

## **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.

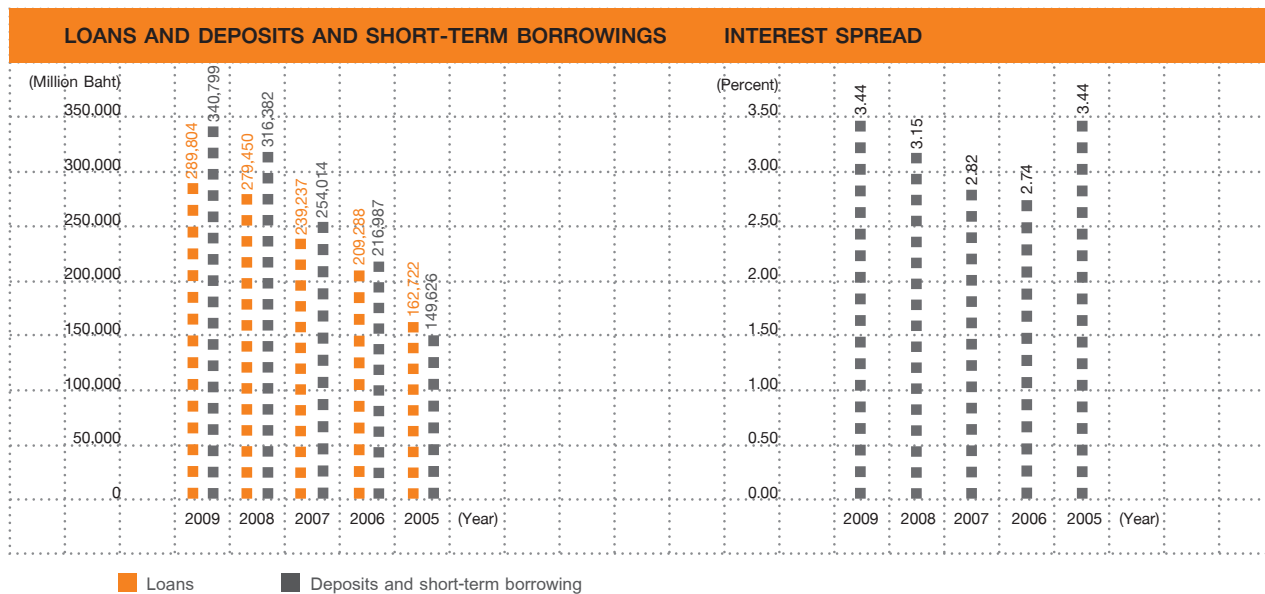
## **FOUR STRATEGIC INTENTS FOR THE BUSINESS OPERATION IN 2010**

1. We intend to grow by doubling the size of Corporate Loan Portfolio while diversifying overall assets.
2. We intend to grow by maintaining hire purchase market leader.
3. We intend to grow by increasing fee-based income proportion.
4. We intend to grow by increasing services and supports productivity.

## FINANCIAL HIGHLIGHTS

As at and for the year ended 31 December

	CONSOLIDATED				
	2009	2008	2007	2006	2005
<b>Operating results (Million Baht)</b>					
Interest and dividend income	22,112	21,413	18,799	16,951	10,935
Interest expenses	6,892	9,506	9,707	10,042	4,421
Net interest and dividend income	15,220	11,907	9,092	6,909	6,514
Non-interest income	22,310	11,907	10,646	7,643	5,144
Total income <sup>(1)</sup>	37,530	23,814	19,738	14,552	11,658
Non-interest expenses	24,517	15,878	12,813	11,043	7,842
Bad debt and doubtful accounts (Reversal) <sup>(2)</sup>	2,849	3,594	2,051	924	(293)
Net income <sup>(3)</sup>	5,109	2,768	2,818	1,468	3,104
<b>Operating performance</b>					
Basic earnings per share (Baht) <sup>(3)</sup>	3.99	2.08	2.11	1.10	2.33
Return on average assets (ROAA) (percent)	1.20	0.77	0.93	0.57	1.50
Return on average equity (ROAE) (percent)	17.05	10.49	11.55	6.49	14.31
Interest spread <sup>(4)</sup> (percent)	3.44	3.15	2.82	2.74	3.44
Cost to income ratio <sup>(5)</sup> (percent)	65.33	66.68	64.92	75.89	67.27
Cost to income ratio net insurance premium income <sup>(6)</sup> (percent)	47.94	55.90	54.67	71.25	62.87
<b>Balance sheet information (Million Baht)</b>					
Loans	289,804	279,450	239,237	209,288	162,722
Total assets	459,965	394,090	321,256	286,229	228,119
Deposits and short-term borrowings	340,799	316,382	254,014	216,987	149,626
Total liabilities	412,558	361,729	288,994	262,798	204,733
Shareholders' equity <sup>(3)</sup>	33,323	26,592	26,208	22,565	22,639

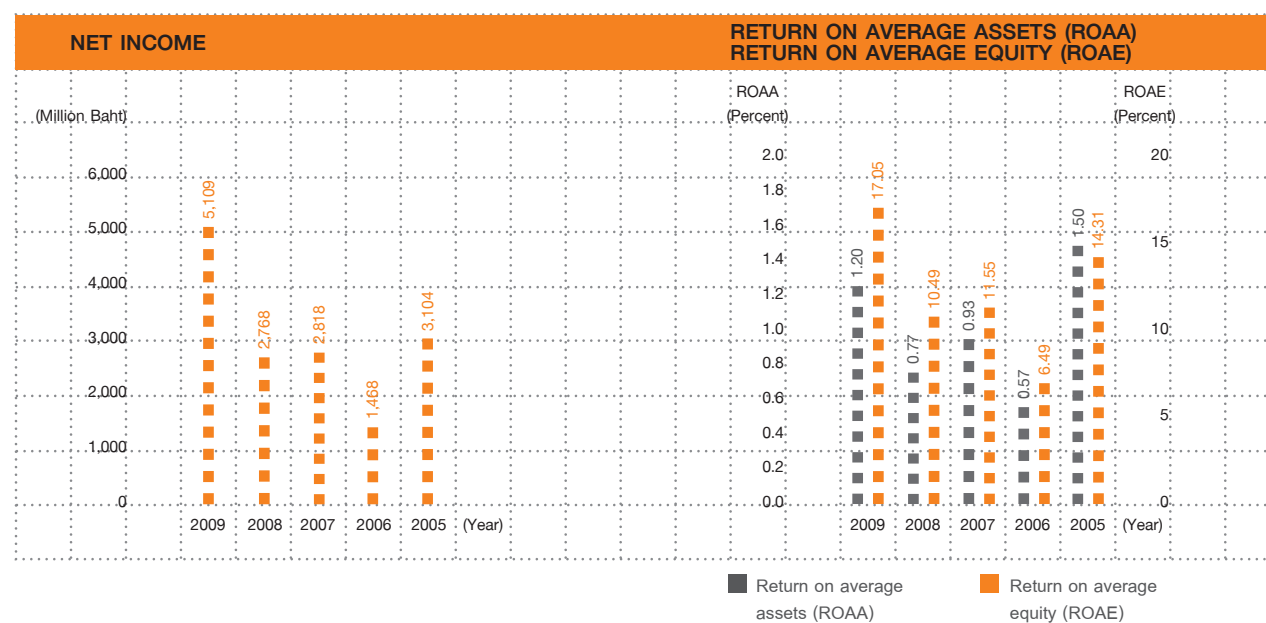


(1) Total income = Net interest and dividend income + Non-interest income  
 (2) Including loss on debt restructuring  
 (3) Excluding minority interest  
 (4) Interest spread = Yield-Cost of fund  
 Yield = Interest and dividend income/Average earning assets  
 (Earning assets = Interbank and money market items from interest bearing + securities purchased under resale agreements + net investments + loans)

Cost of fund = Interest expenses/Average paying liabilities  
 (Paying liabilities = Total deposits + interbank and money market items from interest bearing + total borrowings)  
 (5) Cost to income ratio = Non-interest expenses/Total income  
 (6) Cost to income ratio net insurance premium income =  
 (Non-interest expenses - Insurance and Life insurance expenses)/  
 (Total income - Insurance and Life insurance expenses)

As at and for the year ended 31 December

	CONSOLIDATED				
	2009	2008	2007	2006	2005
<b>Balance sheet quality</b>					
Loans to deposits and short-term borrowings ratio (percent)	85.04	88.33	94.18	96.45	108.75
NPL-gross to total loans (percent)	4.16	4.39	4.69	5.16	6.20
NPL-net to total loans (percent)	1.12	1.42	1.79	2.48	4.39
Coverage ratio <sup>(7)</sup> (percent)	86.63	81.10	75.03	65.00	68.97
Total allowance to BOT regulation (percent)	107.36	106.81	112.84	122.47	144.31
Non-performing loans (NPLs) (Million Baht)	12,046	12,265	11,218	10,800	10,087
<b>Capital measures (Basel I)</b>					
Tier I capital ratio (percent)	14.01	12.39	12.98	12.20	11.86
Total capital ratio (percent)	18.00	13.93	13.32	12.43	12.75
Risk weighted assets (Million Baht)	261,467	240,353	211,178	182,248	171,575
<b>Common share information</b>					
Share price <sup>(8)</sup> (Baht)					
- High	23.90	18.20	18.80	17.90	16.20
- Low	6.80	4.84	10.60	11.50	11.90
- Closing	22.10	7.05	14.60	14.00	13.40
Market capitalization (Million Baht)	29,462	9,399	19,464	18,664	17,864
<b>Common shares outstanding (Million share)</b>					
- Average-basic	1,280	1,333	1,333	1,333	1,333
- End of period	1,278	1,317	1,333	1,333	1,333
Book value (Baht)	26.08	20.19	19.66	16.93	16.98
Dividends per share <sup>(9)</sup> (Baht)	0.35	0.90	0.90	0.80	0.80
<b>Other information</b>					
Employees	9,464	9,638	7,181	6,988	5,529



(7) Total allowance/NPLs  
 (8) Local board/High-low share prices during the year  
 (9) Dividends per share for 2009 is interim rate paid

## MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS



**MR. BANTERNG TANTIVIT**

Chairman of the Board of Directors  
Thanachart Capital Public Company Limited

It has been a full year that the Thai economy has been weathering through the global financial crisis. Throughout the period, economic forecasts were highly subjected to uncertainties that largely depended on global economic situations. In the first quarter of 2009, the Thai economy contracted to the trough of the economic cycle at a rate of 7.1 percent. Nonetheless, short and long-term stimulus measures were put in place to cushion the downfall which led the Thai economy to a satisfactory improvement in the second and third quarter. During the first nine months of 2009, the economy's rate of contraction averaged only 5 percent before reverting to a positive growth of 5.8 percent in the last quarter, the first expansion after the crisis took place. As a result, the Thai economy in 2009 underperformed the previous year's output only by 2.3 percent. Going forward, under the environment that rules and regulations of the authorities are more flexible and policies that encourage the financial institutions to gain more stability and capability in business operation these will stimulate the competitive environment in the commercial banking business. This will allow differentiation in non-price competitive strategies in banking including building allies of financial conglomerates.

The main responsibility of TCAP is to closely supervise business operation of TBANK and member companies towards sustainable growth of Thanachart Financial Conglomerate and to ensure that their performances are appropriate and in tandem with the competition in the industry as well as to maintain a good cooperation with Scotiabank in order to jointly establish management guidelines of TBANK both in short- and long-term. Furthermore, TCAP has to also maintain debt and liquidity at the appropriate level that is sufficient for supporting the business expansion of the Bank and member companies. This role and responsibility has been constantly adhered to by the Board of Directors throughout the years.

In the past year, various major developments should contribute to strength, growth, and performance of TCAP. In February, TCAP additionally sold 416,526,737 shares of TBANK to Scotiabank, making Scotiabank the major shareholder with 48.99 percent holding of TBANK's shares. Consistent with the shares being reallocated, the representatives from Scotiabank were assigned to the positions of director and executive in TBANK. The gains from sale of TBANK's shares after expenses and corporate income tax amounted to THB 2,135 million. Under the joint management and development between Thanachart Group and Scotiabank, the performance of TBANK and its subsidiaries in 2009 significantly increased from the previous year which contributed to TCAP's net income of THB 5,109 million according to the consolidated income statement.

The Board has previously informed the shareholders of the Bank's guidelines to grow and develop sustainable business that the Bank would be conducted in three different approaches; business expansion and self operation-base building, inviting well-established worldclass bank with good reputation to jointly invest in TBANK and consider the merging and acquisition with another domestic bank, if opportunity allows, to promote leaping growth in order to raise business potential as well as service quality to be on par with other large-size banks. After successful and continued business expansion in cooperation with Scotiabank, Canadian leading commercial bank with 48.99 percent shareholding as previously stated together with an announcement of the Financial Institutions Development Fund to sell their 47.58 percent share of Siam City Bank, TCAP and Scotiabank deemed that this would be a good opportunity for business expansion and therefore participated in the bid. At present, TBANK has won the bid and has already signed the Share Purchase Agreement with the Financial Institutions Development Fund. Upon the shareholder's approval of the merger at the Annual General Meeting of

Shareholders this year, TCAP and Scotiabank will increase the capital in TBANK to provide the Bank with adequate capital for the transaction. The entire business transfer would make TBANK the fifth largest bank in the Thai commercial bank industry with greater stability and competitive potential.

