-	(306)
Total	1,276	5,840	14,614	5,668	27,398	1,340	12,331	17,974	6,374	38,019
Total debt securities	1,276	38,213	69,722	16,085	125,296	1,340	53,075	60,256	8,429	123,100

(1) The balance of investments in receivables purchased at call are the balance of loans receivable purchased which mainly defaulted on repayment of principal and interest.

(Unit: Million Baht)

Separate financial statements										
2012						2011				
Due within						Due within				
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	-	-	-	-	-	-	100	-	-	100
Private debt securities	-	-	646	-	646	-	-	20	-	20
Total	-	-	646	-	646	-	100	20	-	120
Add: Allowance for change in value	-	-	9	-	9	-	-	-	-	-
Total	-	-	655	-	655	-	100	20	-	120
Held-to-maturity debt securities										
Government and state enterprises securities	-	1,080	-	-	1,080	-	419	-	-	419
Private debt securities	-	-	-	3,636	3,636	-	-	-	3,636	3,636
Investments in receivables ⁽¹⁾	888	-	-	-	888	929	-	-	-	929
Total	888	1,080	-	3,636	5,604	929	419	-	3,636	4,984
Less: Allowance for impairment	(97)	-	-	-	(97)	(105)	-	-	-	(105)
Total	791	1,080	-	3,636	5,507	824	419	-	3,636	4,879
Total debt securities	791	1,080	655	3,636	6,162	824	519	20	3,636	4,999

(1) The balance of investments in receivables purchased at call are the balance of loans receivable purchased which mainly defaulted on repayment of principal and interest

8.3 As at 31 December 2012, a revaluation surplus and a revaluation deficit in the consolidated shareholder's equity amounting to Baht 10 million and Baht 38 million, respectively, are as a result of the recategorisation of debt securities (2011: outstanding revaluation surplus amounting to Baht 15 million and outstanding revaluation deficit amounting to Baht 71 million in the consolidated financial statements).

8.4 As at 31 December 2012 and 2011, 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.

8.5 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 2012 and 2011, 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	
	2012	2011	2012	2011
Manufacturing and commerce	976	843	485	419
Banking and finance sector	1,440	761	-	-
Real estate and construction	21	21	20	20
Hotel	311	-	-	-

The investments in banking and finance sector 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.

Consolidated financial statements				
Securities	2012		2011	
	Percentage of		Percentage of	
	Net book value	holding	Net book value	holding
	Million Baht	Percent	Million Baht	Percent
The Thai Business Fund 3	-	-	144	60.00
Sub Thawee Property Fund	-	-	36	56.00
Business Strategic Fund	278	67.33	278	67.33
Thanachart Long Term Fixed Income Fund	61	27.79	62	27.79
Thanachart Fixed Income FIF 51	-	-	50	22.63
SCB Foreign Fixed Income Fund 1Y22	829	23.53	-	-
Hua Hin Property Fund	121	100.00	-	-

In addition, the investments in hotel sector mentioned above was investments received as a result of debt restructuring made by Thanachart Bank. Although Thanachart Bank holds 100 percent of shares in this company but does not treat these investments as investments in subsidiary because Thanachart Bank intends to hold these investments only temporarily, and has been granted permission by the BOT to maintain holdings in excess of the set limit for no longer than 1 year.

8.6 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 2012 and 2011 can be summarised as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Investments in receivables purchased	1,543	1,658	888	929
Less: Allowance for impairment	(264)	(306)	(97)	(105)
Investments in receivables purchased - net	1,279	1,352	791	824

(Unit: Million Baht)

	2012				2011			
	Number	Balance	Purchase	Yield	Number	Balance	Purchase	Yield
	of	per			of	per		
	debtors	agreement	price		debtors	agreement	price	
		Million Baht	Million Baht	Percent		Million Baht	Million Baht	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	550	10,092	1,543		911	11,806	1,658	
<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	203	4,991	888		263	5,546	929	

During the years ended 31 December 2012 and 2011, 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					
	2012			2011		
	Number	Outstanding	Outstanding	Number	Outstanding	Outstanding
	of	loan balance	loan balance	of	loan balance	loan balance
Type of restructuring	debtors	before restructuring	after restructuring	debtors	before restructuring	after restructuring
		Million Baht	Million Baht		Million Baht	Million Baht
Modification of terms	2	12	12	7	35	35
Total	2	12	12	7	35	35

	Separate financial statements					
	2012			2011		
	Number	Outstanding	Outstanding	Number	Outstanding	Outstanding
	of	loan balance	loan balance	of	loan balance	loan balance
Type of restructuring	debtors	before restructuring	after restructuring	debtors	before restructuring	after restructuring
		Million Baht	Million Baht		Million Baht	Million Baht
Modification of terms	-	-	-	1	2	2
Total	-	-	-	1	2	2

The remaining periods to maturity of the restructured debts of the Company and its subsidiaries, counting from the end of the years are as follows:

Consolidated financial statements				
Periods	2012		2011	
	Number of receivables	Outstanding balances after restructuring	Number of receivables	Outstanding balances after restructuring
		Million Baht		Million Baht
Due within the year	2	12	7	35
Total	2	12	7	35

Separate financial statements				
Periods	2012		2011	
	Number of receivables	Outstanding balances after restructuring	Number of receivables	Outstanding balances after restructuring
		Million Baht		Million Baht
Due within the year	-	-	1	2
Total	-	-	1	2

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 2012 and 2011, there were no outstanding restructured receivables in the investments in receivables purchased account.

8.7 Investments in companies having problems relating to financial position and operating results

As at 31 December 2012 and 2011, 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
	2012	2011	2012	2011	2012	2011	
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Investments in receivables purchased							
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	172	215	1,150	1,218	1,693	1,780	194

Separate financial statements							
	Number of transactions		Cost		Fair value/ collateral value		Allowance for possible loss/impairment provided in the accounts
	2012	2011	2012	2011	2012	2011	
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Investments in receivables purchased							
1. Companies which have loan settlement problems or have defaulted on the repayment	70	86	696	714	1,004	1,085	74

9. Investments in subsidiary and associated companies

9.1 Separate financial statements

As at 31 December 2012 and 2011, 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	Paid-up share capital		Percentage of holding (Percent)		Value of investment under the cost method		Dividend income for the
							years ended
	2012	2011	2012	2011	2012	2011	31 December
<u>Subsidiary companies</u>							
Thanachart Bank Plc.	55,137	55,137	50.96	50.96	29,056	29,056	983
NFS Asset Management Co., Ltd.	1,000	1,000	100.00	100.00	1,000	1,000	1,000
Max Asset Management Co., Ltd.	572	572	83.44	83.44	469	469	549
NASSET Property Fund 6	371	395	99.80	99.80	370	395	62
Thiravanit Co., Ltd.	6	6	99.90	99.90	34	34	-
Thanachart SPV 01 Co., Ltd.	2	2	100.00	100.00	2	2	-
<u>Associated company</u>							
MBK Plc.	1,886	1,886	10.00	10.00	658	658	99
Total investments in subsidiary and associated companies - net					31,589	31,614	2,693
Less: Allowance for impairment					(16)	(16)	
Total investments in subsidiary and associated companies - net					31,573	31,598	

During the year 2012, NASSET Property Fund 6 decreased the number of its registered units and returned Baht 34 million to the Company, based on the net assets value at the declaration date. The Company therefore recognised gain on capital return of Baht 9 million in the separate financial statement. This gain has been eliminated in the consolidated financial statements.

9.2 Investments in associated companies in the consolidated financial statements

As at 31 December 2012 and 2011, 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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
MBK Plc. (operating in property rental, hotel and services business)	1,886	1,886	19.90	19.90	948	948	1,795	1,639	197	188	308	234
Siam Samsung Life Insurance Co., Ltd. (operating in life insurance business)	-	500	-	25.00	-	104	-	34	-	-	(25)	(46)
Siam City Insurance Co., Ltd. (disposed during 2011)	-	-	-	-	-	-	-	-	-	10	-	(8)
Ratchthani Leasing Plc. (transferred to investment in subsidiary in 2011)	-	-	-	-	-	-	-	-	-	12	-	78
Total investments in associated companies					948	1,052	1,795	1,673	197	210	283	258

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 March 2012, Siam Samsung Life Insurance Co., Ltd. issued additional shares capital but Thanachart Bank did not exercise its right to purchase such additional shares. As a result, Thanachart Bank's shareholding decreased from 25 percent to 19.23 percent, and the status of Siam Samsung Life Insurance Co., Ltd. was changed from an associated company to a general investment. The value of the investment on the date of the change is treated as a new cost of investment.

In August 2011, SCIB disposed of all of investment in common share of Siam City Insurance Co., Ltd., and in October 2011, Thanachart Bank received the entire business transfer including shares in Ratchthani Leasing Plc. from SCIB, treating it as investment in an associated company. In November 2011, Thanachart Bank also taken the right to purchase additional new issue shares of Ratchthani Leasing Plc., resulting in Thanachart Bank's shareholding increased from 48.35 percent to 65.18 percent and the status of Ratchthani Leasing Plc. was changed from an associated company to a subsidiary company.

9.3 Summarised financial information of associated companies

- a) Summarised financial information of MBK Plc. as at 30 September 2012 and 2011 and for the years then ended are as follows:

(Unit: Million Baht)

Paid-up share capital		Total assets		Total liabilities		Total income		Profit	
30 September		30 September		30 September		for the years ended		for the years ended	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
1,886	1,886	30,499	27,409	14,161	13,916	8,953	8,582	1,536	1,182

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 2012 and 2011 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 2012 is not material different from that income for the year ended 31 December 2012.

- b) Summarised financial information of Siam Samsung Life Insurance Co., Ltd., Siam City Insurance Co., Ltd. and Ratchthani Leasing Plc. as at 31 December 2012 and 2011 and for the years then ended are as follows:

(Unit: Million Baht)

Company's name	Paid-up share capital		Total assets		Total liabilities		Total income for the years		Profit (loss) for the years	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Siam Samsung Life Insurance Co., Ltd.	-	500	-	1,989	-	1,854	270	1,170	(100)	(184)
Siam City Insurance Co., Ltd.	-	-	-	-	-	-	-	414	-	(17)
Ratchthani Leasing Plc.	-	-	-	-	-	-	-	913	-	160

Income, profit or loss and share of profit (loss) of investments in associated companies were determined based on the financial statements for the period starting from the date that the Company and/or the subsidiaries invested in such companies, in proportion to the shareholding interest, and until the date of disposal or the date that the status changed.

- c) As at 31 December 2012 and 2011, the fair value of investments in associated companies which are listed in the Stock Exchange of Thailand is as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
MBK Plc.	4,092	3,313	2,055	1,664

9.4 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 2012 and 2011 are as follows:

	(Unit: Million Baht)					
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2012	2011	2012	2011	2012	2011
Cash flows from operating activities						
Profit before income tax	564	503	334	157	2,201	321
Adjustments to reconcile profit before income tax to net cash provided by (paid for) operating activities						
Gain on assets transferred for debt settlement	(99)	(13)	(8)	(11)	-	-
Loss on impairment of investment of securities	22	-	-	-	-	-
Loss on impairment of property foreclosed (reversal)	(16)	(42)	1	6	15	12
Reversal of impairment loss of loans and debt securities	(59)	(251)	(1)	(9)	(1,811)	(221)
Others	(18)	(22)	(4)	2	5	-
	394	175	322	145	410	112
Interest income	(270)	(128)	(10)	(50)	(612)	(273)
Interest expenses	27	72	-	-	254	85
Dividend income	(7)	(9)	-	-	-	-
Cash received from interest	269	127	10	47	619	232
Cash paid for interest	-	-	-	-	(253)	(83)
Cash paid for income tax	(118)	(89)	(59)	(31)	(571)	-
Income (losses) from operating activities before changes in operating assets and liabilities	295	148	263	111	(153)	73
Decrease (increase) in operating assets						
Current investments	777	(576)	(55)	(130)	-	-
Investments in receivables purchased	-	-	1	5	-	-
Loans to customers	481	248	23	36	2,749	(8,010)
Property foreclosed	535	322	489	116	439	(3,093)
Other assets	23	(5)	1	6	38	(47)
Increase (decrease) in operating liabilities						
Interbank and money market items	-	-	-	-	(3,762)	9,822
Provision liabilities	-	-	-	-	(24)	-
Other liabilities	(79)	(200)	(68)	24	(40)	123
Net cash flows from (used in) operating activities	2,032	(63)	654	168	(753)	(1,132)

	(Unit: Million Baht)					
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd		TS Asset Management Co., Ltd	
	2012	2011	2012	2011	2012	2011
Cash flows from investing activities						
Cash received from disposal of long-term investments	4	106	-	-	-	-
Cash received from interest on investments	-	1	-	-	-	4
Cash received from dividend	7	9	-	-	-	-
Cash paid for purchase equipment	-	-	-	-	(1)	-
Net cash flows from (used in) investing activities	11	116	-	-	(1)	4
Cash flows from financing activities						
Cash received from issuance of share capital	-	-	-	-	-	2,000
Cash paid for borrowings	(1,000)	-	-	-	-	-
Cash paid for interest on borrowings	(27)	(72)	-	-	-	-
Cash paid for dividend	(1,000)	-	(658)	(315)	-	-
Net cash flows from (used in) financing activities	(2,027)	(72)	(658)	(315)	-	2,000
Net increase (decrease) in cash and cash equivalents	16	(19)	(4)	(147)	(754)	872
Cash and cash equivalents at beginning of the year	66	85	24	171	872	-
Cash and cash equivalents at end of the year	82	66	20	24	118	872

9.5 The consolidated statement of financial position as at 31 December 2012 and 2011 included Baht 20 million of assets and Baht 0.1 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.

9.6 Investment in Thanachart Life Assurance Company Limited in the consolidated financial statements

On 5 November 2012, Thanachart Bank, a subsidiary company, signed a Share Purchase Agreement with Prudential Life Insurance (Thailand) Plc. (“the Buyer”) to sell the common shares of Thanachart Life Assurance Company Limited (“Thanachart Life Assurance”) held by Thanachart Bank, which represented 100% of the total issued and paid-up shares. Under this agreement, share payment and transfer will only occur after fulfillment of certain conditions such as that Buyer has to obtain approval from the Office of Insurance Commission in accordance with the Life Insurance Act., and has to sign the Exclusive Bancassurance Agreement specifying that Thanachart Bank acts as the distributor of the Buyer’s products and services. The payment of the consideration and the transfer of the shares are expected to occur during the first quarter of 2013. At the date of Thanachart Bank transferring the shares to the buyer, the full amount of Baht 17,500 million will be paid by the Buyer and also a post-completion adjustment based on agreed terms to reflect the net asset value as at the completion date. A further payment of Baht 500 million is due 12 months after the completion date. This sale transaction will be recognised on the date that Thanachart Bank completes the transfer of the shares to the Buyer and receives the above consideration.

10. Loans to customers and accrued interest receivables

10.1 Classified by loan type

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<u>Loans to customers</u>				
Overdrafts	21,527	23,358	-	-
Loans	277,661	272,788	192	198
Notes receivable	54,589	49,975	7	1,008
Hire purchases receivables	454,896	326,115	119	139
Financial leases receivables	1,985	2,084	-	-
Others	212	234	-	-
Less: Deferred revenues	(58,153)	(39,686)	(7)	(8)
Total loans to customers net of deferred revenues	752,717	634,868	311	1,337
Add: Accrued interest receivables	1,073	980	-	9
Total loans to customers net of deferred revenues and accrued interest receivables	753,790	635,848	311	1,346
Less: Allowance for doubtful accounts				
1) BOT's minimum requirement provision				
- Individual approach	(18,340)	(26,166)	(214)	(259)
- Collective approach	(5,520)	-	-	-
2) Excess provision	(511)	(429)	-	-
Less: Revaluation allowance for debt restructuring	(348)	(386)	-	-
Loans to customer and accrued interest receivables - net	729,071	608,867	97	1,087
<u>Securities business receivables</u>				
Credit balances receivables	2,424	1,926	-	-
Other receivables	189	310	-	-
Total securities business receivables	2,613	2,236	-	-
Less: Allowance for doubtful accounts	(172)	(305)	-	-
Securities business receivables - net	2,441	1,931	-	-
Loans to customer and accrued interest receivables - net	731,512	610,798	97	1,087

10.2 Classified by currency and country

(Unit: Million Baht)

Consolidated financial statements						
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	731,367	485	731,852	622,859	450	623,309
US Dollar	19,473	3,393	22,866	7,282	5,853	13,135
Other currencies	361	369	730	395	425	820
Total loans to customers	751,201	4,247	755,448	630,536	6,728	637,264
Less: Intercompany gain from loans transferred	(118)	-	(118)	(160)	-	(160)
Total*	751,083	4,247	755,330	630,376	6,728	637,104

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements						
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	311	-	311	1,337	-	1,337
Total*	311	-	311	1,337	-	1,337

* Total loans net of deferred revenues

10.3 Classified by type of business and loan classification

(Unit: Million Baht)

Consolidated financial statements								
2012								
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	16,376	13	8	38	217	16,652	3	16,655
Manufacturing and commerce	75,566	1,270	2,397	1,603	8,201	89,037	89	89,126
Real estate and construction	46,541	1,080	181	359	3,403	51,564	9	51,573
Public utilities and services	55,950	3,500	378	598	2,937	63,363	109	63,472
Personal consuming								
Housing loans	77,202	1,067	443	677	3,350	82,739	3	82,742
Securities business	-	-	-	-	-	-	2,613	2,613
Hire purchase	351,384	20,701	1,143	983	3,187	377,398	19,587	396,985
Others	27,518	855	570	275	1,894	31,112	190	31,302
Others	20,189	32	184	10	563	20,978	2	20,980
Total	670,726	28,518	5,304	4,543	23,752	732,843	22,605	755,448
Less: Intercompany gain from loans transferred								(118)
Total*								755,330

* Total loans net of deferred revenues

(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)

Separate financial statements

2012					
	Normal	Special mention	Substandard	Doubtful of loss	Total
Manufacturing and commerce	-	-	-	-	2
Public utilities and services	-	-	-	-	1
Personal consuming					
Housing loans	1	2	-	4	14
Hire purchase	-	-	-	-	112
Others	2	-	1	1	171
Total*	3	2	1	5	300

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements

2011					
	Normal	Special mention	Substandard	Doubtful of loss	Total
Non-performing asset management	1,000	-	-	-	-
Manufacturing and commerce	-	-	-	-	2
Public utilities and services	-	-	-	-	1
Personal consuming					
Housing loans	2	-	4	-	16
Hire purchase	-	-	-	-	131
Others	3	-	-	-	178
Total*	1,005	-	4	-	328

* Total loans net of deferred revenues

10.4 Non-performing loans

As at 31 December 2012 and 2011, the Company and its subsidiaries (banking, securities and asset management businesses) 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	
	2012	2011	2012	2011
Non-performing loans (excluding accrued interest receivables)				
The Company	306	332	306	332
Banking business	20,036	17,989	-	-
Securities business	173	306	-	-
Asset management	13,236	20,918	-	-

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 businesses) had loans for which income recognition under an accrual basis has been discontinued, as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
The Company	207	229	207	229
Banking business	18,525	16,579	-	-
Securities business	173	306	-	-

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 also recognise income from loans on a cash basis.

10.5 Debt restructuring

During the years 2012 and 2011, the Company and its subsidiaries (banking, asset management and securities businesses) have entered into debt restructuring agreements as follows:

consolidated financial statements					
For the years ended 31 December					
Type of restructuring	Number of debtors	Outstanding balances before restructuring ⁽¹⁾	Outstanding balances after restructuring ⁽¹⁾	Type of assets to be transferred	Fair value of assets to be transferred under agreement
		Million Baht	Million Baht		Million Baht
2012					
Modification of repayment conditions	15,270	16,534	13,607		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	35	1,294	1,118	Land , land and premise thereon and common share	1,208
Total	15,305	17,828	14,725		
2011					
Modification of repayment conditions	38,742	16,575	16,575		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	17	1,013	1,013	Land , land and premise thereon and common share	488
Total	38,759	17,588	17,588		

(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 balances before restructuring ⁽¹⁾	Outstanding balances after restructuring ⁽¹⁾	Type of assets to be transferred	Fair value of assets to be transferred under agreement
		Million Baht	Million Baht		Million Baht
2012					
Modification of repayment conditions	25	9	9		
Total	25	9	9		
2011					
Modification of repayment conditions	43	7	7		
Total	43	7	7		

(1) Presents the outstanding balance per the books of account (principal plus accrued interest receivable)

Counting from the end of the years, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the years 2012 and 2011, are summarised below.