In 2009, there was a change in the composition of the Board of Directors. Two New Directors were appointed, naming Mr. Somjate Moosirilert, to replace Mrs. Chantima Chaturaphat who resigned at the end of 2008, and Mrs. Punthip Surathin, to replace Mr. Anuwat Luengtaweekul who has been assigned a senior executive at TBANK. Mr. Somjate Moosirilert had held an executive position in Thanachart Group and has showcased expertise and capability in financial, securities and asset management businesses. Mrs. Punthip Surathin was an executive at the Ministry of Finance holding a position of the Deputy Permanent Secretary before retiring. As a result, the Board of Directors now constitutes nine Directors all together. All Directors are knowledgeable and skilled, with experience in finance and management along with other disciplines, enabling both management and operation of the Company to fulfill its duties and responsibilities to shareholders, customers and other stakeholders.

As Chairman of the Board of Directors, I would like to thank all Directors, executives and employees for their continuous dedication. I would also like to thank all stakeholders for your trust and support for Thanachart Group to develop and grow with stability and sustainability.

**Banterng Tantivit**

Chairman of the Board of Directors  
Thanachart Capital Public Company Limited

## GATHERING MOMENTUM



**MR. SUPHADEJ POONPIPAT**

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

Thanachart Group *is still moving forward in developing capabilities to achieve customer centricity* through creating new products, developing and setting up infrastructure and increasing service channels in order to expand business and increase service quality. This is done to *create financial opportunities for customers to succeed and grow together stably and continuously, which are the basis for operations that can achieve the goals of being a leading medium-size bank in the country*

*with strong and excellent growth.* In 2009, Thanachart Group conducted businesses according to the following nine strategic intents:

1. Intention to meet all strategic financial targets,
2. Intention to maintain market leader in hire purchase business,
3. Intention to increase in customer accessibility,
4. Intention to diversify business loan portfolio,
5. Intention to develop drastic improvement in cross-selling,
6. Intention to grow by increasing fee-based income proportion,
7. Intention to enhance our productivity and cost effectiveness,
8. Intention to achieve Best-in-Class in customer servicing, and
9. Intention to build-up our brand strengthening.

Scotiabank formed a business alliance with Thanachart Group in 2007 and showed confidence in Thanachart Group by increasing its shareholding in TBANK from 24.98 percent to 48.99 percent at the beginning of 2009. As a result of the joint development of Thanachart Group and Scotiabank in accordance to the business policies and under the supervision of the Board of Directors, the determination to achieve the 9 strategic intents mentioned, and the commitment from the executives and employees, Thanachart Group has achieved satisfactory financial results. TCAP and its subsidiaries achieved a net profit for 2009 of THB 5,109 million, an increase of THB 2,341 million or 84.57 percent from the previous year. Net interest and dividend income increased by 27.82 percent, due to the business expansion and the increase in the loan spread from 3.99 percent in 2008 to 4.91 percent. At the same time, interest

spread from earning assets increased to 3.44 percent from 3.15 percent in the previous year. As well, the non-interest income continued to grow by 87.37 percent as a result of the strong growth of banking business, securities business, fund management business, life and non-life insurance business. Moreover, from the effective debt management and debt collection, expenses on bad debt and doubtful accounts decreased compared to that of the previous year. Also, TCAP and its subsidiaries were able to efficiently manage non-interest expenses, resulted in the cost to income ratio net insurance premium income stood at 47.94 percent, a decrease from 55.90 percent.

In order for the executives and employees of Thanachart Group to move forward in the same direction in 2010, Thanachart Bank has set the following four strategic intents:

1. Intention to grow by doubling the size of Corporate Loan Portfolio while diversifying overall assets,
2. Intention to grow by maintaining hire purchase market leader,
3. Intention to grow by increasing fee-based income proportion, and
4. Intention to grow by increasing services and supports productivity.

Because of the direction of the Board of Directors that places great importance in making TBANK and its subsidiaries to be the organizations of good governance, the Board of Directors has set policies to continuously develop human resources of Thanachart Group in the areas of good governance. In 2009, Thanachart Group, together with the Continuing Education Center of Chulalongkorn University, continued to organize training and seminars for the executives and the employees, including disseminating knowledge and understanding of the topics through Thanachart Group's E-learning to provide knowledge and understanding of good corporate governance and promote conscious awareness of good corporate governance. This is done to solidify the foundation of being organizations of good governance

that operate with transparency, adhere to the principles of good governance, and create long term benefits for investors. Furthermore, TBANK and its subsidiaries continued the Corporate Social Responsibility Projects through hubs and the projects are the cooperation of the organization, the employees, the customers and the community to help underprivileged communities that have varying needs for each region. This is in line with the concept of "Ri Rerm.. Term Tem" (Initiate and Fulfill), which is to initiate projects that are appropriate and coherent with the true needs of communities in each region in order to unite and truly create fulfillment for the communities. In 2009, TBANK introduced the project "Donating via ATMs with TBANK" (Make merits through ATMs with Thanachart Bank) that allows those who hold Thanachart Bank's ATM cards to make monetary donations through the Bank's ATM and counters at branches nationwide for charitable foundations without service fees. This is another channel that supports doing good for the community.

TBANK's win of the bidding for Siam City Bank's stocks from Financial Institutions Development Fund (FIDF) and the signing of Share Purchase Agreement to purchase the Siam City Bank's stocks on 11 March 2010 had the objective of purchasing the stocks to acquire the businesses of Siam City Bank, with the approval of the Bank of Thailand. Once the acquisition is completed, TBANK will be a financial institution of greater stability and a commercial bank with the 5<sup>th</sup> highest ranking assets among Thai commercial banks. This will promote the stability of Thai financial institutions in line with the Financial Sector Master Plan Phase II.

*The continuous joint development between Thanachart Group and Scotiabank that fulfill all financial services under good corporate governance with utmost regards to customers, shareholders, employees and all stakeholders, and the reasonable social and environmental contributions will make Thanachart Bank grow stably and continuously together with all stakeholders.*

Suphadej Poonpipat

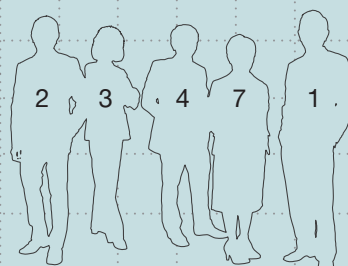
Vice Chairman and Chairman of the Executive Committee  
Thanachart Capital Public Company Limited



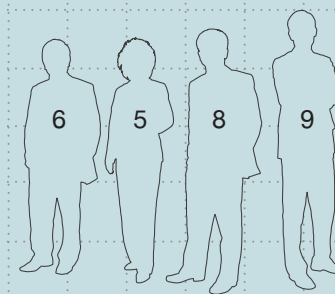
# BOARD OF DIRECTORS THANACHART CAPITAL



1	Mr. Banerng Tantivit	Chairman of the Board of Directors
2	Mr. Suphadej Poonpipat	Vice Chairman and Chairman of the Executive Committee
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. Punthip 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 Chief Executive Officer
9	Mr. Taweesak Saksirilarp	Member of the Executive Committee and Executive Vice President

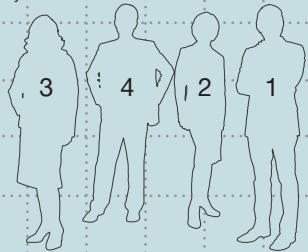


MANAGEMENT OF

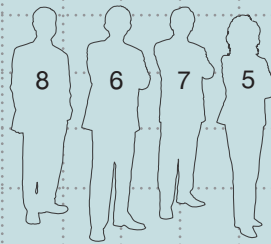
THANACHART GROUP



1	Mr. Suphadej Poonpipat	Vice Chairman, Chairman of the Executive Committee, and Chief Executive Officer, Thanachart Bank Public Company Limited Director and Chairman of the Executive Committee Thanachart Insurance Company Limited Director and Chairman of the Executive Committee Thanachart Life Assurance Company Limited
2	Mrs. Asvinj Tailanga	Chairperson of the Executive Committee and Managing Director, Thanachart Securities Public Company Limited
3	Ms. Suvabha Charoenying	Managing Director, Thanachart Securities Public Company Limited
4	Mr. Perapart Meksingvee	Acting Managing Director, Thanachart Insurance Company Limited



5	Ms. Suchada Pavananunt	Director and Chief Executive Officer, Thanachart Fund Management Company Limited
6	Mr. Boonchai Kiattanavith	Managing Director, Thanachart Fund Management Company Limited
7	Mr. Tragoolchitr Jittasaiyapan	Chief Investment Officer, Thanachart Fund Management Company Limited
8	Mr. Chartchai Parasuk, Ph.D.	Managing Director, Thanachart Life Assurance Company Limited





## THAI ECONOMIC CONDITION IN 2009 AND THE OUTLOOK FOR 2010\*

The Thai economy has undergone a full year of the global economic crisis. As a result, the outlook for the economy during the past year was subject to large uncertainties that primarily depended on the world economic situation. Around the end of 2008, the first set of forecast released under the crisis estimated that the Thai economy would contract by 1.0 percent per annum or a zero-growth in 2009, under the views from various economic institutions that the world economy would expand at a range from (-0.5) to 0.5 percent per annum.

At the beginning of 2009 when the global financial crisis revealed its worse-than-expected symptoms, the world economic outlook was repeatedly revised down. The contraction of 7.1 percent year on year of the Thai economy in the first quarter led to the expectation that the annual economic contraction would range from 3 to 4 percent. In addition, the unemployment rallied from 500,000 workers from the end 2008 to 900,000 workers in January 2009.

As a result of the severe economic conditions, authorities has urgently issued the economic stimulus measures to cushion for a deep plunge in private income and consumption which could lead to an overly adverse impact on production, investment and unemployment. The short-term measures, therefore, were the emergency packages to directly inject cash to the people's hand in the fastest fashion as well as to help reduce the burdens on their cost of living, especially those with low income, the elderly and the guardians. This included the economic sectors that have been severely impacted, for instance, tourism industries and the Small and Medium Enterprises (SMEs).

Most of the measures in the stimulus packages were planned to be implemented in the second and third quarters under the additional budget of approximately THB 116 billion in the budgetary year 2009. Furthermore, there were tax measures to help alleviate the impact of the crisis on the private business such as those in the real estate sectors as well as the individuals. These measures were also accompanied by the eased monetary policy with the policy interest rate brought down from 2.50 to 1.25 percent per annum. Moreover, there were measures related to the Special Financial Institutions (SFI) under the supervision of the government to capitalize as well as to speed up their credit expansion to the public as well.

After the onset of the short-term measures, the government viewed that the global financial crisis was still highly uncertain and its impact to the world economy could be prolonged. The government therefore deemed that there was as well a need for the long-term measures. The prepared packages focused on the public investment towards 2012 to stimulate the economic growth, investment opportunity to the private sector as well as investment projects to enhance the country's competitiveness in the periods ahead. The framework of these investment projects could be categorized into seven sectors include irrigation development and agriculture, basic infrastructure especially logistics, tourism, creative economy, education, health care and the small investment projects in different areas. These measures were the plans in preparation under the circumstances that the financial crisis would extend. The budget allocation under these measures was approximately THB 1.4 trillion to stabilize the economic growth and shore up investors' confidence towards the Thai economic outlook.

\* Dr. Poramethee Vimolsiri, Senior Advisor in Policy and Plan, NESDB, 7 February, 2010

Sources of funds for such investment would come from the revenue of government and state enterprises, loans and joint venture between public and private sectors. Nonetheless, the declining government revenue due to the economic slowdown could require more government loan to cover the discrepancy and the figure could exceed the borrowing ability of the government allowed in the Budget Management Law and Public Lending Practice. Upon the approval of the parliament, the government therefore had to issue the Emergency Decree and Act empowering the Ministry of Finance to borrow for economic restructuring in the amount of THB 800 billion. This funding procedure was consistent with the country's fiscal sustainability with the ratio of the public debt to GDP peaking at 56 percent in 2012 and would gradually subsume.

The Thai economy has improved and contracted in a slower rate in the second and third quarters of 2009. During the first 9 months, the slowdown was reported at 5.0 percent with manufacturing sector contracted by 9.8 percent; transportation, communication, hotel and restaurant slowed down at 5.2 percent from the previous year but financial sector was able to grow by 4.0 percent. On the expenditure side, the private investment contracted 15.4 percent while quantity of exports of goods and services was also down by 17.8 percent. Furthermore, indicators during the latter half of the year revealed the continued recovery of the Thai economy including:

- The capacity utilization rate in manufacturing sector plunged to the bottom at 54.8 percent in February and rebounded to 70.1 percent in December, especially in the export-oriented industries as the global market revealed signs of gradual recovery.
- Unemployment rate that reached its peak at 2.4 percent in January, amounting to 878,900 unemployed workers, gradually declined to a 1.1 percent in October or down to 410,500 unemployed workers.
- Tourism sector rebounded somewhat in January when the number of tourists expanded by 45.2 percent and the occupancy rate climbed up to 57 percent from its trough at 40.8 percent in June.

- Exports also rebounded in various sectors since second quarter, leading to the growth of 17.3 percent in December from the highest contraction of 26.5 percent in May. In 2010, the implementation of the AFTA was also expected to give rise to the Thai exports to the regional market such as exports of trucks and commercial car to Malaysia and Indonesia.
- The agricultural prices started to rebound with the world economic recovery as well as the shortage of rice in the major exporting countries such as Vietnam and the Philippines due to bad weather conditions. More importantly, the price of rubber that is a major raw material in the tire industry rebounded from the lowest level of THB 43 per kilogram to the highest at THB 81 per kilogram in December. This sharp increase could suggest that the world auto industry was heading toward the recovering trend.

As a result, the Thai economy expanded 5.8 percent in the fourth quarter, the first expansion since the crisis. Overall, this brought about the moderate annual rate of contraction for 2009 of 2.3 percent and headline inflation of -0.9 percent.

During the entire year, deposits of the commercial banks expanded at 0.7 percent which was a slowdown from the growth rate of 8.5 percent in the previous year. In the first half, deposits including bills of exchange accelerated due to the inflows of funds from investment in other risky assets as concerns over the economy grew. However, in the latter half of the year, such worries subsumed, resulting in the reallocation of investments back towards the higher risk assets. On the lending side, private lending grew at only 3.0 percent which was a major decline from 9.3 percent growth in 2008. The expansion was contributed solely by loans to households while corporate lending contracted. Nonetheless, in the last quarter when the signs of economic recovery became more apparent, total credits in the depository corporations rebounded and expanded at 6.8 percent from 4.7 percent in the third quarter.



The higher rate of growth in credits relative to deposits resulted in a slight decline in excess liquidity in commercial banking system from THB 1.35 trillion in the third quarter to THB 1.32 trillion in the fourth quarter. Interest rate on the 12-month deposit was at 0.70 percent and the MLR staged at 5.86 percent during the last quarter of the year.

Due to the close monitoring of commercial banks on credit quality during the crisis, the non-performing loans slightly increased and trended towards the decline in the last quarter with its ratio to the outstanding loans of 2.66 percent. The operating performance of commercial banks in 2009 remained sound as the net profit was reported at THB 82.9 billion which was a slight increase from the previous year. Despite the decline in net interest income, commercial banks were able to raise their income through the non-interest income such as fee based and service income.

The stock market condition in 2009 improved from the past year. The stock index at the end of the fourth quarter stood at 734.5 points, reflecting investors' expectation on the economic recovery ahead of the actual conditions and the attractiveness of the Asian assets over other regions. On the other hand, private financing through the corporate bond market was recorded around THB 1 trillion, a decline from THB 1.3 trillion in 2008, most of which was the financing through debentures which were concentrated in finance and manufacturing sectors. This significant amount of financing implied that some of the businesses were still in demand of funding and could utilize the low-interest to help contain their cost of funds, particularly when other channels were not as accommodative. Nevertheless, yields on bonds adjusted upward for all tenors especially in the medium-term and long-term maturity due to the expectation of policy rate hike in the near future as well as the constant issuance of the Bank of Thailand and government bonds in the primary market.

As the economic expansion improves in 2010, the credit extended to private sector is also expected to expand. At the same time, with the need for government financing for the investment projects in the second stimulus package (SP2), excess liquidity in the financial system is expected to decline. Together with the mounting inflationary pressure, the policy rate is likely to be raised in the near future. Nevertheless, the rise in inflation rate is estimated to exceed the percentage hike in policy rates, leaving the real interest rate at a relatively low level which will still be at supporting level for the recovery in the private investment going forward.

In 2010, the global economy was expected to expand, though at a slow pace. The Thai economy therefore was forecasted to also pick up moderately at 3.5-4.5 percent. This economic recovery was expected to be driven by public investment and the global recovery which led to an increase in private consumption and investment. Nonetheless, challenges and limitations facing the Thai economy can be listed as follows;

- The world recovery remained vulnerable as the pace will be unbalanced starting from the stronger recovery in Asia. However, the risk remained as China started to become more cautious in their stimulus measures as well as its commercial bank's lending. At the same time, unemployment problem in the US seemed to persist and could lead the economy towards the "Human Recession" period. Moreover, the tension on the effort for a collaboration between the US and China could rise as the US would be pressured from domestic businesses towards a more protectionism policy and called for China to lower its saving and raise consumption to rebalance the global growth.

- The Asian currency would experience the appreciation against the USD as well as the Renminbi due to its strong tie to the USD. The Baht therefore was expected to continue its appreciation after it has appreciated from THB 35.36 per USD in the first quarter to THB 33.31 per USD in the last quarter of 2009.
- The oil price was expected to reach USD 75-85 per barrel which would raise the inflationary pressure and pass on to the cost of production as well as the cost of living in the country. Inflation in 2010 was expected to increase to 2.5-3.5 percent whereas the policy interest rate would also be raised in the latter half of the year.
- The political uncertainty and issues surrounding the investment climate of Thailand such as the resolution of the legal issue on projects in the Map Ta Phut Industrial area may cause a slowdown in the recovery of the private investment going forward.

Although the short-term crisis has not completely passed, long-term challenges seemed to lie ahead. The strategic preparation for both public and private sector would be essential as the economy started its return to normalization. Only at this time, the economic changes taking place both before and as a result of the crisis has produced the “New Normal” to replace the old norms we were returning to. These new conditions surrounding our economy were, for example, the global warming, food and energy crisis, conflicts of resource allocation, changes in financial regulations, different global growth polar and the aging society.

As a result, 2010 is the year for us to be cautious on short-term economic challenges despite the fact that the recovery is underway. Concurrently, the long-term institutional strategies would need a close review in order to prepare for the adjustment towards the new environment which will justify our survival as well as success in the world after the crisis.

## THANACHART CSR



### **Christian Children's Fund**

*Supported the training of the Welfare Fund for children and their families at Bahn Nong Ma, Amphur Samrong Thab, in the province of Surin. The training was aimed to help the villagers adapt the fund management scheme to set up the fund for children and their family and promote sustainable growth to their community.*

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND PERFORMANCE

### FINANCIAL POSITION AND PERFORMANCE OF THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

#### SUMMARY OF PERFORMANCE

In 2009, net income of Thanachart Capital Public Company Limited (TCAP) and its subsidiaries was recorded at THB 5,109 million, an increase of THB 2,341 million or 84.57 percent from the previous year, so as the net interest and dividend income that increased by 27.82 percent. This was due to the continuous expansion of businesses and the increase in loan spread from 3.99 percent in 2008 to 4.91 percent while the interest spread rose to 3.44 percent from 3.15 percent in the previous year. In addition, non-interest income continued to rise with the growth rate of 87.37 percent

from the previous year. Such accelerating growth has been due to strong and continuous expansion of commercial bank business, securities business, fund management business, as well as life insurance and non-life insurance business. Furthermore, the ability to efficiently manage debt and debt collection process led to a decrease in expenses of bad debt and doubtful accounts from the previous year. Together with the effective management on expenses, cost to income ratio net insurance/life insurance expenses decreased to 47.94 percent from 55.90 percent in the previous period.

Basic Earning per share for 2009 recorded at THB 3.99, compared with that of THB 2.08 in the previous year. At the same time, return on average equity (ROAE) in 2009 registered at 17.05 percent while return on average assets (ROAA) leveled at 1.20 percent.

(Unit: Million Baht)

CONSOLIDATED INCOME STATEMENT	FOR THE YEAR		CHANGES	
	2009	2008	INCREASE (DECREASE)	PERCENT
Interest and dividend income	22,112	21,413	699	3.26
Interest expenses	6,892	9,506	(2,614)	(27.50)
<b>Net interest and dividend income</b>	<b>15,220</b>	<b>11,907</b>	<b>3,313</b>	<b>27.82</b>
Non-interest income	22,310	11,907	10,403	87.37
Non-interest expenses	24,517	15,878	8,639	54.41
<b>Income before expenses on bad debt and doubtful accounts</b>	<b>13,013</b>	<b>7,936</b>	<b>5,077</b>	<b>63.97</b>
Bad debt and doubtful accounts	(2,796)	(3,580)	784	(21.90)
Loss on debt restructuring	(53)	(14)	(39)	278.57
<b>Income before corporate income tax and minority interests</b>	<b>10,164</b>	<b>4,342</b>	<b>5,822</b>	<b>134.09</b>
Corporate income tax	(2,989)	(1,000)	(1,989)	198.90
Minority interests of the subsidiaries	(2,066)	(574)	(1,492)	259.93
<b>Net income</b>	<b>5,109</b>	<b>2,768</b>	<b>2,341</b>	<b>84.57</b>

## NET INTEREST AND DIVIDEND INCOME

In 2009, net interest and dividend income totaled to THB 15,220 million, an increase of THB 3,313 million or 27.82 percent from the previous year. This was due to a rise in interest and dividend income to THB 22,112 million, an increase of THB 699 million or 3.26 percent from last year. Moreover, interest expenses were reported at THB

6,892 million, a decline of THB 2,614 million or 27.50 percent due to the declining interest rate trend. In addition, the cost of fund was also proficiently managed to decline to 1.90 percent which was a significant drop from 3.10 percent in 2008, leading to the increase in the interest spread to 3.44 percent from 3.15 percent last year.

(Unit: Million Baht)

NET INTEREST AND DIVIDEND INCOME	FOR THE YEAR		CHANGES	
	2009	2008	INCREASE (DECREASE)	PERCENT
Interest and dividend income				
Loans	4,146	3,793	353	9.31
Interbank and money market items	1,064	1,570	(506)	(32.23)
Hire-purchase and financial leases	15,241	14,736	505	3.43
Investments	1,661	1,314	347	26.41
<b>Total interest and dividend income</b>	<b>22,112</b>	<b>21,413</b>	<b>699</b>	<b>3.26</b>
Interest expenses				
Deposits	4,863	6,999	(2,136)	(30.52)
Interbank and money market items	120	184	(64)	(34.78)
Short-term borrowings	1,107	1,675	(568)	(33.91)
Long-term borrowings	802	648	154	23.77
<b>Total interest expenses</b>	<b>6,892</b>	<b>9,506</b>	<b>(2,614)</b>	<b>(27.50)</b>
<b>Net interest and dividend income</b>	<b>15,220</b>	<b>11,907</b>	<b>3,313</b>	<b>27.82</b>

(Unit: Percent)

INTEREST SPREAD	FOR THE YEAR	
	2009	2008
Yield <sup>(1)</sup>	5.34	6.25
Cost of Fund <sup>(2)</sup>	1.90	3.10
<b>Interest Spread</b>	<b>3.44</b>	<b>3.15</b>

**Notes:** <sup>(1)</sup> Yield = interest and dividend income/(average interest bearing of interbank and money market items + average securities purchased under resale agreements + average investments + average loans)

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

## NON-INTEREST INCOME

In 2009, non-interest income of Thanachart Group staged at THB 22,310 million, an increase of THB 10,403 million or 87.37 percent due to the continued expansion of businesses in the Group. Significant items included income from life and non-life insurance businesses

that rose by THB 7,125 million or 97.07 percent from the previous year and extra income of THB 2,805 million from selling TBANK's common shares to the Bank of Nova Scotia. After subtracting insurance expenses, net non-interest income in 2009 stood at THB 9,777 million which was a 60.57 percent increase from the previous year.



(Unit: Million Baht)

NON-INTEREST INCOME	FOR THE YEAR		CHANGES	
	2009	2008	INCREASE (DECREASE)	PERCENT
Brokerage fees	885	756	129	17.06
Gain (Loss) on investments	2,722	(302)	3,024	1,001.32
Share of income from investments in associated company accounted for under equity method	257	335	(78)	(23.28)
Fees and service income	2,189	2,241	(52)	(2.32)
Gain on exchange and financial derivatives	148	223	(75)	(33.63)
Gain on property foreclosed and other assets	312	249	63	25.30
Gain on debt settlements/disposals	326	241	85	35.27
Insurance premium/life insurance premium income	14,465	7,340	7,125	97.07
Other income	1,006	824	182	22.09
<b>Total non-interest income</b>	<b>22,310</b>	<b>11,907</b>	<b>10,403</b>	<b>87.37</b>

**NON-INTEREST EXPENSES**

In 2009, non-interest expenses of TCAP and its subsidiaries registered at THB 24,517 million, increased by THB 8,693 million or 54.41 percent from the previous year. Most of the increase was due to life and non-life insurance expenses that rose by 115.42 percent which was in line with the transaction volume. Personnel expenses as well as premises and equipment expenses rose by 21.17 and 17.35 percent respectively, most of which was due to the expansion of TBANK's branches. As of 31 December 2009, the number of bank branches

totalled to 256 compared to 213 branches of the previous year. Despite these costs, TCAP and its subsidiaries were able to contain such expenses efficiently.