Consolidated financial statements				
For the years ended 31 December				
Periods	2012		2011	
	Number of debtors	Outstanding balances after restructuring	Number of debtors	Outstanding balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	4,987	4,551	1,266	1,749
Due within the year	2,439	4,413	965	1,887
Less than 5 years	6,815	3,583	27,991	8,649
5 - 10 years	857	1,568	8,502	5,219
10 - 15 years	70	283	14	45
Over 15 years	137	327	21	39
Total	15,305	14,725	38,759	17,588

Separate financial statements				
For the years ended 31 December				
Periods	2012		2011	
	Number of debtors	Outstanding balances after restructuring	Number of debtors	Outstanding balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	-	-	3	1
Due within the year	20	2	36	3
Less than 5 years	3	3	4	3
5 - 10 years	1	1	-	-
10 - 15 years	1	3	-	-
Total	25	9	43	7

Supplemental information for the years 2012 and 2011 relating to restructured loans is as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Interest incomes recognised in the statements of comprehensive income	2,582	1,458	18	2
Gain on debt settlement/disposal	156	107	-	13
Gain on assets transferred from debt settlement	-	6	-	-
Loss on debt restructuring (net of allowance for doubtful accounts as previously recorded)	15	40	-	-
Cash repayment from receivables	12,980	5,716	22	22
Property foreclosed received for debts settlement	1,763	320	-	-

As at 31 December 2012 and 2011, the Company and its subsidiaries have the following restructured receivables balances (principal and accrued interest receivable):

	Restructured receivables							
	Total number of outstanding receivables		Number of receivables		Outstanding balances		Outstanding balances, net of collateral	
	2012	2011	2012	2011	2012	2011	2012	2011
	Thousand	Thousand			Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Capital Plc.	3.1	3.6	60	60	119	120	26	26
Thanachart Bank Plc.	1,719.6	1,378.9	53,284	52,289	24,058	25,803	14,604	9,350
Thanachart Securities Plc.	0.5	0.9	4	3	50	35	50	35
TS Asset Management Co., Ltd.	2.3	2.5	1,566	1,630	9,553	12,978	4,919	5,173
Other subsidiaries	0.6	5.9	204	243	610	1,119	188	245

10.6 Hire purchases/Financial leases receivables

As at 31 December 2012 and 2011, the Company and its subsidiaries, which are engaged in the banking, hire purchases and financial leases businesses, have hire purchases/financial lease receivables. These mostly comprise hire purchase agreements or financial lease agreements for cars, trucks and motorcycles. The terms of the agreements are generally between 3 and 7 years and they carry interest at fixed rates stipulated in the agreements.

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2012				
Amounts due under lease agreements				
	Less than			Total
	1 year*	1 - 5 years	Over 5 years	
Gross investment in the lease	126,057	308,954	21,870	456,881
Less: Unearned finance income	(21,180)	(35,881)	(1,019)	(58,080)
Present value of minimum lease payments receivable	104,877	273,073	20,851	398,801
Allowance for doubtful accounts				(6,754)
Hire purchases/Financial leases receivables - net				392,047

* Included non-performing receivables

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2011				
Amounts due under lease agreements				
	Less than			Total
	1 year*	1 - 5 years	Over 5 years	
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)

Separate financial statement as at 31 December 2012				
Amounts due under lease agreements				
Less than				
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	119	-	-	119
Less: Unearned finance income	(7)	-	-	(7)
Present value of minimum lease payments				
receivable	112	-	-	112
Allowance for doubtful accounts				(112)
Hire purchases/Financial leases receivables - net				-

* 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

10.7 Classified by classification

As at 31 December 2012 and 2011, the Company and its financial institution subsidiaries (banking and asset management businesses) 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		Allowance for doubtful accounts	
			accounts		accounts	
	2012	2011	2012	2011	2012	2011
Normal	671,689	542,595	480,971	201,388	4,885	4,049
Special mention	28,575	40,463	22,593	18,290	1,475	721
Substandard	5,312	7,151	3,744	3,897	3,559	3,897
Doubtful	4,543	11,775	2,555	7,509	2,394	7,509
Doubtful of loss	23,781	20,405	11,166	9,005	10,801	9,209
Total	733,900	622,389	521,029	240,089	23,114	25,385
Additional allowance for possible uncollectability debts					499	417
Total					23,613	25,802

(1) Only the Company and subsidiary companies subject to BOT's regulations; and after deducting intragroup transactions.

(Unit: Million Baht)

	Separate financial statements					
	Loans and accrued interest receivables		Net balance used in made allowance for doubtful accounts		Allowance for doubtful accounts	
			doubtful accounts		accounts	
	2012	2011	2012	2011	2012	2011
Normal	3	1,005	1	1,000	-	10
Special mention	2	-	-	-	-	-
Substandard	1	4	-	-	-	-
Doubtful	5	-	-	-	-	-
Doubtful of loss	300	337	214	249	214	249
Total	311	1,346	215	1,249	214	259

Percentage of allowance for doubtful account set up				
Hire purchase receivables - personal consumer for				
	Thanachart Bank		Other loans	
	2012 ⁽²⁾	2011	2012	2011
Normal	0.20	1	1	1
Special mention	3.50	2	2	2
Substandard	83.14	100	100	100
Doubtful	83.14	100	100	100
Doubtful of loss	83.14	100	100	100

(2) These percentages are average rate used in setting up allowance for doubtful accounts.

The Company and its subsidiaries that are engaged in banking and asset management businesses, previously set up allowance for doubtful debts in accordance with the BOT's regulations based on the overdue period and fixed provisioning rates. However, starting from 1 January 2012, Thanachart Bank changed its method of estimating allowance for doubtful debts for hire purchase receivable - personal consumer from setting allowance aside in accordance with the BOT guidelines with reference to the overdue period and fixed provisioning rates to using a collective approach, as mentioned in Note 4.7 to the financial statements. This change in accounting estimate resulted in a Baht 922 million decrease in bad debt and doubtful accounts expenses in the statement of comprehensive income for the year ended 31 December 2012.

10.8 Loan to companies which have settlement problems

As at 31 December 2012 and 2011, loans of the Company and its subsidiaries (which engaged in banking, asset management, hire purchases and financial leases business) in the consolidated financial statements and the separate financial statements included amounts due from companies with weak financial positions and poor operating results, as follows:

Consolidated financial statements							
	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts
	2012	2011	2012	2011	2012	2011	
			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	6	7	835	888	64	110	771
3. Non - listed companies with similar operating results and financial positions to listed companies possible to delisting from the SET	10	9	584	585	329	334	238
4. Companies which have loan settlement problems or have defaulted on the repayment	1,315	1,326	18,188	24,966	10,352	12,324	9,009
							13,574

Separate financial statements							
	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts
	2012	2011	2012	2011	2012	2011	
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Companies which have loan settlement problems or have defaulted on the repayment	54	72	101	102	81	85	27
							30

10.9 Classification of securities business receivables in accordance with the Notification of the Securities and Exchange Commission

As at 31 December 2012 and 2011, subsidiary company 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 balances net of allowance for doubtful accounts	
	2012	2011	2012	2011	2012	2011
Normal	2,440	1,930	-	-	2,440	1,930
Substandard	5	3	4	2	1	1
Doubtful	168	303	168	303	-	-
Total	2,613	2,236	172	305	2,441	1,931

Allowance for doubtful accounts for substandard loans set aside by subsidiary 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.

10.10 Hire purchase receivables/financial lease receivables of subsidiaries classified by aging

As at 31 December 2012 and 2011, 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)

	2012	2011
Current or overdue not over 90 days	19,254	12,846
Overdue 91 - 365 days	249	363
Overdue more than 1 year	64	66
Debtors under legal actions	233	205
Total	19,800	13,480
Allowance for doubtful accounts provided in the accounts	757	792

10.11 As at 31 December 2011, the Company had call loans of Baht 1,000 million to NFS Asset Management Co., Ltd., a subsidiary company, in the form of promissory notes. The loans carried interest at a rate referenced to the MLR of Thanachart Bank. During the year 2012, the subsidiary company made full payment of the loans.

11. Allowance for doubtful accounts

(Unit: Million Baht)

Consolidated financial statements									
2012									
The Company and subsidiary companies which are financial institutions									
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Excess provision	Total	Subsidiary companies	Consolidated
Balance - beginning of the year	4,049	721	3,897	7,509	9,209	417	25,802	1,098	26,900
Increase (decrease) during the year	836	754	(336)	(2,670)	4,226	82	2,892	(6)	2,886
Bad debts recovery	-	-	-	-	453	-	453	10	463
Bad debts written-off	-	-	-	-	(1,910)	-	(1,910)	(55)	(1,965)
Reversal on hair-cut loans	-	-	(2)	(2,445)	(541)	-	(2,988)	(117)	(3,105)
Reversal from disposal of loans	-	-	-	-	(636)	-	(636)	-	(636)
Balance - end of the year	4,885	1,475	3,559	2,394	10,801	499	23,613	930	24,543

(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	Excess 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)

Separate financial statements							
2012							
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the year	10	-	-	-	249	-	259
Decrease during the year	(10)	-	-	-	(26)	-	(36)
Bad debts recovery	-	-	-	-	2	-	2
Bad debts written-off	-	-	-	-	(1)	-	(1)
Reversal from disposal of loans	-	-	-	-	(10)	-	(10)
Balance - end of the year	-	-	-	-	214	-	214

(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

12. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Balance - beginning of the year	386	464	-	-
Decrease during the year	(2)	(35)	-	-
Amortised during the year	(36)	(43)	-	-
Balance - end of the year	348	386	-	-

13. Classification of assets

As at 31 December 2012 and 2011, the quality of assets of the Company and its subsidiaries (banking and asset management businesses) classified in accordance with the announcements of the Bank of Thailand are as follows:

(Unit: Million Baht)

Consolidated financial statements						
2012						
	Interbank and money market items	Loans to customer and accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	39,223	671,689	-	-	199	711,111
Special mention	-	28,575	-	-	94	28,669
Substandard	-	5,312	-	-	7	5,319
Doubtful	-	4,543	-	-	6	4,549
Doubtful of loss	-	23,781	278	756	354	25,169
Total	39,223	733,900	278	756	660	774,817

(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	523	761	341	22,030
Total	39,364	622,389	523	761	621	663,658

(Unit: Million Baht)

Separate financial statements

	2012					
	Loans to customer and		Investments	Property foreclosed	Other assets	Total
	Interbank and	accrued interest				
	money market items	receivables				
Normal	-	3	-	-	-	3
Special mention	-	2	-	-	1	3
Substandard	-	1	-	-	-	1
Doubtful	-	5	-	-	-	5
Doubtful of loss	-	300	149	464	83	996
Total	-	311	149	464	84	1,008

(Unit: Million Baht)

Separate financial statements

	2011					
	Interbank and money market items	Loans to customer and accrued interest receivables	Investments	Property foreclosed	Other assets	Total
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

14. Property foreclosed

(Unit: Million Baht)

Consolidated financial statements					
For the year ended 31 December 2012					
	Balance - beginning of the year	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts					
Immovable assets					
External appraiser	7,781	743	(2,163)	875	7,236
Internal appraiser	1,741	14	(42)	(875)	838
Movable assets	367	4,778	(4,469)	-	676
Assets foreclosed from purchase by bid on the open market					
Immovable assets					
External appraiser	1,271	20	(566)	780	1,505
Internal appraiser	1,049	-	(146)	(780)	123
Non-used branches					
External appraiser	116	233	(49)	-	300
Total property foreclosed	12,325	5,788	(7,435)	-	10,678
Less: Allowance for impairment	(765)	(518)	520	-	(763)
Property foreclosed - net	11,560	5,270	(6,915)	-	9,915

(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
Non-used branches						
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)