Despite the continued business expansion that led to a decline in cost to income ratio net insurance/life insurance expenses to 47.94 percent from that of 55.90 percent in the previous year, non-interest expenses net insurance/life insurance premium income in 2009 totalled to THB 11,984 million, which was equivalent to 19.13 percent rate of increase from the previous year.

(Unit: Million Baht)

NON-INTEREST EXPENSES	FOR THE YEAR		CHANGES	
	2009	2008	INCREASE (DECREASE)	PERCENT
Personnel expenses	4,435	3,660	775	21.17
Premises and equipment expenses	1,779	1,516	263	17.35
Taxes and duties	234	222	12	5.41
Fees and service expenses	790	273	517	189.38
Directors' remuneration	42	41	1	2.44
Fund contributed to the Financial Institution				
Development Fund/Deposit Protection Agency	1,072	823	249	30.26
Insurance/life insurance expenses	12,533	5,818	6,715	115.42
Other expenses	3,632	3,525	107	3.04
<b>Total non-interest expenses</b>	<b>24,517</b>	<b>15,878</b>	<b>8,639</b>	<b>54.41</b>

## BAD DEBT AND DOUBTFUL ACCOUNTS

In 2009, TCAP and its subsidiaries had the expenses on bad debt and doubtful accounts amounted to THB 2,796 million, a decrease of THB 784 million or 21.90 percent from the previous year. This was the result of the improvement in debt management and collection process, as well as the adjustment in risk management in an efficient manner.

## SUMMARY OF FINANCIAL POSITION

### ASSETS

Total assets of TCAP and its subsidiaries as of 31 December 2009 amounted to THB 459,965 million, an increase of THB 65,875 million or 16.72 percent from the end of 2008. Total liabilities stood at THB 412,558 million, also an increase of THB 50,829 million or 14.05 percent. The consolidated balance sheet as of 31 December 2009 is shown as follows:

(Unit: Million Baht)

CONSOLIDATED BALANCE SHEET	AS OF 31 DECEMBER		CHANGES	
	2009	2008	INCREASE (DECREASE)	PERCENT
<b>Assets</b>				
Cash	3,665	4,018	(353)	(8.79)
Interbank and money market items-net	64,867	65,790	(923)	(1.40)
Total investment-net	97,113	39,385	57,728	146.57
Total loans and accrued interest receivables	290,115	279,774	10,341	3.70
Allowance for doubtful accounts and revaluation				
allowance for debt restructuring	(10,534)	(10,008)	(526)	5.26
Other assets-net	14,739	15,131	(392)	2.59
<b>Total assets</b>	<b>459,965</b>	<b>394,090</b>	<b>65,875</b>	<b>16.72</b>
<b>Liabilities and shareholders' equity</b>				
Deposits and short-term borrowings	340,799	316,382	24,417	7.72
Interbank and money market item-net	20,939	7,293	13,646	187.11
Long-term borrowings	22,377	18,811	3,566	18.96
Other liabilities	28,443	19,243	9,200	47.81
<b>Total liabilities</b>	<b>412,558</b>	<b>361,729</b>	<b>50,829</b>	<b>14.05</b>
Total shareholders' equity before treasury				
stock and minority interest	33,710	26,702	7,008	26.25
<u>Less</u> Treasury stock	(387)	(110)	(277)	251.82
Equity attributable to the Company's shareholders	33,323	26,592	6,731	25.31
Minority Interest-equity attributable to minority				
shareholders of subsidiaries	14,084	5,769	8,315	144.13
<b>Total shareholders' equity</b>	<b>47,407</b>	<b>32,361</b>	<b>15,046</b>	<b>46.49</b>
<b>Total liabilities and shareholders' equity</b>	<b>459,965</b>	<b>394,090</b>	<b>65,875</b>	<b>16.72</b>

Items on the assets side with significant changes during the period are of the followings:

#### INTERBANK AND MONEY MARKET ITEMS-NET

As of 31 December 2009, net interbank and money market items for TCAP and its subsidiaries stood at THB 64,867 million, a decline of THB 923 million or 1.40 percent from the end of 2008.

#### INVESTMENTS-NET

As of 31 December 2009, net investment totaled to THB 97,113 million, an increase from 2008 of THB 57,728 million or 146.57 percent.

The detailed investments categorized by types are listed as follows:

(Unit: Million Baht)

INVESTMENTS CLASSIFIED BY TYPE	31 DECEMBER 2009		31 DECEMBER 2008	
	AMOUNT	PERCENT SHARE	AMOUNT	PERCENT SHARE
Debt instruments	87,096	89.69	32,257	81.90
Government and state enterprise securities				
• Trading securities	917	0.95	607	1.54
• Available-for-sale securities	45,417	46.77	4,987	12.66
• Held-to-maturity debt securities	19,534	20.11	15,914	40.40
Private Debt Securities				
• Trading securities	759	0.78	-	-
• Available-for-sale securities	8,609	8.87	5,009	12.72
• Held-to-maturity debt securities	1,407	1.45	893	2.27
Foreign Debt Securities				
• Available-for-sale securities	6,003	6.18	-	-
• Held-to-maturity debt securities	4,450	4.58	4,847	12.31
Equity Securities	10,017	10.31	7,128	18.10
• Trading securities	6	0.01	-	-
• Available-for-sale securities	5,907	6.08	2,868	7.28
• General investment	2,403	2.47	2,856	7.25
• Investment in associated companies	1,701	1.75	1,404	3.57
<b>Total investments-net</b>	<b>97,113</b>	<b>100.00</b>	<b>39,385</b>	<b>100.00</b>

#### LOANS AND ACCRUED INTEREST RECEIVABLE

As of 31 December 2009, TCAP and its subsidiaries' loans and accrued interest receivable registered at THB 290,115 million, increased from the previous year by THB 10,341 million or 3.70 percent. This increase was mainly contributed by a continued expansion from corporate lending. Whilst as of 31

December 2009, the hire purchase loans were at THB 211,564 million, a drop of THB 264 million from the end of the previous year as a result of the repayment made to TCAP. However, the hire purchase loans of TBANK still expanded during the same period.

Loans and accrued interest receivable can be categorized by business types as follows:

(Unit: Million Baht)

	31 DECEMBER 2009	PERCENT SHARE	31 DECEMBER 2008	PERCENT SHARE
1. Manufacturing and commercial	16,772	5.78	13,404	4.79
2. Real estate and construction	16,289	5.62	15,596	5.58
3. Public utilities and services	16,184	5.58	13,829	4.94
4. Retail loans				
4.1 Hire purchase	211,564	72.92	211,828	75.71
4.2 Housing loans	7,241	2.50	7,724	2.76
5. Others	22,265	7.67	17,602	6.29
Total loans and accrued interest receivable	290,315	100.07	279,983	100.07
<u>Less</u> Intercompany profits from loans transferred	(200)	(0.07)	(209)	(0.07)
Total loans and accrued interest receivable	290,115	100.00	279,774	100.00

As of 31 December 2009, loans and accrued interest receivable of TCAP and its subsidiaries classified by the remaining maturity were mostly loans with maturity more than one year which amounted to THB 250,770 million. The second highest was loans with maturity less than one year which was at THB 30,135 million followed by the call loans of THB 9,410 million.

#### CLASSIFIED LOANS

Classified loans (including loans to financial institutions which were recorded in interbank and money market items) and provision under the guidelines of the BOT of TCAP and its subsidiaries that are financial institutions (TBANK and asset management companies) can be listed as follows:

(Unit : Million Baht)

	DEBT BALANCE/BOOK VALUE				ALLOWANCE FOR DOUBTFUL ACCOUNTS			
	31 DEC 09	PERCENT SHARE	31 DEC 08	PERCENT SHARE	31 DEC 09	PERCENT SHARE	31 DEC 08	PERCENT SHARE
Normal	307,188	91.21	274,523	88.19	909	9.30	912	9.92
Special mention	17,970	5.33	25,107	8.07	190	1.94	185	2.01
Substandard	1,713	0.51	2,024	0.65	1,237	12.65	1,466	15.95
Doubtful	2,180	0.65	1,719	0.55	1,345	13.76	1,230	13.39
Doubtful of loss	7,737	2.30	7,897	2.54	5,709	58.39	5,127	55.79
Total	336,788	100.00	311,270	100.00	9,390	96.04	8,920	97.06
General provision					387	3.96	270	2.94
Total provision					9,777	100.00	9,190	100.00

**Notes:** - The information shown in the above table included only TCAP and its subsidiaries that are under the BOT supervision.  
- The loan amounts of the normal and special mention accounts did not include the accrued interest receivables.

## THANACHART CSR



### Phra Pradaeng Home for the Disabled People

For Khon Kor Diaw Gun's members, TV Burapha's fanclub, Thanachart Bank's staff and the guests appeared in the Khon Khon Khon show to get together for social welfare activities to support the disabled by donating personal items for their everyday use.



### NON-PERFORMING LOANS (NPLs)

As of 31 December 2009, TCAP and its subsidiaries' NPLs totaled to THB 12,046 million, declined by THB 219 million or 1.79 percent from 2008, most of which was accounted by a drop in the hire purchase NPLs. At end period, the NPLs accounted for 4.16 percent

of total loans, a slight drop from 4.39 percent in the previous year. The outstanding amount of NPLs after deducting allowance (NPL-net) as of 31 December 2009 was at THB 3,148 million which was equal to 1.12 percent of total loans.

(Unit: Million Baht)

	31 DECEMBER 2009	31 DECEMBER 2008
Non-performing loans (NPLs)	12,046	12,265
Ratio of NPLs to total loans (percent)	4.16	4.39
NPL-net	3,148	3,836
Ratio of NPL-net (percent)	1.12	1.42
Total allowance for doubtful accounts	10,436	9,947
Ratio of loan loss reserve to NPLs (percent)	86.63	81.10

**Note:** NPL-net = non-performing loans - allowance for doubtful accounts of total non-performing loans

### ALLOWANCE FOR DOUBTFUL ACCOUNTS

As of 31 December 2009, allowance for doubtful accounts of TCAP and its subsidiaries was THB 10,436 million. The amount rose from the previous year by THB 489 million or a growth rate of 4.92 percent, mostly from the hire purchase loans of which the ratio of allowance for doubtful accounts to NPLs was as high as 86.63 percent. According to the calculation under the BOT's regulation, the ratio would reach 107.36 percent.

of these assets which accounted for 11.30 percent of its value based on the cost basis.

### CAPITAL EXPENDITURE

In 2009, the Company and its subsidiaries invested THB 716 million in land, premises, and equipment as well as intangible assets. These investments included THB 243 million of an installation of equipment, THB 113 million in land, premises and improvements of the premises, and THB 360 million in other investments.

### TROUBLED DEBT RESTRUCTURING

As of 31 December 2009, TCAP and its subsidiaries had 852,146 debtors, of which 11,008 was under the debt restructuring process at the outstanding amount of THB 7,135 million. Out of this outstanding amount, the value net of collaterals was at THB 2,579 million. During this year alone, TCAP and its subsidiaries has entered into the troubled debt restructuring agreements with 10,940 debtors, equivalent to the outstanding book value before the restructuring of around THB 4,077 million.

### LIQUIDITY

At the end of 2009, cash amount of TCAP and its subsidiaries registered at THB 3,665 million. Net cash flows received from various activities could be listed as follows:

- Net cash flows received from operating activities were a result of important changes in operating assets and liabilities consisting of; a decline of THB 692 million in interbank and money market items (assets), an increase of THB 1,073 million in trading securities and THB 19,225 million in loans, a decrease of THB 7,781 million in property foreclosed and THB 3,860 million in deposits, an increase of THB 13,674 million in interbank and money market items (liabilities), a decline of THB 795 million in liability payable on demand and an increase of THB 181 million in securities business payable.

### PROPERTY FORECLOSED-NET

As of 31 December 2009, the property foreclosed (cost basis) of TCAP and its subsidiaries stood at THB 7,355 million, a 1.60 percent of total assets. At total of THB 831 million was set aside as the allowance for impairment

- Net cash flows used in investing activities amounted to THB 43,819 million. Of this amount, cash paid for the purchase of long-term investments was THB 52,548 million, cash received from sales of investments in subsidiaries and associated companies was THB 7,740 million, cash received from interest and dividend amounted to THB 1,691 million, and cash used in the purchase of premises and equipment/intangible assets was THB 716 million.

- Net cash flows used in financing activities amounted to THB 28,758 million. Cash paid for borrowings amounted to THB 203,520 million while cash paid for interest from borrowing, dividend and repurchase of treasury stocks were THB 2,014 million, THB 1,165 million and THB 277 million respectively. At the same time, cash received from borrowings registered at THB 235,310 million while THB 981 million was accounted for cash received from new issuance shares of a subsidiary.