Separate financial statements					
For the year ended 31 December 2012					
	Balance - beginning of the year	Additions	Disposals	Change appraiser	Balance - end of the year
Assets transferred in settlement of debts					
Immovable assets					
External appraiser	1,336	6	(161)	370	1,551
Internal appraiser	468	-	(34)	(370)	64
Movable assets	2	1	(1)	-	2
Assets foreclosed from purchase by bid on the open market					
Immovable assets					
External appraiser	62	-	(43)	347	366
Internal appraiser	420	-	(45)	(347)	28
Others					
Immovable assets					
External appraiser	30	35	(21)	76	120
Internal appraiser	101	-	(25)	(76)	-
Total property foreclosed	2,419	42	(330)	-	2,131
Less: Allowance for impairment	(412)	(79)	27	-	(464)
Property foreclosed - net	2,007	(37)	(303)	-	1,667

(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

15. Land, premises and equipment

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2012						
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2011	4,708	2,786	5,204	265	146	13,109
Additions	-	-	478	12	167	657
Transfers/disposals	(189)	(40)	(35)	(56)	(197)	(517)
31 December 2012	4,519	2,746	5,647	221	116	13,249
<u>Accumulated depreciation</u>						
31 December 2011	-	437	3,572	190	-	4,199
Transfers/disposals	-	3	(204)	(53)	-	(254)
Depreciation for the year	-	143	686	31	-	860
31 December 2012	-	583	4,054	168	-	4,805
<u>Allowance for impairment</u>						
31 December 2011	68	26	1	-	-	95
Increase during the year	-	-	5	-	-	5
31 December 2012	68	26	6	-	-	100
<u>Net book value</u>						
31 December 2012	4,451	2,137	1,587	53	116	8,344
Depreciation charge for the year						860

(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	2,783	4,488	277	135	12,347
Increase from purchase of subsidiary company	12	44	19	14	-	89
Decrease from disposal of subsidiary companies	-	-	(29)	(2)	-	(31)
Additions	32	5	433	11	327	808
Transfers/disposals	-	(46)	293	(35)	(316)	(104)
31 December 2011	4,708	2,786	5,204	265	146	13,109
<u>Accumulated depreciation</u>						
31 December 2010	-	251	2,820	164	-	3,235
Increase from purchase of subsidiary company	-	7	13	7	-	27
Decrease from disposal of subsidiary companies	-	-	(17)	(2)	-	(19)
Transfers/disposals	-	(42)	(6)	(25)	-	(73)
Depreciation for the year	-	221	762	46	-	1,029
31 December 2011	-	437	3,572	190	-	4,199
<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	4,640	2,323	1,631	75	146	8,815
Depreciation charge for the year						1,029

(Unit: Million Baht)

Separate financial statements

For the year ended 31 December 2012

	Land	Buildings and buildings improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
31 December 2011	3	62	82	28	-	175
Additions	-	-	1	3	4	8
Transfers/disposals	-	-	(26)	(5)	-	(31)
31 December 2012	3	62	57	26	4	152
<u>Accumulated depreciation</u>						
31 December 2011	-	31	75	14	-	120
Transfers/disposals	-	-	(26)	(5)	-	(31)
Depreciation for the year	-	3	3	5	-	11
31 December 2012	-	34	52	14	-	100
<u>Net book value</u>						
31 December 2012	3	28	5	12	4	52
Depreciation charge for the year						11

(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

As at 31 December 2012, the Company and its subsidiaries have vehicles acquired under financial leases with net book values amounting to approximately Baht 34 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 1,937 million (separate financial statements: Baht 12 million and Baht 46 million, respectively).

16. Intangible assets

(Unit: Million Baht)

For the year ended 31 December 2012						
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 2011	4,100	1,511	7	180	5,798	8
Additions	-	131	-	229	360	-
Transfers/disposals	-	134	-	(134)	-	-
Written-off	-	(81)	-	-	(81)	-
31 December 2012	4,100	1,695	7	275	6,077	8
<u>Accumulated amortisation</u>						
31 December 2011	602	455	7	-	1,064	8
Written-off	-	(34)	-	-	(34)	-
Amortisation for the year	539	154	-	-	693	-
31 December 2012	1,141	575	7	-	1,723	8
<u>Allowance for impairment</u>						
31 December 2011	-	25	-	-	25	-
Increase during the year	-	35	-	-	35	-
31 December 2012	-	60	-	-	60	-
<u>Net book value</u>						
31 December 2012	2,959	1,060	-	275	4,294	-
Remaining amortisation period	8 years	0 – 10 years	-	-		0 - 2 years
Amortisation expenses for the year					693	-

(Unit: Million Baht)

For the year ended 31 December 2011						
	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 2010	4,100	964	7	163	5,234	8
Increase from purchase of a subsidiary company	-	6	-	6	12	-
Decrease from disposal of a subsidiary company	-	(23)	-	-	(23)	-
Additions	-	342	-	233	575	-
Transfers/disposals	-	222	-	(222)	-	-
31 December 2011	4,100	1,511	7	180	5,798	8
<u>Accumulated amortisation</u>						
31 December 2010	137	286	6	-	429	8
Increase from purchase of a subsidiary company	-	4	-	-	4	-
Decrease from disposal of a subsidiary company	-	(5)	-	-	(5)	-
Amortisation for the year	465	170	1	-	636	-
31 December 2011	602	455	7	-	1,064	8
<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	-	180	4,709	-
Amortisation expenses for the year					636	-

As at 31 December 2012, 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 51 million (separate financial statements: Baht 8 million).

17. Goodwill

As at 31 December 2012 and 2011, goodwill stated in the consolidated financial statements are as follows.

	(Unit: Million Baht)	
	2012	2011
Goodwill - beginning of the year	15,784	15,784
Deferred gain on disposal of investment	(1,525)	(1,803)
Goodwill - ending of the year	14,259	13,981

18. Other assets

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Accrued premium insurance income	496	439	-	-
Other receivables	1,531	876	98	101
VAT refundable	2,301	57	-	-
Other receivables - VAT paid in advance for customers	226	201	1	1
Deposit	302	269	6	4
Estimated insurance claims recoveries	256	191	-	-
Receivable from clearing house	944	25	-	-
Leasehold right	340	413	13	29
Prepaid corporate income tax	1,076	1,048	29	13
Deposit from derivative contracts	102	357	-	-
Suspense amount - Deferred tax arrived from business combination	455	537	-	-
Prepaid expenses	347	255	6	5
Others	1,401	1,498	13	14
Total	9,777	6,166	166	167
Less: Allowance for impairment	(435)	(404)	(83)	(84)
Other assets - net	9,342	5,762	83	83

19. Deposits

19.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Current	8,504	7,117	-	-
Saving	239,104	169,051	-	-
Promissory notes	-	61	-	-
Certificates of deposit	2	2	-	-
Fixed deposits				
- Less than 6 months	115,133	52,172	-	-
- 6 months and up to 1 year	202,747	133,546	-	-
- Over 1 year	127,931	73,916	-	-
Total deposits	693,421	435,865	-	-

19.2 Classified by currency and countries

(Unit: Million Baht)

	Consolidated financial statements					
	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	693,128	1	693,129	435,621	1	435,622
US Dollar	121	21	142	84	20	104
Other currencies	131	19	150	22	117	139
Total	693,380	41	693,421	435,727	138	435,865

20. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	2012			2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and the FIDF	2	6,869	6,871	-	3,065	3,065
Commercial banks	1,121	23,311	24,432	700	10,033	10,733
Specialised financial institutions	192	13,722	13,914	3,100	7,234	10,334
Other financial institutions	10,534	16,427	26,961	17,016	9,704	26,720
Total domestic items	11,849	60,329	72,178	20,816	30,036	50,852
Foreign						
US Dollar	54	14,336	14,390	3	8,599	8,602
Baht currency	486	723	1,209	241	456	697
Total foreign items	540	15,059	15,599	244	9,055	9,299
Total	12,389	75,388	87,777	21,060	39,091	60,151

As at 31 December 2012, interbank and money market items in the consolidated financial statements included loans of a subsidiary company amounting Baht 1,754 million, consisting of (i) a loan of Baht 174 million that is repayable in 36 monthly installments from the date of loan drawdown and carries interest at a fixed interest rate per annum, payable monthly, (ii) a loan of Baht 800 million, repayable within 3 years from the date of loan drawdown and carrying interest at a fixed rate per annum, payable monthly, (iii) a loan of Baht 280 million, repayable quarterly, carrying interest at MLR minus a fixed rate, payable monthly, and (iv) a loan of Baht 500 million in term of promissory rates, repayable at the date as specified in each promissory note, and carrying interest at fixed rates per annum, payable monthly. In addition, the subsidiary has to comply with the terms and conditions specified in the loan agreements, such as maintenance of a debt to equity ratio (2011: included loans of a subsidiary company amounting to Baht 1,054 million).

21. Debt issued and borrowings

As at 31 December 2012 and 2011, 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 2012)	Maturity year	Consolidated financial statements		Separate financial statements	
			2012	2011	2012	2011
Unsubordinated debentures (a - c)	3.35 - 4.90 percent	2013 - 2022	14,995	12,000	15,000	12,000
Unsubordinated debentures (d - f)	3.45 - 5.50 percent	2013 - 2016	11,072	-	-	-
Perpetual subordinated hybrid bonds issued under Tier I (g)	8.50 percent	Dissolution	3,494	3,494	-	-
Subordinated hybrid bonds issued under Tier II (h)	5.25 percent	2019 and 2024	4,999	4,996	-	-
Subordinated debentures issued under Tier II (i - n)	4.70 - 6.00 percent	2015 - 2022	33,773	22,997	-	-
Subordinated debentures (n)	4.70 percent	2022	1,742	-	-	-
Short-term debentures	2.85 - 3.03 percent	2013	13,235	-	-	-
Bills of exchange	0.00 percent	At call	41	56	-	-
Bills of exchange	1.00 - 3.85 percent	2013	4,889	217,999	-	-
Promissory notes	0.50 - 4.25 percent	At call	1,168	942	-	-
Borrowings - Department of Alternative Energy Development and Efficiency	0.50 percent	2013 - 2017	98	169	-	-
Total debt issued and borrowings			89,506	262,653	15,000	12,000

- (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 21 November 2012, 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 2022 and bear interest at fixed rate of 4.60 percent per annum, payable semi-annually.
- (d) On 27 March 2012, Thanachart Bank issued 2,072,100 units of name registered unsubordinated, unsecured, unconvertible debentures with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures mature in 2013 and bear interests at fixed interest rate of 3.45 percent per annum, payable quarterly.
- (e) On 27 April 2012, a subsidiary issued 6,000,000 units of name registered unsubordinated, unsecured, unconvertible debentures with a debenture holders' representative, with a face value of Baht 1,000 each. Of these, 2 million units bear interests at fixed interest rate of 4.90 percent per annum and mature in 2014, and 1.5 million units bear interests at fixed interest rate of 5.20 percent per annum and mature in 2015, and another 2.5 million units bear interests at fixed interest rate of 5.50 percent per annum and mature in 2016. All debentures pay interest quarterly. In addition, the subsidiary has to comply with the terms and conditions as specified in the loan agreement, such as maintenance of a debt to equity ratio.
- (f) On 1 November 2012, a subsidiary issued 3,000,000 units of name registered unsubordinated, unsecured debentures with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2016 and bear interest at fixed rate of 5.00 percent per annum, payable quarterly. In addition, the subsidiary has to comply with the terms and conditions as specified in the loan agreement, such as maintenance of a debt to equity ratio.

- (g) 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 fixed rate equal to the highest interest rate for a six-month fixed deposit plus 6.00 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.
- (h) On 24 July 2009, Thanachart Bank issued 5,000,000 name registered subordinated hybrid bonds, unsecured, unconvertible debentures with a 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 a fixed rate of 5.25 percent per annum for the first five years, and 5.50 percent per annum for the sixth to tenth years, while 1.5 million units mature in 2024 and bear interest at a fixed rate of 5.25 percent per annum for the first five years, 6.00 percent per annum for the sixth to tenth years and 6.50 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.
- (i) 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 will mature in 2015 and bear interest at a fixed rate of 5.10 percent per annum for the first three years, and 6.00 percent per annum for the fourth to seventh years, payable quarterly.
- (j) On 3 April 2009, Thanachart Bank issued 2,000,000 name registered subordinated, unsecured, unconvertible debentures with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2019 and bear interest at a fixed rate of 5.25 percent per annum for the first three years, 5.75 percent per annum for the fourth to seventh years, and 6.50 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.

- (k) On 2 April 2010, Thanachart Bank issued 6,000,000 name registered subordinated, unsecured, unconvertible debentures with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2020 and bear interest at a fixed rate of 5.00 percent per annum for the first five years and 5.50 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.
- (l) On 20 June 2011, Thanachart Bank issued 10,000,000 unsecured subordinated debentures with a face value of Baht 1,000 each. The debentures mature in 2019 and bear interest at a fixed rate of 6.00 percent per annum until June 2016, and 6.50 percent per annum for the remaining years. Interest is payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par if the conditions specified are met. These debentures were issued to replace SCIB's debentures which were early redeemed in accordance with the BOT stipulations regarding the transfer of the entire business of SCIB.
- (m) On 20 July 2012, Thanachart Bank issued 8,497,000 name registered subordinated, unsecured with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2022 and bear interest at a fixed rate of 4.70 percent per annum, payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par if the conditions specified are met.
- (n) On 19 October 2012, Thanachart Bank issued 4,018,500 name registered subordinated, unsecured with a debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2022 and bear interest at a fixed rate of 4.70 percent per annum, payable quarterly. Thanachart Bank has a call option to early redeem these debentures at par if the conditions specified are met. Part of this debenture, amounting to Baht 2,276 million, meets the criteria to be counted as Tier 2 capital.

22. Provisions

(Unit: Million Baht)

	Consolidated financial statements					
	For the year ended 31 December 2012					
				Provision for		
			Obligations	loss sharing		
			from off-	from loans		
	Loss from	Employee	balance	transferred	Others	Total
	litigation	benefits	items	to TAMC		
As at 1 January 2012	95	1,970	269	383	427	3,144
Increase during the year	101	67	32	-	133	333
Decrease from actual utilised	-	(94)	-	-	(4)	(98)
Reversal of provisions	-	-	(79)	-	-	(79)
As at 31 December 2012	196	1,943	222	383	556	3,300

(Unit: Million Baht)

	Consolidated financial statements					
	For the year ended 31 December 2011					
	Loss from litigation	Employee benefits	Obligations from off- balance items	Provision for loss sharing from loans transferred to TAMC	Others	Total
As at 1 January 2011	99	2,333	285	383	393	3,493
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)

Separate financial statements			
For the year ended 31 December 2012			
Loss from litigation	Employee benefits	Provision for loss sharing arise from loans transferred to TAMC	Total
As at 1 January 2012	9	18	210
Increase during the year	-	5	5
As at 31 December 2012	9	23	215

(Unit: Million Baht)

Separate financial statements			
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	15	207
Increase during the year	-	7	7
Decrease from actual utilised	-	(1)	(1)
Reversal of provisions	-	(3)	(3)
As at 31 December 2011	9	18	210

Employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, are as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Defined benefit obligation at the beginning of the year	1,947	1,994	18	15
Increase from purchase of a subsidiary company	-	3	-	-
Decrease from disposal of a subsidiary company	-	(3)	-	-
Current service cost	173	153	3	2
Interest cost	108	81	1	1
Benefits paid during the year	(1)	(79)	-	(1)
Actuarial (gain) loss	(236)	(42)	1	1
Decrease from curtailment	(68)	(160)	-	-
Defined benefit obligation at the end of the year	1,923	1,947	23	18

Long-term employee benefit expenses included in profit or loss are summarised as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Current service cost	173	153	3	2
Interest cost	108	81	1	1
Decrease from curtailment	(68)	(160)	-	-
Actuarial (gain) loss				
- Assumption change adjustments	(215)	(42)	(2)	1
- Experience adjustments	(21)	-	3	-
Total expenses recognised in profit or loss	(23)	32	5	4

The principal actuarial assumptions used to calculate the defined benefit obligations are as follows:

	(Percent per annum)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Discount rate	3.70 - 4.42	4.07 - 4.70	4.38	4.09
Future salary increase	5.50 - 7.35	6.00 - 6.50	5.50	6.00
Average turnover rate	0.00 - 47.76	0.00 - 42.11	0.00 - 19.02	0.85 - 21.51

23. Insurance contract liabilities

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Life policy reserve	34,291	29,831	-	-
Loss reserves and outstanding claims	1,975	3,441	-	-
Unearned premium reserve	3,116	2,659	-	-
Other liabilities under insurance policies	250	223	-	-
Total insurance contract liabilities	39,632	36,154	-	-

From July to December 2011, there was widespread flooding in Thailand, affecting parties insured by the subsidiary. The subsidiary has assessed and recorded the impact of the flood in its financial statements based on available evidence and surveyors' reports. However, some claims are still in the process of negotiations and further examination of the facts, which could affect the amount of loss reserves and loss reserves refundable from reinsurers. The management believes that no further significant losses will be incurred.

24. Other liabilities

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Other payables	1,676	1,586	87	44
Suspense cash received from accounts receivable	516	546	34	39
Income received in advance	434	328	-	-
Provision for income tax	716	330	-	-
Corporate income tax payable	1,222	2,480	-	-
Accrued expenses	5,092	3,924	31	37
Payables to clearing house	126	306	-	-
Others	3,535	2,783	36	28
Total other liabilities	13,317	12,283	188	148

25. Share capital/Treasury stocks

During the year ended 31 December 2012, preferred shares converted 30 preference shares to the Company's common shares. Therefore, as at 31 December 2012, 13,306 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, the Company had 55,324,300 shares of treasury stocks, valued at Baht 387.5 million (at cost). A condition of the treasury stock program was that the shares were to be disposed of within 3 years counting from the end of the buy-back period. As of the end of the program (15 June 2012), the Company had not disposed of the treasury stocks, and therefore wrote off all treasury stocks (55,324,300 shares with a par value of Baht 10) by reducing the registered share capital of the Company by Baht 553,243,000 which was registered with the Ministry of Commerce on 19 June 2012. As a result, the issued and paid up share capital decreased from Baht 13,331,540,030 to Baht 12,778,297,030. The difference between the cost of the treasury stocks and the par value of the common shares, amounting to Baht 166 million, is presented as premium on treasury share in equity. Moreover, the Company cancelled the appropriation of retained earnings as a reserve for treasury share, and returned it to unappropriated retained earnings.

On 26 November 2012, the Company's Board of Directors approved a treasury stock program for financial management purposes, with a budget of up to Baht 3,400 million, and the number of shares to be repurchased not to exceed 127,781,636 shares, representing 10 percent of the shares of the Company in issue. The repurchase period runs from 11 December 2012 to 10 June 2013. However, as at 31 December 2012 the Company had not yet repurchased any shares under this program.

26. Other components of equity

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
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	464	195	9	-
Equity instruments	692	576	358	301
Held-to-maturity investments	10	15	-	-
Total	1,166	786	367	301
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(20)	(128)	-	-
Equity instruments	-	(7)	-	-
Held-to-maturity investments (reclassified from available-for-sale investments)	(38)	(71)	-	-
Total	(58)	(206)	-	-
Total revaluation surplus on investments	1,108	580	367	301
Share of other comprehensive income of associates	16	(19)	-	-
Total	2,126	1,563	367	301

27. 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 profit 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 2012, the Company allocated Baht 75.7 million of net profit for the year 2012 to the statutory reserve (2011: Baht 81.8 million).

28. 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 Company will disclose capital requirement information as at 31 December 2012 on its website at www.thanachart.co.th, within April 2013. Moreover, the Company and its subsidiaries had disclosed capital requirement information as at 30 June 2012 on the Company's website since October 2012.

29. Dividends

During the years ended 31 December 2012 and 2011, the Company has dividend payment as below.

Dividends	Approved by	Dividend payment	Dividend per share
		Million Baht	Baht
<u>2012</u>			
Interim dividend on income for the first half-year of 2012	The Company's Board of Directors on 24 September 2012	639	0.50
Dividend on income for the second half-year of 2011	The Annual General Meeting of shareholders on 5 April 2012	894	0.70
Total		1,533	1.20

<u>2011</u>			
Interim dividend on income for the first half-year of 2011	The Company's Board of Directors on 26 September 2011	639	0.50
Dividend on income for the second half-year of 2010	The Annual General Meeting of shareholders on 8 April 2011	894	0.70
Total		1,533	1.20

30. Interest income

Interest income for the years ended 31 December 2012 and 2011 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Interbank and money market items	2,348	1,899	16	2
Investments and trading transactions	491	86	-	3
Investments in debt securities	4,503	4,319	384	350
Loans to customers	21,502	20,942	48	76
Hire purchase and financial lease	21,155	17,012	-	2
Total interest income	49,999	44,258	448	433

31. Interest expenses

Interest expenses for the years ended 31 December 2012 and 2011 consisted of the following:

			(Unit: Million Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Deposits	14,531	8,969	-	-
Interbank and money market items	1,561	1,127	-	-
Contribution fee to the Deposit Protection Agency	203	1,955	-	-
Contribution fee to the Financial Institutions Development Fund	2,792	-	-	-
Debts issued				
- Subordinated debentures	2,124	1,852	-	-
- Unsubordinated debentures	876	609	559	611
- Others	3,664	5,428	-	-
Borrowings cost	14	3	2	2
Total interest expenses	25,765	19,943	561	613

32. Fees and service income

Fees and service income for the years ended 31 December 2012 and 2011 consisted of the following:

			(Unit: Million Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Fees and service income				
Acceptance, aval and guarantees	331	271	-	-
Brokerage fee from securities/ derivatives	1,216	1,168	-	-
Hire purchase fee income	1,084	911	3	10
Credit card fee	763	584	-	-
ATM and electronic banking services	710	746	-	-
Insurance brokerage fee income	334	224	-	-
Others	1,282	1,122	16	1
Total fees and service income	5,720	5,026	19	11
Fees and service expenses	(1,490)	(1,306)	(1)	(5)
Net fees and service income	4,230	3,720	18	6