## SOURCES OF FUNDS

### CAPITAL STRUCTURE

Capital funds of TCAP and its subsidiaries were from two main sources: liabilities and shareholders' equity. As of 31 December 2009, funds from liabilities and

shareholders' equity of the Company and its subsidiaries totaled to THB 412,558 million and THB 47,407 million which accounted for 89.69 and 10.31 percent of total capital funds respectively. As a result, the ratio of liabilities to shareholders' equity stood at 8.70, or in another words, liabilities were 8.70 times of the operating equity. The important components of liabilities consisted of deposits which accounted for 64.44 percent of funds from liabilities, while the share of the interbank and money market items and borrowings during the period stood at 5.08 and 23.59 percent respectively.

### LIABILITIES

Liabilities of TCAP and its subsidiaries amounted to THB 412,558 million at 31 December 2009, an increase of THB 50,829 million or 14.05 percent from the end of 2008. The important components could be listed as follows:

- Deposits and short-term borrowings as of 31 December 2009 registered at THB 340,799 million, an increase of THB 24,417 million or 7.72 percent from the previous year.
- Long-term borrowings amounted to THB 22,377 million, an increase of THB 3,566 million or 18.96 percent from the previous year.

(Unit: Million Baht)

TOTAL LIABILITIES	31 DECEMBER 2009		31 DECEMBER 2008	
	AMOUNT	PERCENT	AMOUNT	PERCENT
Deposits	265,871	64.44	269,730	74.57
Interbank and money market items-net	20,939	5.08	7,293	2.02
Borrowings				
• Short-term	74,928	18.16	46,652	12.89
• Long-term	22,377	5.43	18,811	5.20
Other liabilities	28,443	6.89	19,243	5.32
Total liabilities	412,558	100.00	361,729	100.00

### SHAREHOLDERS' EQUITY

As of 31 December 2009, the shareholders' equity of the Company and its subsidiaries amounted to THB 47,407 million, an increase of THB 15,046 million or 46.49 percent from THB 32,361 million at the end of 2008. The major items included the following:

- The unallocated retained earnings amounted to THB 13,785 million, an increase of THB 3,443 million from the end of 2008. This was mainly due to an increase in the Company and its subsidiaries' net income of THB 5,109 million, netting THB 1,213 million from dividend payments.

- The revaluation surplus on investments amounted to THB 2,159 million, an increase of THB 3,478 million from 2008.

- Surplus from the equity valuation of subsidiaries registered at THB 776 million, a decrease of THB 366 million from the end of 2008.

- During 2009, TCAP repurchased 39.03 million shares worth of THB 277 million from the shareholders at an average price of THB 7.10 per share. The repurchased shares had not been sold during the year. However, the Company was required to dispose these repurchased shares within three years from the date on which they were repurchased.

- The minority shareholders' equity increased by THB 8,315 million from the end of 2008 due to the increase in the shareholding of Scotiabank in TBANK to 49.00 percent.

## OBLIGATIONS

As of 31 December 2009, the off-balance-sheet obligations of TCAP and its subsidiaries amounted to THB 101,285 million, an increase of 5.78 percent from the end of the previous year. These included THB 48,408 million worth of interest rate swap agreements; THB 29,610 million from forward contracts on foreign exchange; THB 12,722 million from cross-currency and interest-rate swap contracts; THB 4,861 million in committed but not drawn down overdrafts; THB 306 million in avals to bills and loan guarantees; THB 1,010 million in letters of credit; THB 87 million in obligation under unmatured import bills; and other guarantees worth of THB 4,281 million.

Noteworthy performances of the Company's subsidiaries, based on their respective financial statements are listed as follows:

(Unit: Million Baht)

SUBSIDIARIES	DIRECT/INDIRECT SHAREHOLDING	NET PROFIT	
		2009	2008
Thanachart Bank Public Company Limited			
Consolidated financial statements		4,056	1,870
Separate financial statements	50.92	3,547	1,304
Thanachart Securities Public Company Limited	50.92	274	97
Thanachart Fund Management Company Limited	38.19	111	123
Thanachart Insurance Company Limited	50.92	225	63
Thanachart Life Assurance Company Limited	50.92	120	350
NFS Asset Management Company Limited	100.00	395	253
MAX Asset Management Company Limited	83.44	115	130

## FINANCIAL POSITION AND PERFORMANCE OF SUBSIDIARIES

### THANACHART BANK PUBLIC COMPANY LIMITED

Analysis of financial position and performance for the year ended 31 December 2009, compared to the financial position and performance for the year ended 31 December 2008.

### OVERVIEW OF FINANCIAL POSITION

#### ASSETS

Total assets of TBANK as of 31 December 2009 amounted to THB 413,878 million, an increase from end-2008 of THB 45,663 million or 12.40 percent, which

stemmed from an increase of net investments of THB 38,057 million and an increase in net loans and accrued interest receivables of THB 8,265 million.

TBANK's investments registered at THB 64,643 million, a rise of THB 38,057 million or 143.14 percent from surge in deposits and short-term borrowings which implies higher liquidity for TBANK. With such liquidity in hand, the increased investments provided the Bank with higher rate of returns from both short-term and long-term investments.

Net loans and accrued interest receivable of TBANK amounted to THB 275,108 million, an increase of THB 8,265 million or 3.10 percent from last year. The increase was mostly due to an expansion of THB 15,797 million in corporate lending and THB 7,976 million of automobile hire purchase while the intercompany loans

within Thanachart Group declined by THB 9,730 million from the usual loan repayments.

## LIABILITIES AND SHAREHOLDERS' EQUITY

### LIABILITIES

As of 31 December 2009, TBANK's liabilities totaled to THB 387,523 million, an increase of THB 40,579 million or 11.70 percent from the end of 2008, most of which was attributed by a rise in short-term borrowings and interbank and money market items while deposits declined. The key items in can be listed as follow:

- Deposits totaled to THB 266,727 million, a decline of 1.52 percent or THB 4,105 million from the end of the previous year. Most of the deposits had remaining maturity of less than one year, which accounted for 83.02 percent of the total deposits, declining from 99.48 percent of last year.

- Total interbank and money market items registered at THB 22,165 million, a rise of THB 14,496 million or 189.03 percent from last year. Out of this increase, THB 9,300 million was from domestic items while THB 5,196 million was from foreign items.

- Total borrowings registered at THB 90,936 million, consisting of short-term borrowings amounted to THB 75,936 million and long-term borrowings of THB 15,000 million. Short-term borrowings increased by THB 28,008 million or 58.44 percent from last year while long-term borrowings also rose from last year by THB 640 million or 4.46 percent. During the second and third quarters of 2009, TBANK issued subordinated debentures in the amount of THB 7,000 million to support the continued expansion of credit lending into the future periods as well as to replace some fractions of borrowings that matured during the second quarter. The detailed of issued debentures can be stated as follows:

- Unsecured and unconvertible subordinated debentures with a bondholder representative for the issuance in the amount of THB 2,000 million with a maturity of 10 years. The interest rate was at 5.25 percent for year 1-3, 5.75 percent for year 4-7 and 6.50 percent for year 8-10.

- Unsecured and unconvertible subordinated debentures with a bondholder representative for the issuance in the amount of THB 5,000 million that can be divided into:

1. The issuance of THB 3,500 million for 10-year maturity with the interest rate of 5.25 percent for year 1-5 and 5.5 percent from year 6-10.

2. The issuance of THB 1,500 million for 15-year maturity with the interest rate of 5.25 percent for year 1-5, 6.0 percent from year 6-10 and 6.5 percent for year 11-15.

### SHAREHOLDERS' EQUITY

TBANK's' equity as of 31 December 2009 was reported at THB 26,355 million, an increase of THB 5,085 million or 23.91 percent compared to the end of 2008. The increase was mainly due to the increase in net income and from an increase in the paid-up capital of THB 2,000 million during 2009. In the second quarter of 2009, TBANK paid out dividend from net income of 2008 to shareholders at a rate of THB 0.56 per share, totaled to THB 971 million.

### DEBT TO EQUITY RATIO

TBANK's debt to equity ratio decreased from 16.31 in 2008 to 14.70 in 2009.

### OBLIGATIONS

TBANK's total obligation increased from THB 87,095 million in 2008 to THB 92,609 million in 2009. All items of obligations, except obligations under unmatured import bills, increased from that of 2008.

Moreover, TBANK was obligated to an estimated share of potential losses from the sales of non-performing loans to the Thai Asset Management Company (TAMC) in the amount of around THB 89 million, of which a part was presented as allowance for impairment of long-term investment in debt securities. Moreover, the Bank was obligated to compensate losses from the sales of mortgage loans to the Secondary Mortgage, Corporation (SMC). The compensation was for losses arising from the number of default mortgage loans up to a maximum of 20 percent of the value of the aforementioned loans, which as of 31 December 2009 did not exceed THB 2 million.

## ASSET QUALITY

### 1. Loans, receivables and accrued interest receivables

As of 31 December 2009, TBANK's net loans and accrued interest receivables amounted to THB 275,108 million, an increase of THB 8,265 million or 3.10



percent from the end of last year. During 2009, the Bank entered into various debt restructuring agreements in the form of reconditioning the debt repayment, transferring assets and/or equity and/or reconditioning the terms and conditions of repayment. The total debt restructuring agreements were made with 10,810 debtors, (an increase of 214 debtors. This was due to the debt management process of the Bank, which led to the ability of some debtors to restructure their debts by having their debt burden in line with the ability to repay debts, and also due to the improvement program of the Bank to improve the debt quality).

## 2. Loan classification according to the BOT's notification

As of 31 December 2009, TBANK's loans and accrued interest receivables (including loans to financial institutions shown in the interbank and money market items), classified under the BOT's notification registered at THB 335,145 million, an increase of THB 23,164 million or 7.42 percent from the past year. The Bank had set aside allowance for doubtful accounts as of 31 December 2009 of THB 7,504 million and additional allowances for doubtful accounts of THB 214 million. As a result, the total allowance for doubtful accounts amounted to THB 7,718 million, a THB 1,353 million increased from the previous year. This led the ratio of total allowance for doubtful account to loans and accrued interest receivables to stage at 2.30 percent.

## 3. Non-performing loans (NPLs)

As of 31 December 2009, TBANK faced with NPLs in the amount of THB 8,359 million, an increase of THB 1,192 million from the end of the past year due to the economic slowdown that posed an adverse impact on the

debt repayment ability of the debtors, especially in the Bank's main business, hire purchase. Nonetheless, the NPL ratio stood at only 2.49 percent and the NPL net provision totaled to THB 1,952 million, resulted in the ratio of net NPL to total loans of 0.59 percent. The allowance for doubtful accounts this year recorded at THB 7,718 million which accounted for 92.34 percent of the NPLs.

## 4. Investments in securities

In 2009, TBANK's total investments in securities amounted to THB 59,876 million, most of which was allocated to investments in government and state enterprise securities, accounted for 71.89 percent of the total investments in securities. The second largest share was in the available-for-sale foreign debt securities that the Bank had already entered into forward agreements to cover the foreign exchange risks in advance for both foreign investments and related interests which accounted for 17.02 percent of total investments in securities of TBANK. After taking into consideration revaluation surplus (deficit) and allowance for impairment, net investments would total to THB 60,161 million in 2009, an increase from THB 22,104 million in 2008 or a 172.17 percent increase.

## MAINTENANCE OF CAPITAL ADEQUACY RATIO

As of 31 December 2009, TBANK's total capital registered at THB 38,557 million of which THB 23,645 million was Tier 1 capital and THB 14,925 million was for Tier 2. The ratio of capital to risk weighted assets calculated under Basel II standards was at 14.10 percent, an increase of 11.18 percent from the end of the previous year which was still well above the BOT's minimum requirement of 8.50 percent. Details of ratio of capital to risk weighted assets can be listed as follows:

## RATIO OF CAPITAL TO RISK WEIGHTED ASSETS

	31 DECEMBER 2009		31 DECEMBER 2008	
	MILLION BAHT	PERCENT	MILLION BAHT	PERCENT
Tier 1 capital	23,645	8.65	20,261	8.02
Total capital	38,557	14.10	28,247	11.18

## OVERALL PERFORMANCE

In 2009, net income of TBANK amounted to THB 3,547 million, an increase of THB 2,243 million or 171.97 percent from the previous year. The rise was contributed by efficient management on non-performing assets due to the adjustment in strategies and policies in debt collection. In addition, the more cautious lending policy also resulted in a decrease in expenses regarding bad debt and doubtful accounts of THB 718 million. Furthermore, the interest rate spread was up from 3.7 percent in the previous period to 4.69 percent. During the year, moreover, the Bank could also continuously raise non-interest income which expanded by 27.81 percent in accordance with the efficient management of the Bank's expenditure. The result was a decline of cost to income ratio from 60.81 percent in the previous year to 53.81 percent with key changes listed as follows:

1. Regarding loan expansion, TBANK could continuously expand its lending both in hire purchase and corporate lending. Especially in the hire purchase section which was the main business of the Bank, the outstanding figure increased from THB 198,344 million to THB 206,320 million or a 4.02 percent increase from the end of 2008. Moreover, corporate loans increased from THB 35,113 million to THB 50,910 million, representing an increase of 44.99 percent. The increase in corporate loans was in line with loan diversification policy of the Bank.