33. Gains on trading and foreign exchange transactions

Gains on trading and foreign exchange transactions for the years ended 31 December 2012 and 2011 consisted of the following:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Foreign exchange and derivatives relating to foreign exchange	585	875	-	-
Foreign exchange and derivatives relating to interest	2	1	-	-
Debt securities	65	17	-	-
Equity securities	(2)	(5)	-	-
Others	13	3	-	-
Total	663	891	-	-

34. Gains on investments

Gains on investments for the years ended 31 December 2012 and 2011 consisted of the following:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Gains (losses) on disposal				
Available-for-sale securities	489	214	33	37
General investments	33	90	28	6
Losses on price adjustments on loans transferred to TAMC	-	(1)	-	-
Investments in subsidiary and associated companies	276	397	-	-
Gain on revaluation of investments (under business combination)	-	33	-	-
Gains on debt settlement/disposal of debt/assets transferred from investments in receivables purchased	45	71	32	34
Reversal of impairment on general investments (losses)	9	(37)	42	-
Gain on transfer of investments	-	372	-	-
Gain on the capital returned	-	-	9	6
Total	852	1,139	144	83

During the year 2011, a subsidiary company transferred investment classified as held-to-maturity debt securities amounting to Baht 8,439 million to trading securities in order to comply with the measurement of insurance liabilities reserve for long-term insurance contracts, whereby the value of the liabilities reserve depends on any changes in market discount interest rate. As a result of this transfer, difference between carrying cost and fair value at transfer date of Baht 329 million was recognised as gain on transfer in profit or loss. The subsidiary company also transferred investments classified as available-for-sale securities amounting to Baht 2,000 million to trading securities with a gain on transfer of Baht 43 million.

35. Directors' remuneration

Directors' remuneration represents the benefits paid to the directors of the Company and publicly 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 31 million (separate financial statement: Baht 15 million) to the Company's and its subsidiaries' directors, which was approved by the Annual General Meeting of Shareholders held .

36. Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the years ended 31 December 2012 and 2011 consisted of the following:

	Consolidated		(Unit: Million Baht)	
	financial statements		Separate	
	2012	2011	2012	2011
Impairment loss of loans				
Interbank and money market items	26	30	-	-
Loans to customers (reversal)	2,886	2,143	(36)	(166)
Reversal amortisation of revaluation allowance for debts restructured during the year	(36)	(40)	-	-
Hair-cut losses from court ruling	5	-	-	-
Loss from debt restructuring (reversal)	15	(35)	-	-
Loss from impairment of investments in receivables purchased (reversal)	4	(21)	3	(10)
Total (reversal)	2,900	2,077	(33)	(176)

37. 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 years 2012 and 2011 since after adding back and deducting income and/or expenses which are disallowed for tax computation purposes, there is a net loss.

38. Components of other comprehensive income

Components of other comprehensive income for the years ended 31 December 2012 and 2011 are the following:

	Consolidated		(Unit: Million Baht)	
	financial statements		Separate	
	2012	2011	2012	2011
Other comprehensive income				
Available-for-sale investments:				
Unrealised gains (losses) during the year	1,452	(42)	99	48
Gains on reclassified type of investments	-	(43)	-	-
Reclassification of adjustment for realised gains/losses that included in profit or loss	(489)	(214)	(33)	(37)
	963	(299)	66	11
Share of other comprehensive income in associated companies	45	-	-	-
Other comprehensive income for the year (loss)	1,008	(299)	66	11

39. 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	
	2012	2011	2012	2011	2012	2011
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Profit attributable to the Company	5,481,536	5,002,433	1,277,817	1,277,815	4.29	3.91
Effect of dilutive securities						
Preference shares convertible to common shares	-	-	13	15		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	5,481,536	5,002,433	1,277,830	1,277,830	4.29	3.91

	Separate financial statements					
	For the years ended 31 December					
	Profit for the year		Weighted average number of common shares		Earnings per share	
	2012	2011	2012	2011	2012	2011
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Profit attributable to the Company	2,891,693	1,635,133	1,277,817	1,277,815	2.26	1.28
Effect of dilutive securities						
Preference shares convertible to common shares	-	-	13	15		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	2,891,693	1,635,133	1,277,830	1,277,830	2.26	1.28

40. 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 2012, approximately Baht 424 million was contributed to the fund by the Company and its subsidiaries (separate financial statements: Baht 5 million) (2011: Baht 453 million in the consolidated financial statements and Baht 5 million in the separate financial statements).

41. 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		Transfer pricing policy
	financial statements		financial statements		
	2012	2011	2012	2011	(For the year 2012)
<u>Transactions occurred during the years</u>					
Subsidiaries					
Purchase of debt securities	-	-	33,393	17,512	At market prices
Sales of debt securities	-	-	50	158	At market prices
Sales of operating assets (2011: gain Baht 34 million)	-	-	-	100	
Capital returned from subsidiaries (2012: gain Baht 9 million 2011: gain Baht 6 million)	-	-	34	31	At the net assets value
Interest income from loans	-	-	27	72	At interest rate of Thanachart Bank's MLR
Interest income from cash at bank	-	-	16	2	At interest rate of 0.75 - 3.00 percent per annum
Interest income from investments in debt securities	-	-	311	299	At interest rate of 5.00 - 5.25 and 8.50 - 8.60 percent per annum
Dividend income	-	-	2,594	1,406	As declared
Rental and other service income	-	-	134	172	At the rate agreed under the contract
Interest expenses	-	-	-	2	
Fees on debt issuance	-	-	2	2	At the rate agreed under the contract
Other expenses	-	-	16	30	

(Unit: Million Baht)

	For the years ended 31 December				
	Consolidated		Separate		
	financial statements		financial statements		Transfer pricing policy
	2012	2011	2012	2011	(For the year 2012)
Transactions occurred during the years (continued)					
Associated companies					
Purchase of debt securities	-	80	-	-	
Sales of debt securities	270	384	-	-	At market prices
Interest income	1	369	-	-	At interest rate of 3.00 - 4.05 percent per annum
Dividend income	-	-	99	94	As declared
Fee and service income	-	7	-	-	
Interest expenses	78	82	-	-	At interest rate of 0.75 - 5.25 percent per annum
Insurance premium/life insurance premium expenses	-	1	-	-	
Other expenses	84	57	25	32	
Dividend paid	-	-	156	156	As declared
Related companies					
Purchase of debt securities	75	1,139	-	-	At market prices
Sales of debt securities	1,946	562	-	-	At market prices
Sales of property foreclosed (2012: gain Baht 7 million)	34	-	-	-	At the contract price reference estimate prices
Purchase/sales of forward exchange contracts (2012: loss Baht 5 million 2011: loss Baht 114 million)	523,737	443,694	-	-	At market prices
Interest income	319	659	-	-	At interest rate of 2.40 - 8.00 percent per annum
Dividend income	52	57	29	24	As declared
Insurance premium/life insurance premium income	42	4	-	-	At the rate agreed under the contract
Other income	13	40	1	-	
Interest expenses	413	431	-	1	At interest rate of 0.285 - 8.60 percent per annum
Fee and service expenses	-	1	-	-	
Project management expenses	63	65	26	27	At the contract price calculated by reference to estimated usage time
Other expenses	163	146	6	3	
Dividend payment	851	1,113	-	-	As declared

In addition to the transactions mentioned above, during the year ended 31 December 2011, SCIB transferred non-performing loans amounting to Baht 9,062 million and property foreclosed amounting to Baht 3,083 million to TS Asset Management Co., Ltd, a subsidiary company. The transfer prices were mutually agreed with reference to what in the opinions of financial advisors were fair values.

Moreover, in September 2012, Thanachart Bank purchased investments in equity securities from another subsidiary at a price of Baht 983 million, with reference to market price. Since this transaction was intercompany transaction, a gain on disposal of Baht 630 million was recognised in the financial statements of the subsidiary company and eliminated in the consolidated financial statements.

The outstanding balances of the above transactions during the years ended 31 December 2012 and 2011 have been shown at the average balance at the end of each month as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<u>Subsidiary companies</u>				
Interbank and money market items (assets)	-	-	805	189
Loans to customers	-	-	377	1,000
Interbank and money market items (liabilities)	-	-	-	1
Debt issued and borrowings	-	-	1	39
<u>Associated companies</u>				
Loans to customers	-	7,513	-	-
Deposits	259	292	-	-
Debt issued and borrowings	1,422	2,335	-	-
<u>Related companies</u>				
Interbank and money market items (assets)	395	1,296	-	8
Loans to customers	9,590	17,889	-	-
Deposits	1,259	1,166	-	-
Interbank and money market items (liabilities)	10,788	7,581	-	-
Debt issued and borrowings	4,123	7,527	-	46

As at 31 December 2012 and 2011, the significant outstanding balances of the above transactions are as follows:

(Unit: Million Baht)

Consolidated financial statements									
2012									
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.	-	-	-	34	1,041	-	1,200	18	-
Related companies									
Seacon Development Plc.	-	-	459	1	1	-	-	-	29
Thai Hua Rubber Plc.	-	-	2,744	-	349	-	-	2	487
Synphaet Co., Ltd.	-	-	829	-	36	-	-	-	5
The Bank of Nova Scotia	57	-	-	39	-	11,615	3,494	100	1,971
Srithai Superware Plc.	-	-	711	-	69	-	-	-	-
Krungthai Card Plc.	-	-	4,138	-	11	-	-	-	-
Other related companies	-	-	1,046	177	941	165	400	35	291
57	-	9,927	251	2,448	11,780	5,094	155	2,783	

(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	306
1,123	582	11,286	230	1,089	7,968	6,176	441	2,975	

(Unit: Million Baht)

Separate financial statements

	2012								
	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.	4,842	3,637	-	81	-	-	5	20	-
Thanachart Securities Plc.	-	-	-	-	-	-	-	5	-
NFS Asset Management Co., Ltd.	-	-	-	1	-	-	-	-	-
National Leasing Co., Ltd.	-	-	-	-	-	-	-	16	-
Associated company									
MBK Plc.	-	-	-	4	-	-	-	-	-
	<u>4,842</u>	<u>3,637</u>	<u>-</u>	<u>86</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>41</u>	<u>-</u>

(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	-
	<u>68</u>	<u>3,643</u>	<u>1,000</u>	<u>92</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>

As at 31 December 2012 and 2011, the Company has loan to subsidiary as described in note 10.11 to the financial statements.

As at 31 December 2012, the Company and its subsidiaries have investments amounting to Baht 1,277 million (Baht 535 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 (2011: Baht 1,172 million in the consolidated financial statements and Baht 469 million in the separate financial statements).