2. The expansion of deposit base under the declining market interest rate environment, effective management on deposit structure, the issuance of new products as alternatives for customers to gain higher market share were the major factors lowering TBANK's cost of funds to 2.01 percent compared to 3.21 percent of last year.

3. TBANK rapidly generated non-interest income and adjusted the management of operating expenses in 2009, by launching new products, and improving infrastructures and other systems to support the business expansion. As a result, the Bank was able to achieve non-interest income ratio of 16.60 percent and cost to income ratio of 53.81 percent compared to the average value of the peers at 56.38 percent.

### INTEREST AND DIVIDEND INCOME

In 2009, TBANK's interest and dividend income stood at THB 20,934 million, an increase of THB 1,037 million or 5.21 percent compared to the past year. Most of the increase could be explained by an increase in interest

income for hire purchase followed by the expansion of credit as well as interest and dividend income from investments.

### INTEREST EXPENSES

Interest expenses stood at THB 6,791 million, a decrease of THB 2,637 million or 27.97 percent relative to the previous year due to the decline in cost of funds that was consistent with the trend of market interest rates.

### BAD DEBT AND DOUBTFUL ACCOUNTS

TBANK's expenses on bad debt and doubtful accounts for 2009 registered at THB 2,830 million, a decrease of THB 718 million or 20.22 percent from the past year. Such result was due to the adjustment in work process that allows higher efficiency in debt management and collection regardless of the economic downturn.

### NON-INTEREST INCOME

In 2009, TBANK's non-interest income amounted to THB 2,815 million, an increase of THB 613 million or 27.81 percent relative to the past year. The major portion of the increase was an increase in fees and service income and a decline in losses incurred from investments due to economic conditions. Moreover, the Bank's income also rose from the sale of property foreclosed and other assets as well as an increase of other incomes.

### NON-INTEREST EXPENSES

In 2009, non-interest expenses of TBANK totaled to THB 9,125 million, a rise of THB 1,420 million or 18.44 percent compared to the previous year. The increase was mainly due to a rise in personnel expenses of THB 683 million as well as premises and equipment expenses of THB 259 million due to expansion in number of the Bank's branches, investments in the information technology system and infrastructure. Moreover, the expenses on funds contributed to the Financial Institution Development Fund (FIDF) and Deposit Protection Agency (DPA) also increased by THB 250 million.

## THANACHART SECURITIES PUBLIC COMPANY LIMITED

As of 31 December 2009, net income of Thanachart Securities Public Company Limited "TNS" was reported at THB 273.56 million, increased from the same period of the previous year by THB 176.64 million or 182.26 percent. Most of the increase resulted from income

of brokerage fee on selling securities and derivatives that rose by THB 151 million or 19.18 percent, which was in line with the stock market condition and the higher market share of TNS. Furthermore, TNS's increase in net income was also due to rising profit in securities trading of THB 84.70 million as well as sales and reversal of losses of the impairment of investment in securities which was realized in the previous period. On the other hand, the fee expenses on security business and personnel expenses also increased with the volume of transactions while other operating expenses declined due to the policy to control expenditure of TNS.

TNS's ratio of net liquid capital was at 148.09 percent which well exceed the minimum requirement of the SEC at 7 percent.

#### THANACHART FUND MANAGEMENT COMPANY LIMITED

Net income of Thanachart Fund Management Company Limited "TFUND" as of 31 December 2009 totaled at THB 111.16 million, decreased from the same period of last year by THB 12.16 million or 9.86 percent. This was a result of the recording of income from reacquired bad debt in 2008 at the amount of THB 1.44 million of which the tax incentives from such item could be deducted from TFUND tax payment. However, TFUND's tax payment in 2009 was in full. Net income before corporate income tax of TFUND as of 31 December 2009 registered at THB 161.84 million, an increase of THB 1.10 million or 0.69 percent from the previous year. This was due to an increase in fee-based and service income in 2009 that rose by THB 2.07 million or 0.48 percent from last year as well as a decline in total expenses of THB 6.36 million or 2.24 percent.

#### THANACHART LIFE ASSURANCE COMPANY LIMITED

Insurance premium income of Thanachart Life Assurance Company Limited "TLIFE" as of 31 December 2009 increased from the previous year. However, TLIFE had to set aside insurance reserve in compliance with the Office of Insurance Commission (OIC) standards which resulted in the net operating income of this year of THB

120.38 million, a THB 229.92 million reduction from the same period of last year. The capital ratio was at 402.06 percent which was higher than the minimum requirement of the OIC at 150 percent.

#### THANACHART INSURANCE COMPANY LIMITED

Insurance premium income of Thanachart Insurance Company Limited "TNI" as of 31 December 2009 declined from the previous year due to the adjustment in TNI's marketing strategies. Nevertheless, the efficient management of insurance compensation resulted in TNI's net operating income of THB 225 million, an increase of THB 162.23 million or 258.45 percent from the previous year. The capital ratio was at 308 percent, higher than the minimum requirement of the OIC at 150 percent.

#### NFS ASSET MANAGEMENT COMPANY LIMITED

Net income of NFS Asset Management Company Limited "NFS AMC" as of 31 December 2009 staged at THB 395 million, a rise from the same period of last year by THB 142 million or 56.13 percent. The majority of income was due to income from loans of THB 506 million, a rise of THB 297 million or 142.11 percent as well as the reversal of allowance for impairment and doubtful accounts of THB 136 million, a decline of THB 69 million or 33.66 percent. The operating expenses were recorded at THB 100 million which rose by THB 2 million from the previous year.

#### MAX ASSET MANAGEMENT COMPANY LIMITED

Net income of MAX Asset Management Company Limited "MAX AMC" as of 31 December 2009 staged at THB 115 million a decrease of THB 14 million or 10.85 percent from the previous year while the total income amounted to THB 224 million, a decrease of THB 32 million or 12.50 percent from the previous year. Most of income were contributed by income from loans of THB 96 million, income from property foreclosed of THB 113 million and other income of THB 15 million. In 2009, MAX AMC paid out dividend of THB 300.30 million to the shareholders, which was equivalent to THB 5.25 per share.

### THANACHART CSR



#### Foundation for Slum Child Care

*Set up donation boxes at all the Bank's branches to raise funds in support of the Foundation as well as encourage donations from customers, executives and Thanachart Group's employee to support the child's living conditions, education and quality of live.*

## NATURE OF BUSINESS OPERATIONS

### OVERVIEW OF THE BUSINESS OPERATION

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

#### (A) THE MEMBER COMPANIES THAT OPERATE FINANCIAL BUSINESSES:

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

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

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

the securities business. These include, among others, financial advisory services, future businesses, unit trust underwriting, and repurchasing services as well as securities registrar.

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

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

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

7. **Thanachart Group Leasing Company Limited** "TGL" gives automobile hire purchase loans.

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

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

10. **T Leasing Company Limited** "TLEASING" was granted a license to operate motorcycle hire purchase business.

**(B) THE MEMBER COMPANIES THAT OPERATE SUPPORTING BUSINESSES:**

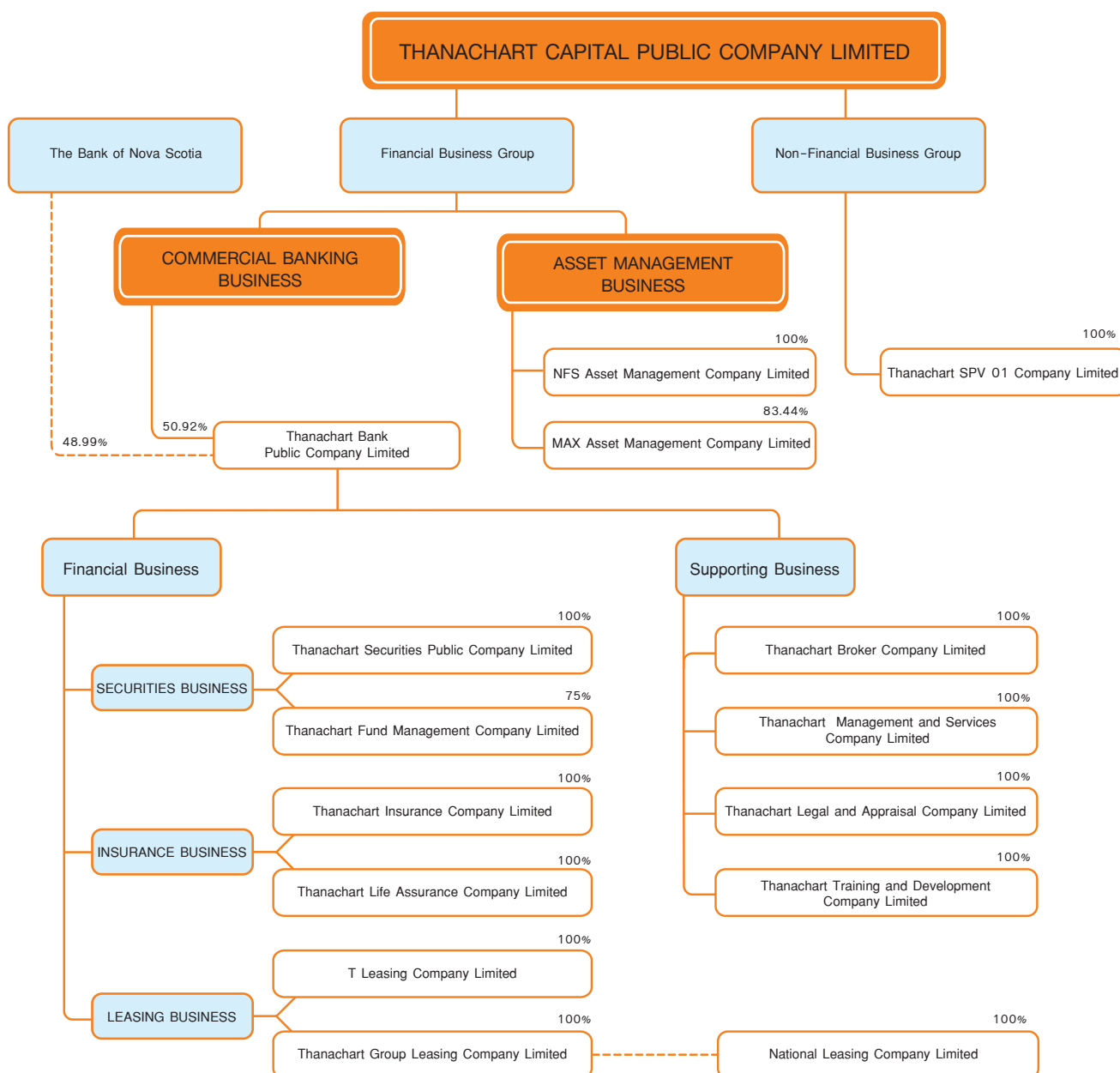
1. **Thanachart Legal and Appraisal Company Limited “TLA”** gives legal services related to contracts, legal advice, bringing cases to court of law, legal enforcement, and appraisal of collateral.

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

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

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

**SHAREHOLDING STRUCTURE OF THANACHART GROUP AS AT 31 DECEMBER 2009**



**Note:** The above shareholdings include shares held by the related parties.

## POLICY ON DIVISION OF OPERATIONAL FUNCTIONS AMONG MEMBER COMPANIES OF THANACHART GROUP

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

### BUSINESS POLICIES

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

### SUPERVISION OF SUBSIDIARIES

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

### CENTRALIZED SUPPORT SERVICES

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

administration and procurement, legal and appraisal services, as well as retail debt collections and collections brokerage.

## INTERNAL CONTROL, AUDIT, AND CORPORATE GOVERNANCE OF PARENT COMPANY AND SUBSIDIARIES

Thanachart Group places strong emphasis on internal control. The Group adheres to the principle of adequate and appropriate internal control by establishing procedures for the conduct of business, provision of services, and operations. The Group also separates the duties and responsibilities of each unit from those of others, based on a system of checks and balances. In addition, it puts in writing the announcements as well as order mandates, rules and regulations covering key business areas and operations, and these 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, rules and regulations of all member companies of the Group.

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

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



As regards the corporate governance, the Boards of Directors of TCAP and the companies in the Group place strong emphasis on the good corporate governance both at the level of the Boards of Directors and the level of various Committees. Independent directors are appointed to the Boards of Directors and the Committees to provide effective checks and balances on the powers of executive directors. The established scope of responsibilities of the Boards of Directors and the Committees are also in line with the principles of good corporate governance promoted by the authorities concerned. In addition, the Boards of Directors of the TCAP and the subsidiaries have established the corporate governance policy and the code of conduct which the directors, executives, and staff of the member companies

of Thanachart Group are required to adhere to. Focus is given to integrity, transparency, and avoidance of any conflict of interest.