As at 31 December 2012 and 2011, 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 financial statements		Separate financial statements	
	2012	2011	2012	2011
Loans	68	49	-	-
Deposits	696	535	-	-

Directors and management's remuneration

During the years 2012 and 2011, the Company and its subsidiaries recorded the following benefits to their key management personnel, including directors:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Short-term employee benefits	625	680	81	80
Post-employment benefits	16	12	2	2
Termination benefit paid	-	26	-	-
	<u>641</u>	<u>718</u>	<u>83</u>	<u>82</u>

42. Financial information by segment

42.1 Financial position and results of operations classified by business transaction

The financial position as at 31 December 2012 and 2011, 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				
2012				
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	1,089,902	13,991	(79,981)	1,023,912
Interbank and money market items (assets)	81,709	13,144	(22,875)	71,978
Investments	153,940	786	(4,077)	150,649
Investments in subsidiary and associated companies	46,587	-	(44,792)	1,795
Loans to customers and accrued interest receivables	737,976	-	(6,464)	731,512
Deposits	701,282	-	(7,861)	693,421
Interbank and money market items (liabilities)	94,914	13,910	(21,047)	87,777
Debt issued and borrowings	93,559	-	(4,053)	89,506

(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				
2012				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	51,108	147	(1,256)	49,999
Interest expenses	(26,915)	(88)	1,238	(25,765)
Net interest income	24,193	59	(18)	24,234
Net fee and service income	6,120	-	(1,890)	4,230
Net insurance/Life insurance income	2,085	-	1,790	3,875
Other operating income	12,216	12	(6,875)	5,353
Other operating expenses	(23,318)	-	740	(22,578)
Impairment loss of loans and debt securities	(2,797)	-	(103)	(2,900)
Income tax	(2,527)	-	64	(2,463)
Profit before non-controlling interests	15,972	71	(6,292)	9,751

(Unit: Million Baht)

Consolidated financial statements				
2011				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	45,552	218	(1,512)	44,258
Interest expenses	(21,185)	(37)	1,279	(19,943)
Net interest income	24,367	181	(233)	24,315
Net fee and service income	4,963	(4)	(1,239)	3,720
Net insurance/Life insurance income	896	-	1,231	2,127
Other operating income	14,818	39	(10,094)	4,763
Other operating expenses	(22,155)	-	1,215	(20,940)
Impairment loss of loans and debt securities	(2,086)	-	9	(2,077)
Income tax	(3,044)	-	(92)	(3,136)
Profit before non-controlling interests	17,759	216	(9,203)	8,772

The financial position as at 31 December 2012 and 2011 and the results of operations for the years then ended, per separate financial statements, are the result of domestic operations only.

42.2 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 2012									
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interest income	448	46,331	916	215	1,435	187	1,636	(1,169)	49,999
Interest expenses	(561)	(25,372)	(281)	(24)	-	-	(678)	1,151	(25,765)
Net interest income	(113)	20,959	635	191	1,435	187	958	(18)	24,234
Net fee and service income	18	4,078	13	1,675	(13)	(6)	355	(1,890)	4,230
Net insurance/life insurance income	-	-	-	-	834	1,251	-	1,790	3,875
Other operating income	3,243	6,824	868	65	781	93	354	(6,875)	5,353
Other operating expenses	(289)	(19,908)	(288)	(1,178)	(468)	(676)	(511)	740	(22,578)
Impairment loss of loans and debt securities	33	(4,680)	1,871	21	-	-	(42)	(103)	(2,900)
Income tax	-	(469)	(726)	(175)	(664)	(272)	(221)	64	(2,463)
Profit before non-controlling interest	2,892	6,804	2,373	599	1,905	577	893	(6,292)	9,751

(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	43,065	468	194	1,143	122	308	(1,475)	44,258
Interest expenses	(613)	(20,279)	(157)	(17)	-	-	(119)	1,242	(19,943)
Net interest income	(180)	22,786	311	177	1,143	122	189	(233)	24,315
Net fee and service income	6	3,240	6	1,526	(16)	(5)	202	(1,239)	3,720
Net insurance/life insurance income	-	-	-	-	(317)	1,213	-	1,231	2,127
Other operating income	1,966	11,388	372	191	501	44	395	(10,094)	4,763
Other operating expenses	(332)	(18,898)	(189)	(1,251)	(467)	(636)	(382)	1,215	(20,940)
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)
Profit before non-controlling interest	1,635	13,937	746	473	418	483	283	(9,203)	8,772

(Unit: Million Baht)

As at 31 December 2012									
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	Consolidated
Interbank and money market items	4,852	65,964	221	445	5,023	1,889	2,550	(8,966)	71,978
Investments	6,724	106,924	998	281	34,844	4,427	528	(4,077)	150,649
Investments in subsidiary and associated companies	31,573	13,754	-	824	-	375	61	(44,792)	1,795
Loans to customers and accrued interest receivable - net	97	708,641	7,207	2,472	158	3	19,398	(6,464)	731,512
Land, premises and equipment - net	52	7,927	1	52	127	106	63	16	8,344
Other assets	1,833	47,797	5,133	3,212	859	2,208	380	(1,788)	59,634
Total assets	45,131	951,007	13,560	7,286	41,011	9,008	22,980	(66,071)	1,023,912

(Unit: Million Baht)

As at 31 December 2011									
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other 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

43. Encumbrance of assets

As at 31 December 2012 and 2011, 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	
	2012	2011	2012	2011
Investment in securities				
Placed at insurance registrar	8,329	7,448	-	-
Guarantees of loans at commercial bank	5,985	-	-	-
Placed at court	22	20	-	-
Property foreclosed				
Immovable assets subject to buyback options or first refusal rights	870	969	-	-
Immovable assets subject to purchase or sell agreements with clients but currently being settled in installments or through transfer of ownership	650	1,483	112	102
	15,856	9,920	112	102

44. Commitments and contingent liabilities

As at 31 December 2012 and 2011, significant commitments and contingent liabilities consisted of:

44.1 Commitments

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Aval to bills	554	386	-	-
Liability under unmatured import bills	885	1,105	-	-
Letter of credits	3,183	3,856	-	-
Other obligations				
Committed (but not draw) overdraft	28,249	28,549	-	-
Others	25,965	21,405	1	1
Total	58,836	55,301	1	1

In addition, the Company and its subsidiaries have commitments in respect of foreign exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts, and gold futures contracts, as mentioned in Note 7 to the financial statements.

44.2 During the years 2001 - 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 gains or losses cannot be estimated at this stage, however as at 31 December 2012, 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.

44.3 As at 31 December 2012, 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:

(Unit: Million Baht)

Year	Consolidated	Separate	
	financial statements	financial statements	
	Other companies	Other companies	Subsidiaries
2013	1,831	13	6
2014	1,486	13	5
2015 onward	3,650	9	5

In addition, the Company has obligations to pay an administrative fee to a subsidiary company, determined at actual cost plus a margin, for the period stipulated in the agreement.

44.4 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 2012, 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 qualification of the assets transferred in accordance with 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 2012, 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. Thanachart Bank's management believes that no significant further losses will arise.

- 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 2012, the transferred assets which SAM is re-examining totaling Baht 136 million consist of (i) Baht 7 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 129 million of transactions incurred by BMB. If losses arise, 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 199 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 11,636 million, as disclosed under contingent liabilities in Note 45 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 2012, the deposit account of the FIDF with Thanachart Bank to fund the payment of compensation for losses has an outstanding balance of approximately Baht 707 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.

44.5 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.

45. Litigation

As at 31 December 2012, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 24,885 million (separate financial statements: Baht 622 million) in respect of litigation. However, the Company and its subsidiaries' management have already made certain provisions for contingent 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 for litigation mentioned above in the consolidated financial statements amounting to Baht 11,636 million, relates to lawsuits involving Thanachart Bank, as a result of the transfer of business from BMB to SCIB. In this regard, Thanachart Bank 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 to a single case brought by a debtor that BMB had already transferred to SAM before SCIB received the transfer of business from BMB, and Thanachart Bank believes that the lawsuit has been brought against the wrong party, and not Thanachart Bank and SCIB's responsibility). The litigation also includes 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.

In addition, SCIB was requested to make restitution for the forging SCIB's documents and using such counterfeit documents by a person acting on behalf of SCIB. However, SCIB has already filed a complaint against the person who produced and used counterfeit documents so as to proceed with a legal action. The court has already ordered the transfer of some of these cases to Thanachart Bank. The Thanachart Bank's management believes that no liability will arise from such restitution claim.

46. Letter of guarantees

As at 31 December 2012, the Company and its subsidiaries had letter of guarantees issued by the Company and its subsidiaries, amounting approximately Baht 40 million, placed for electricity usage of the branches (separate financial statements: Baht 1 million).

47. 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.

47.1 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, 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.

47.2 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/commodity 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 2012 and 2011, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements			
	2012			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	15,181	15,181
Interbank and money market items	24,656	37,737	9,544	71,937
Derivatives assets	-	-	2,177	2,177
Investments	1,543	135,578	12,080	149,201
Investments in associated companies	-	-	1,795	1,795
Loans to customers ⁽¹⁾	330,013	425,028	407	755,448
Receivable from purchase and sale securities	-	-	2,103	2,103
Other assets - receivable from clearing house	-	-	944	944
<u>Financial liabilities</u>				
Deposits	244,587	441,899	6,935	693,421
Interbank and money market items	7,791	77,753	2,233	87,777
Liabilities payable on demand	-	-	4,989	4,989
Derivatives liabilities	-	-	1,206	1,206
Debt issued and borrowings	4	89,461	41	89,506
Payable from purchase and sale securities	-	-	2,872	2,872
Other liabilities - payable from clearing house	-	-	126	126

(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	2011			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets				
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	-	-	858	858
Other assets - receivable from clearing house	-	-	25	25
Financial liabilities				
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	-	-	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)

Separate financial statements				
Transactions	2012			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets				
Interbank and money market items	123	4,700	18	4,841
Investments	888	5,363	239	6,490
Investments in subsidiary and associated companies	-	-	31,589	31,589
Loans to customers ⁽¹⁾	104	197	10	311
Financial liabilities				
Debt issued and borrowings	-	15,000	-	15,000

(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)

Transactions	Separate financial statements			
	2011			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing	
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	-	-	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.