## RISK MANAGEMENT

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

## INCOME STRUCTURE OF THANACHART CAPITAL AND ITS SUBSIDIARIES

The income structure of TCAP and its subsidiaries based on the consolidated financial statements as of 31 December 2009, 2008 and 2007 was as follows:

(Unit: Million Baht)

INCOME STRUCTURE	31 DECEMBER 2009		31 DECEMBER 2008		31 DECEMBER 2007	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
<b>INTEREST AND DIVIDEND INCOME</b>						
Thanachart Capital Public Company Limited	337	0.90	1,057	4.44	2,378	12.05
Thanachart Bank Public Company Limited	20,280	54.04	18,986	79.73	15,360	77.82
Thanachart Securities Public Company Limited	104	0.28	110	0.46	72	0.36
NFS Asset Management Company Limited	271	0.72	145	0.61	210	1.06
MAX Asset Management Company Limited	17	0.04	17	0.07	63	0.32
Thanachart Fund Management Company Limited	2	0.01	7	0.03	6	0.03
Thanachart Insurance Company Limited	60	0.16	65	0.27	55	0.28
Thanachart Life Assurance Company Limited	377	1.00	285	1.20	160	0.81
Thanachart Group Leasing Company Limited	356	0.95	466	1.96	421	2.13
T Leasing Company Limited	271	0.72	253	1.06	20	0.10
Thanachart Broker Company Limited	-	-	1	-	1	0.01
Other subsidiaries	37	0.10	21	0.09	53	0.27
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>22,112</b>	<b>58.92</b>	<b>21,413</b>	<b>89.92</b>	<b>18,799</b>	<b>95.24</b>
<b>INTEREST EXPENSES</b>						
Thanachart Capital Public Company Limited	414	1.11	391	1.65	573	2.90
Thanachart Bank Public Company Limited	6,477	17.26	9,109	38.25	9,125	46.23
Thanachart Securities Public Company Limited	1	-	3	0.01	1	0.01
MAX Asset Management Company Limited	-	-	3	0.01	8	0.04
<b>TOTAL INTEREST EXPENSES</b>	<b>6,892</b>	<b>18.37</b>	<b>9,506</b>	<b>39.92</b>	<b>9,707</b>	<b>49.18</b>
<b>NET INTEREST AND DIVIDEND INCOME</b>	<b>15,220</b>	<b>40.55</b>	<b>11,907</b>	<b>50.00</b>	<b>9,092</b>	<b>46.06</b>

(Unit: Million Baht)

INCOME STRUCTURE	31 DECEMBER 2009		31 DECEMBER 2008		31 DECEMBER 2007	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
NON-INTEREST INCOME						
Thanachart Capital Public Company Limited	3,625	9.66	1,044	4.38	1,688	8.55
Thanachart Bank Public Company Limited	2,220	5.92	1,649	6.93	1,506	7.63
Thanachart Securities Public Company Limited	1,011	2.69	777	3.26	760	3.85
NFS Asset Management Company Limited	281	0.75	319	1.34	471	2.39
MAX Asset Management Company Limited	217	0.58	227	0.95	241	1.22
Thanachart Fund Management Company Limited	436	1.16	435	1.83	368	1.87
Thanachart Insurance Company Limited	2,670	7.11	2,501	10.50	2,081	10.54
Thanachart Life Assurance Company Limited	11,637	31.01	4,682	19.66	3,313	16.79
Thanachart Group Leasing Company Limited	96	0.26	65	0.27	86	0.44
T Leasing Company Limited	37	0.10	49	0.21	4	0.02
Thanachart Broker Company Limited	57	0.15	94	0.40	66	0.33
Other subsidiaries	23	0.06	65	0.27	62	0.31
<b>TOTAL NON-INTEREST INCOME</b>	<b>22,310</b>	<b>59.45</b>	<b>11,907</b>	<b>50.00</b>	<b>10,646</b>	<b>53.94</b>
<b>NET INTEREST AND DIVIDEND INCOME AND NON-INTEREST INCOME</b>	<b>37,530</b>	<b>100.00</b>	<b>23,814</b>	<b>100.00</b>	<b>19,738</b>	<b>100.00</b>

**Note:** Other subsidiaries consisted of National Leasing Co., Ltd., Sinkahakarn Co., Ltd., Passara Co., Ltd., Thiravanit Co., Ltd., Thanachart Legal and Appraisal Co., Ltd., Thanachart Property Fund 6, Thanachart SPV 01 Co., Ltd., Thanachart Training and Development Co., Ltd., and Thanachart Management and Services Co., Ltd.

## NATURE OF BUSINESS OPERATION OF EACH BUSINESS GROUP

### BUSINESS POLICY AND STRATEGIES OF THANACHART GROUP

In 2009, Thanachart Group determined its strategic direction in becoming a fully integrated financial services group that is capable of offering quality products and services that cater to the financial needs of the targeted groups of customers in an efficient manner. To move in the right strategic direction, Thanachart Group has come up with a vision based on the fully integrated financial services group by *"Being a business group that offers fully integrated financial services with focus on creation of service excellence and development of various products that cater to all the financial needs of its target groups of customers, with the cooperation and solidarity of all the members of the group."*

Such vision is based on three major fundamentals. The first fundamental is the business group which has fully integrated financial services (Universal Banking) with Thanachart Bank being the main channel for offering the services. The second one is the ability to cater to customers' needs (Customer Centric) while the third one is the cooperation received from all the work units as well as the unity among them (Synergy).

Moreover, the efforts based on the three major fundamentals will not only help Thanachart Group to become a successful financial institution with fully integrated financial services, but will also be the key drivers in making the Group become one of Thailand's leading banks over the next three to five years.

In addition to the goal of becoming a fully integrated financial services group, Thanachart Group has set itself a goal of becoming a leading mid-sized bank in the country's commercial banking industry through

organic growth, i.e. having an asset size suitable for business competition and achieving financial performance at the same level as the average of the commercial banking industry. As a result, Thanachart Group places strong emphasis on expanding both corporate and retail customer base together. Currently, the Group is quite well prepared and has a competitive advantage. It also places strong emphasis on risk management so that the risk assets diversification is the key factor that drives the Group to have a sustainable growth. Therefore, the expansion of corporate and SME loans is being implemented for providing its customers with more alternatives. Moreover, with the cooperation from the Bank of Nova Scotia “Scotiabank” in developing new businesses, Thanachart Group offers new products such as credit card business, trade finance business and treasury, in order to provide its customers with superior range of new products. Also, for the Group strong growth structure, the Group puts in place the importance of the balance of income between interest income and fee-based income by developing fee-based income business and promoting cross-selling. The Group has communicated these goals to the staff throughout the organization in the form of nine strategic intents with the details as follows:

1. To meet all strategic financial targets
2. To maintain market leader in Hire Purchase business
3. To increase in customer accessibility
4. To diversify business loan portfolio
5. To have a drastic improvement in Cross-selling
6. To grow by increasing fee-based income proportion
7. To enhance our productivity and cost effectiveness
8. To achieve “Best-in-Class” in customer servicing
9. To build-up our brand strengthening

Being in line with the vision and strategies established by Thanachart Group, the above strategic intents are communicated to all staff at all levels so that they all share the same determination. In order that the strategies are in alignment, efficiently measurable and able to control the organization systematically, Thanachart Group has developed a long term plan entitled “CEO’s Six-point Agenda” which serves as a key tool to effectively and systematically control the key business plans of all the business units of the Group.

## BUSINESS OPERATIONS OF EACH BUSINESS GROUP

### COMMERCIAL BANKING BUSINESS

#### CHARACTERISTICS OF SERVICES

Thanachart Bank operates its businesses in compliance with the Financial Institutions Businesses Act and other relevant notifications issued by The BOT. Among others, TBANK also acts as an advisor for investments in unit trusts and securities trading account opening, a life insurance brokerage agent, a financial advisor, an agent for bondholders, and a custodian. As at 31 December 2009, TBANK had in total of 256 branches (excluding the headquarters), 401 ATMs (both in-branches and stand-alone), 3 Cash Deposit Machines (CDMs), 91 foreign exchange booths, 76 of which are in-branches, as well as 15 foreign exchange offices.

#### GROUP OF PRODUCTS AND SERVICES

TBANK improves and develops products to better serve the customer needs. Its four main products and services include deposits, loans, electronic services, and others.

PRODUCTS & SERVICES	CHARACTERISTICS	COMPETITIVE STRATEGIES
GROUP 1 DEPOSIT PRODUCTS	Deposit products are offered to customer groups, both retail and corporate, through its service outlets. It has four major types of deposit products including savings deposits, fixed deposits, current deposits, and foreign currency deposits.	In 2009, TBANK developed and offered two new deposits products to its customers under the name of “Ultra Savings” and “Premium Current”. This was for catering to all financial needs of its customers and covering new target group of customers. In addition, the product package was promoted to existing and current customers through product bundling, cross-selling, and up-selling. The strategy was supported by the Customer Segmentation. TBANK also promoted the “Prestige Banking Service” which is the program that serves and gives privileges to TBANK’s high net worth customers. The products and services were offered through various channels including branch network, electronic channels, sales and marketing teams, as well as its business alliance network.
GROUP 2 LENDING PRODUCTS	<p>1. Personal Loans</p> <p>(1) <i>Mortgage loans</i> under the brand of “Home 4 You”. (2) <i>Multi-purposed loans</i> named “TBANK Home Plus”. (3) <i>Education loans</i> called “Scholar Loan.” (4) <i>Wish-list loans</i> are credit lines given to the hire purchase customers with good repayment records. (5) <i>Credit Card</i> offered under the name of Thanachart Drive Visa/Master Card and given to the hire purchase customers with good repayment records and depositors.</p> <p>2. Automobile SMEs</p> <p>TBANK offers this product to entrepreneurs who have short-term financial needs with the proceeds of the loans to be used as their working capital or for enhancing their liquidity position as well as those who have long-term financial needs with the proceeds of the loans to be used for business expansion or reducing</p>	<p>TBANK places emphasis on efficient service delivery and on offer of fully integrated products that catered 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, as well as interest rates charged. The target customers are divided into four groups, i.e. customers who need home loans, customers who need personal loans with houses as collateral, hire purchase customers with good repayment records, and customers who need to study further in a higher level. The main distribution channel is personal sales and marketing team that look after the sales target set in the business plan. Moreover, branch network is set to advertise personal loans or new products to the customers.</p> <p>TBANK places emphasis on lending to car related entrepreneurs. The plan is set together between the Product Development team and Marketing team. Focus is given to selection of the target customers, whom TBANK has database and good relationships with. Also, TBANK continues placing emphasis on promoting good relationships with its customers by providing the customers with advice on financial and business planning. This is for maintaining the Bank’s existing customers. TBANK continues developing loan products that incorporate other financial services, ensuring that the</p>

funding cost. These include, among others, guarantee/avals and trade finance.

customers have the credit line and products that match their financial needs as well as the financial structure that was appropriate to their business operations. Loan approval authority was delegated by making use of the credit scoring techniques as a main tool in screening and approving applications for standard loan products. The main distribution channels were in Bangkok and its vicinity and in the upcountry.

### 3. Corporate Loans

TBANK divides corporate finance customers into three groups as follows: *(1) Large scale businesses* which are the group of customers with annual sales revenue of over THB 1,000 million, *(2) Medium-sized businesses* including the group of customers with annual sales revenue of over THB 300 million who are located in Bangkok and its vicinity and intend to get a loan worth more than THB 50 million from TBANK, as well as the group of customers with annual sales revenue of over THB 200 million who are located outside Bangkok and its vicinity and intend to get a loan worth more than THB 25 million, and *(3) Small scale businesses* which include the group of customers with annual sales revenue of less than THB 300 million who are located in Bangkok and its vicinity and intend to get a loan worth less than THB 50 million from TBANK as well as the group of customers with annual sales revenue of less than THB 200 million who are located outside Bangkok and its vicinity and intend to get a loan worth less than THB 25 million.

TBANK sets the corporate lending policies in line with the economic growth as well as the risks which could arise from giving loans. TBANK attempts to manage the correlation between risks and the rate of return at an acceptable level. Also, TBANK puts an effort to control the quality of loans and develop the corporate banking team to be more professional. The Investment Banking Group was set for providing customers with a full range of financial advice aiming at catering to all customers' needs. Apart from the Bank's policy of providing loans, the corporate banking team places emphasis on tying up relationships with customers and being total solution provider, resulting in the sustainable growth of the customers. Moreover, TBANK established the Product Development Division for corporate customers. The department is responsible for designing products and services that meet the needs of the customers in a most efficient manner. As well, the Bank invested in credit systems and streamlined the internal work process, ensuring that they are shorter and more flexible. The objective is to give services to the customers more efficiently. Focus is given to large and medium scale customers with strong performance, particularly those in the target sector in Bangkok and in the upcountry. Focus is also given to expansion of the client base to cover supply chain of the target customer groups. The channels of distribution includes TBANK head office, cross selling of the Group, branch network, business alliance network, as well as electronic banking.

#### 4. Hire Purchase Loans

TBANK gives hire purchase loans with focus given to loans for new and used cars. TBANK also offers the sale and leaseback services under the product named "Cash Your Car". This product is in response to hire purchase consumers who need cash. Moreover, TBANK also has other car-related projects such as the NGV loan project which is jointly supported by TBANK and PTT. Under the project, TBANK gives loans at a low interest rate for installing NGV equipment and tank, in line with the promotion to reduce the use of crude oil and to protect the environment.