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)

Transactions	Consolidated financial statements						
	2012						Weighted average interest rates Percent
	Repricing or maturity date						
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	
<u>Financial assets</u>							
Interbank and money market items	-	30,232	3,045	4,460	-	37,737	2.29 - 3.92
Investments	-	9,550	33,615	68,572	23,841	135,578	3.50 - 3.57
Loans to customers (include intercompany gain on loan transferred)	6,004	21,258	11,169	264,364	122,233	425,028	7.81 - 8.92
<u>Financial liabilities</u>							
Deposits	71	263,795	170,498	7,535	-	441,899	3.23
Interbank and money market items	3,145	61,062	5,117	8,429	-	77,753	2.23 - 3.77
Debt issued and borrowings	1	15,218	12,140	46,586	15,516	89,461	4.53 - 4.82

(Unit: Million Baht)

Consolidated financial statements							
2011							
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							
<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)

Separate financial statements							
2012							
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>							
Interbank and money market items	-	4,700	-	-	-	4,700	2.93
Investments	-	4,716	-	646	1	5,363	6.83
Loans to customers	196	-	1	-	-	197	9.08
<u>Financial liabilities</u>							
Debt issued and borrowings	-	3,000	-	9,000	3,000	15,000	4.53

(Unit: Million Baht)

Separate financial statements							
2011							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Investments	-	520	3,636	27	-	4,183	7.90
Loans to customers	214	-	-	-	-	214	8.67
Financial liabilities							
Debt issued and borrowings	-	-	-	12,000	-	12,000	4.51

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 2012 and 2011 can be summarised as follows:

(Unit: Million Baht)

Consolidated financial statements						
For the years ended 31 December						
	2012			2011		
	Average balances	Interest	Average rate (%)	Average balances	Interest	Average rate (%)
Interest bearings financial assets						
Interbank and money market items	63,042	2,348	3.72	65,322	1,899	2.91
Investments and trading operations	15,430	491	3.18	5,773	86	1.49
Investment in debt securities	120,476	4,503	3.74	136,917	4,319	3.15
Loans to customers/hire purchase and finance leases	660,293	42,657	6.46	668,147	37,954	5.72
Interest bearings financial liabilities						
Deposits	555,334	17,525	3.16	447,692	10,924	2.44
Interbank and money market items	68,237	1,561	2.29	56,784	1,129	1.99
Debt issued and borrowings	157,913	6,678	4.23	224,707	7,890	3.51

(Unit: Million Baht)

Separate financial statements						
For the years ended 31 December						
	2012			2011		
	Average balances	Interest	Average rate (%)	Average balances	Interest	Average rate (%)
<u>Interest bearings financial assets</u>						
Interbank and money market items	793	16	2.06	138	2	1.36
Investments and trading operations	1	-	4.58	48	3	5.38
Investment in debt securities	6,908	384	5.55	6,063	350	5.77
Loans to customers/hire purchase and finance leases	382	48	12.57	1,038	78	7.57
<u>Interest bearings financial liabilities</u>						
Interbank and money market items	-	-	-	1	-	1.52
Debt issued and borrowings	12,462	561	4.48	13,269	613	4.60

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 subsidiaries have foreign exchange transactions, it may be exposed to foreign exchange risk. However, the 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 2012 and 2011 can be summarised as follows:

(Unit: Million Baht)

Consolidated financial statements					
2012					
	US Dollar	Euro	Yen	Yuan	Others
Foreign currency in the statements of financial position					
Cash	520	350	62	2	228
Interbank and money market items	15,929	50	77	4	236
Investments	10,187	608	1,312	-	38
Loans to customers	22,952	167	494	-	74
Other assets	204	-	6	-	-
Total assets	49,792	1,175	1,951	6	576
Deposits	142	36	-	-	113
Interbank and money market items	15,340	-	-	-	-
Total liabilities	15,482	36	-	-	113
Net	34,310	1,139	1,951	6	463
Foreign currency commitments					
Liability under unmatured import bills	314	23	159	-	7
Letter of credits	2,638	129	355	-	13
Others	814	47	5	-	16

(Unit: Million Baht)

	Consolidated financial statements					
	2011					
	US Dollar	Euro	Yen	Won	Yuan	Others
<u>Foreign currency in the statements</u>						
<u>of financial position</u>						
Cash	618	396	292	-	1	382
Interbank and money market items	14,987	119	128	-	6	492
Derivative assets	5	-	-	-	-	-
Investments	11,192	599	3,036	549	12,327	38
Loans to customers	13,186	234	486	-	-	101
Other assets	458	1	17	-	49	-
Total assets	40,446	1,349	3,959	549	12,383	1,013
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	12,383	896
<u>Foreign currency commitments</u>						
Liability under unmatured import bills	368	34	118	-	-	5
Letter of credits	3,296	100	401	-	-	22
Others	984	48	1	-	-	27

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 receive repayment in foreign currency that the subsidiaries made for trading transactions or hedging transactions (banking book) as follow:

(Unit: Million Baht)

Consolidated financial statements					
2012					
	US Dollar	Euro	Yen	Yuan	Others
Foreign exchange contracts					
- Bought	39,587	245	375	-	222
- Sold	63,801	817	978	8	679
Cross currency and interest rate swap contracts					
- Bought	487	-	-	-	-
- Sold	9,830	608	1,312	-	-
Interest rate swap contracts					
- Bought	6,818	-	-	-	-
- Sold	6,818	-	-	-	-

(Unit: Million Baht)

Consolidated financial statements						
2011						
	US Dollar	Euro	Yen	Won	Yuan	Others
Foreign exchange contracts						
- Bought	32,441	1,002	386	-	-	552
- Sold	52,246	1,757	1,509	-	10,828	1,467
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	-	-	-	-	-

c) Equity position risk / commodity risk

Equity position risk / commodity risk is the risk that changes in the market prices of equity securities or commodity product 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.

47.3 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 2012 and 2011 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements				
	2012				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets					
Cash	15,181	-	-	-	15,181
Interbank and money market items	11,818	56,905	3,214	-	71,937
Derivatives assets	-	2,177	-	-	2,177
Investments	1,027	50,497	86,713	10,964	149,201
Investments in associated companies	-	-	-	1,795	1,795
Loans to customers ⁽¹⁾	36,651	240,320	478,477	-	755,448
Receivable from purchase and sale securities	-	2,103	-	-	2,103
Other assets - receivable from clearing house	-	944	-	-	944

(Unit: Million Baht)

Consolidated financial statements					
Transactions	2012				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial liabilities</u>					
Deposits	247,781	436,861	8,779	-	693,421
Interbank and money market items	12,889	66,081	8,807	-	87,777
Liability payable on demand	4,989	-	-	-	4,989
Derivatives liabilities	-	1,206	-	-	1,206
Debt issued and borrowings	46	23,865	62,101	3,494	89,506
Payable from purchase and sale securities	-	2,872	-	-	2,872
Other liabilities - payable from clearing house	-	126	-	-	126
<u>Commitments</u>					
Aval to bill	11	429	114	-	554
Liability under unmatured import bills	450	435	-	-	885
Letter of credits	258	2,925	-	-	3,183
Other commitments	43,578	8,179	2,455	2	54,214

(1) 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	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	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 ⁽¹⁾	49,578	193,203	394,483	-	637,264
Receivable from purchase and sale securities	-	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	-	851	-	-	851
Other liabilities - payable from clearing house	-	306	-	-	306
<u>Commitments</u>					
Aval to bill	1	342	43	-	386
Liability under unmatured import bills	624	481	-	-	1,105
Letter of credits	86	3,770	-	-	3,856
Other commitments	41,733	6,138	2,080	3	49,954

(1) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Separate financial statements					
Transactions	2012				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Interbank and money market items	141	4,700	-	-	4,841
Investments	888	1,080	647	3,875	6,490
Investments in subsidiary and associated companies	-	-	-	31,589	31,589
Loans to customers ⁽¹⁾	292	1	18	-	311
<u>Financial liabilities</u>					
Debt issued and borrowings	-	3,000	12,000	-	15,000
<u>Commitments</u>					
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)

Separate financial statements					
Transactions	2011				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
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	-	1	-	-	1
<u>Financial liabilities</u>					
Debt issued and borrowings	-	-	12,000	-	12,000
<u>Commitments</u>					
Other commitments	1	-	-	-	1

(1) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

47.4 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, 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. Investments in subsidiary and associated companies are stated at the book value.

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 payable to clearing house are considered to approximate their respective carrying values for the same reasons as described above.

As at 31 December 2012 and 2011, the book value and fair value of financial instruments of the Company and its subsidiaries are as follow:

(Unit: Million Baht)

	Consolidated financial statements			
	2012		2011	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	15,181	15,181	16,006	16,006
Interbank and money market items	71,978	71,978	63,232	63,232
Derivatives assets	2,177	2,177	1,536	1,536
Investments	150,649	151,459	152,511	153,455
Investments in associated companies	1,795	1,795	1,673	1,673
Loans to customers	731,512	731,512	610,798	610,798
Receivables from purchase and sale securities	2,103	2,103	858	858
Other assets - receivable from clearing house	944	944	25	25
<u>Financial liabilities</u>				
Deposits	693,421	693,421	435,865	435,865
Interbank and money market items	87,777	87,777	60,151	60,151
Liabilities payable on demand	4,989	4,989	2,131	2,131
Derivatives liabilities	1,206	1,206	2,886	2,886
Debt issued and borrowings	89,506	89,506	262,653	262,653
Payable from purchase and sale securities	2,872	2,872	851	851
Other liabilities - payable from clearing house	126	126	306	306

(Unit: Million Baht)

	Separate financial statements			
	2012		2011	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Interbank and money market items	4,852	4,852	76	76
Investments	6,724	6,715	5,657	5,646
Investments in subsidiary and associated companies	31,573	31,573	31,598	31,598
Loans to customers	97	97	1,087	1,087
Receivables from purchase and sale securities	-	-	1	1
<u>Financial liabilities</u>				
Debt issued and borrowings	15,000	15,000	12,000	12,000

47.5 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 commodity 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 2012 and 2011, 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					
	2012			2011		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought	40,429	-	40,429	34,382	-	34,382
- Sold	66,282	-	66,282	67,807	-	67,807
Cross currency and interest rate swap contracts						
- Bought	-	487	487	824	523	1,347
- Sold	2,533	9,217	11,750	9,598	7,245	16,843
Interest rate swap contracts						
- Paid fixed interest rate	1,000	75,947	76,947	2,692	3,953	6,645
- Paid floating interest rate	1,000	49,407	50,407	325	2,954	3,279
- Received fixed interest rate	1,000	49,407	50,407	325	2,954	3,279
- Received floating interest rate	1,000	75,947	76,947	2,692	3,953	6,645
Gold future contracts						
- Sold	40	-	40	641	-	641
Derivative warrant contracts						
- Sold	14	-	14	-	-	-

48. Reclassification

The Company and its subsidiaries have reclassified certain amounts in the financial statements for the year ended 31 December 2011 to conform to the current year's classifications with no effect to previously reported profit or equity.

	Consolidated		(Unit: Million Baht)	
	financial statements		Separate	
	As reclassified	As previously reported	As reclassified	As previously reported
Interest income	44,258	44,419	433	433
Interest expenses	19,943	20,104	613	613
Fee and service income	5,026	3,873	11	11
Fee and service expenses	1,306	501	5	1
Other operating income	1,673	2,841	249	249
Premises and equipment expenses	3,486	3,438	81	81
Other expenses	5,625	6,493	111	115

49. Events after the reporting period

On 18 February 2013, 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 0.90 per share, or a total of Baht 1,150 million, to the ordinary and preference shareholders.

50. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 18 February 2013.

Thanachart Group embraces its environmental responsibilities
in the reduction of global warming and consumption of natural resources.
The 2012 Annual Report used paper produced from farmed trees
and was printed with soy-based ink.



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