TBANK streamlines the loan process with cautious manners. The loans services are provided at the head office and branches in every provincial area. The Bank sets the policy to offer a competitive price in the market and also makes the terms of its hire purchase loans more flexible within the limits established. In addition, TBANK places emphasis on after-sale services, sales promotion activities with the car dealers in aggressive and passive styles, as well as establishing relationships with the auto manufacturers' companies which give hire purchase loans. The Bank also adopts a market penetration strategy aims at gaining a larger market share of the automobile hire purchase business. It invites the customers who have used TBANK's services before, to get a hire purchase loan from the Bank again to buy their second car. In addition, TBANK focuses its marketing efforts on the customers using the hire purchase services of other companies as well as those who have never used the hire purchase services before, such as individual or corporate clients who purchase their cars by cash. TBANK also increases channels through its customer base by focusing on the high potential customers and organizing special campaign with car dealers offered to specific customer groups.

#### 5. Trade Finance

TBANK provides a full range of trade finance products and services including Import L/C, Trust Receipt, Packing Credit, Export Bill Negotiation, Standby L/C, and Letter of Guarantee.

Accuracy in services, convenience, interest rates, and fees are the main variables in encouraging the customers to use TBANK's trade finance services. TBANK takes into consideration the income from business transaction of customers and the creation of customer base as the main concerns. The target groups of customers are corporate, SME, and retail clients. For the corporate clients, TBANK has the target to build up future customer base and expand its network around the world. On the other hand, SME and retail clients are considered as the main sources of income. The services are provided through corporate and SME loans marketing officers and TBANK branch network.

### THANACHART CSR



#### Khon Troupes for Culture Preservation

*Donated fund to support Mr. Somsong Khun-arj (Khru Chu Cheep), the role-modeled teacher who devoted himself in teaching 'Khon' traditional dance to the interested children which helped preserve the Thai culture for the future generations.*

PRODUCTS & SERVICES	CHARACTERISTICS	COMPETITIVE STRATEGIES
GROUP 3 ELECTRONIC PRODUCTS AND SERVICES	TBANK offers electronic products and services that enable financial transactions of its customers to be processed in a more efficient manner. These services include fund transfer service, 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 (SMART) and bill payment service through various channels of the Bank.	The competitive strategy focuses on appropriate fee pricing and sales promotions including cross-selling and up-selling. Using this strategy, TBANK could propose its services to both small and large scale companies. TBANK increases the promotion campaign to attract the customers aiming at easy accessibility and services. For example, customers can draw down the loan on the date when the transaction is executed. Branches have been opened in shopping centers focusing on customers who want convenient service and safety money transfer. In addition, TBANK has developed e-service system to better serve the needs of customers.
GROUP 4 OTHER PRODUCTS	<p><b>1. Foreign Exchange Services</b></p> <p>TBANK's services include foreign exchange services in form of; bank notes and traveler's cheques, money changers, forward foreign exchange for customers' international trading business transaction, foreign currency transfers in/out of the country for payments of goods or for transfers into personal accounts, and opening of Foreign Currency Deposit (FCD) accounts and etc.</p> <p><b>2. Bill of Exchange</b></p> <p>TBANK has expanded its bill of exchange products and services to every branch nationwide. This results in the more convenience for the customers and the increase in service accessibility to cover all areas. The product is well accepted and accredited from the customers.</p>	<p>TBANK has expanded its branch network and foreign exchange offices to serve all business sectors and tourists nationwide. TBANK also adjusts exchange rates by benchmarking with the movements of the world's currency market. As a result, its customers receive the real time rates and fair prices.</p> <p>In 2009, TBANK developed methods of B/E services to be convenient, safety, and more confident given to its customers. In this connection, the B/E books which were for checking transaction lists and outstanding of investments in each Bank's B/E were introduced to the customers. TBANK also facilitated its customers by transferring payments of principal and interest when the B/E matures or transferring a payment of interest of each period automatically to the customers' savings accounts or current accounts as stated in each purchase order. Target customers are depositors both individual and corporate clients who have knowledge, understanding, and experience in investing in debt instruments and accept a certain level of the Bank's credit risk.</p>



PRODUCTS & SERVICES	CHARACTERISTICS	COMPETITIVE STRATEGIES
	<p><b>3. Bondholder Representative Services</b></p> <p>TBANK's securities business support services are, for example; Custodian, Trustee, Fund Supervisor, and Bondholder Representative according to the approvals from the BOT and the SEC.</p>	<p>Securities Supportive Services Business have been growing in parallel with the capital market. TBANK recognized this as an opportunity, and thus, attained the Bondholders' Representative service in order to have full financial services and better satisfy the customer's needs. By the end of 2005, the Bondholders' Representative service was transferred from TCAP and the service was entrusted by the regular customers of TBANK. In 2008, TBANK further enhanced its service by acquiring permission to operate Custodian, Trustee and Fund Supervisor services. However, with high competition in the securities supportive services business which resulted in low profit margin, business operators turned to use cost leadership tactic-emphasis on volume created cost saving-together with a strategy to cross sell other financial services.</p>

## INFLUENTIAL FACTORS OR CONSTRAINTS ON BUSINESS OPERATION

In 2009, credit lending to private sector of the financial institution expanded at a slower rate, mainly due to a low demand both domestic and foreign which resulted in less demand in loans. Moreover, commercial banks became more strict in credit lending policy in order to prevent bad debts. Hire purchase loan was affected from the economic condition. The sale volume for both car and motorcycle in 2009 have decreased, resulting in a decrease in new business loan for hire purchase.

Apart from the economic and political factors, changes initiated by the authorities concerned in some areas represented business constraints in the short-term but helped strengthen the financial system and standardize the Thai commercial banking system in the long-term. After the Financial Institution Business Act B.E. 2551 became effective, BOT implemented Basel II Pillar 2 in the commercial banking industry, which affected the calculation of the capital adequacy and risk assessment and consolidated supervision regulation. Consequently, commercial banks shall adhere to the capital adequacy, related business, credit lending, investment, obligation, risk management of the financial business group, and etc.

Moreover, the good corporate governance emphasized on the directors and executives to supervise

all activities of the financial institutions, and thus, allowed business operation to be transparent and without a conflict of interest. The key positive contributing factors in the commercial banking business during 2009 included permission request, framework expansion, service expansion of the commercial banks, such as:

- Permission for commercial banks to operate private repo business for lending, borrowing of foreign currency by using foreign currency debt securities as collateral with eight types of institutional investors by the currency exchange control staff.
- Permission for commercial banks to borrow and lend foreign securities with eight types of institutional investors permitted by the currency exchange control staff.
- Expanding service scope for commercial banks being able to provide supportive services and other insourcing services.

## INDUSTRY OUTLOOK AND COMPETITION

At the end of 2009, there were a total of 32 commercial banks in the industry, of which 17 banks were listed and 15 banks were foreign bank's branch.

Considering the deposits amount of the commercial banking industry, the total amount was THB 7,121,319 million, of which THB 6,654,901 million or 93.45 percent of total deposits came from listed commercial banks and THB 466,418 million or 6.55 percent of total

deposits came from foreign bank's branch. At the end of 2009, deposits in Thai commercial banking industry grew 0.08 percent from the same period last year. The slower rate was a result of the downward trend of interest rate which caused the investors to transfer their investments to other types of instruments.

Considering the net loans of the commercial banking industry, the total amount was THB 7,807,233 million, of which THB 6,964,834 million or 89.21 percent of total loans came from listed commercial banks and THB 842,395 million or 10.79 percent came from foreign bank's branch, similar to that of the previous year.

Apart the competition in the commercial banking system, there is also competition in the financial system such as non-banks, financial market, capital market, as well as the state's specialized financial institutions, which play a more active role in the economic system, as a result of the changes in the regulators' rules and regulations. The changes allow for more flexibility and prepare the industry for the financial liberalization in the future. The keener competition has caused the commercial banks to adopt non-price strategies, such as developing a more diverse range of financial products, increasing more distribution channels, improving quality of service, and establishing business alliances in the finance business. The objective is to provide the customers with greater convenience and to cater to all the financial needs of the customers. Moreover, the commercial banks place strong emphasis on building a positive corporate image for their organization, e.g. by organizing public relations activities and establishing more corporate social responsibility (CSR) activities. The non-price strategies are in addition to the price strategy which remains the principal strategy pursued by the commercial banks.

The most recent Monetary Policy Committee "MPC" meeting on 13 January 2010 has maintained a 1.25 percent policy rate, the same rate since April 2009. At the end of 4<sup>th</sup> quarter 2009, rate on 1-year fixed deposit of the commercial banks was in the range of 0.65-1.60 percent while loan rate of the listed commercial banks was in the range of 6.44-7.13 percent. Consequently, interest spread of the commercial banks was in the range of 5.53-5.79 percent.

#### THE BANK'S SIZE COMPARED TO COMPETITORS

At the end of 2009, TBANK had THB 432,970 million in total assets, accounted for 5.20 percent market share. TBANK was ranked number 7 in the commercial

banks industry. TBANK captured 5.09 percent market share for deposits and short-term borrowings, equivalent to THB 341,496 million, and was ranked number 7 among the commercial bank industry. The Bank's total loans were THB 283,571 million, accounted for 4.75 percent market share, and was ranked number 7 among the commercial bank industry.

#### FUTURE TREND OF COMPETITION

Many economic indicators, whether domestic or foreign, have shown sign of improvement. The Thai economy in 2010 was expected to experience continuous expansion, as a result of revived global economy, government stimulus measures and improved business confidence.

Inflation in 2010 was expected to increase at high accelerated rate in the beginning of the year. This was a result of oil price that had experienced a sharp decrease in the previous year. The accelerated increase should happen only in the first quarter and the inflation should maintain at around 2-4 percent after that. The increased inflation does not fully reflect the price adjustment of products and services. It was mainly a result of oil price adjustment.

The trend of the banking industry in Thailand in 2010 is that electronic banking will continue to develop, which will result in the generation of fee-based income, as well as, other services for customer group, such as internet banking, cash management, mobile banking and etc. Moreover, strategic alliances with other businesses will enhance capability in order to better satisfy the various needs of customers. This includes cross-selling among the financial business group, e.g. Bancassurance of life and non-life insurance businesses, and etc.

Loan growth in 2010 will be supported by the first economic stimulus policy from the government in the amount of THB 280,000 million to stimulate income distribution, job creation in upcountry and to increase purchasing power. The second economic stimulus policy was in the amount of THB 1.43 trillion to stimulate regional economy. Also, there were previous economic stimulus measures through special financial institutions in order to support small and medium enterprise loans and consumer lending.

The risk factors in 2010 remain to be the unstable political circumstance, which could affect the confidence to invests. Another issue is Map Ta Phut conflict which has not yet arrived to any conclusive resolution. This could

affect in the corporate loan slowdown in 2010. As for regulatory risk, the effect will not be apparent in 2010. The effect on commercial banking business will be in 2011 and 2012 which means that commercial banking sector still has couple of years to make adjustment.

## PRODUCTS OF SECURITIES BUSINESS AND FUND MANAGEMENT BUSINESS

**Securities Business** is provided through Thanachart Securities Public Company Limited "TNS". The company was granted a Full License to operate full range of securities businesses including securities brokerage, proprietary trading, securities underwriting, investment advisory service, mutual fund management, private fund management, securities borrowing and lending, venture capital management, and derivatives business Sor 1. As well, the company is engaged in other related businesses that support the securities business. As for **Fund Management Business**, the service is provided through Thanachart Fund Management Company Limited "TFUND" who operates mutual fund, private fund, and provident fund management businesses. In addition, the company also operates investment advisory business.

### SECURITIES BUSINESS

#### PRODUCTS AND SERVICES

TNS operates two key areas of business, brokerage business and investment banking and advisory business. As of 31 December 2009, the company had a total of 25 branches and offered the following services:

1. **Brokerage Business** covers brokerage services which also include a service of providing related analytical information for various types of customer, whether individual, retail, institutional, local, or foreign, to make decision on their investment.

2. **Derivative Business** covers trading services for future contracts and derivatives.

3. **Securities Borrowing and Lending** cover services of borrowing or lending securities for customer who has a desire to borrow or lend securities.

4. **Investment Advisory** covers services of seeking or issuing new financial product, whether local or foreign, in order to satisfy the customer's needs, which also include providing a customer with structured plan on systematic investment and investment diversification by

prioritizing customer's suitability and investment target of each customer. Investment covers various types of instruments.

5. **Unit Trust Underwriting and Repurchasing Services** cover services of sale support and providing information on mutual funds of various fund management companies that TNS represents.

6. **Financial Advisory and Securities Underwriting Services** cover financial advisory business, underwriting service, underwriting guarantee of debt and equity securities, a role of underwriting and guarantee management, underwriting and guarantee co-management, and underwriting and guarantee underwriter.

7. **Securities Registrar** covers three types of services, namely, a securities issuance registrar, securities holder registrar, and a registrar for the employee stock option program (ESOP).

### COMPETITION AND MARKET OUTLOOK

1. Brokerage business in 2009 improved once compared to 2008, whether in the aspect of SET index, market capitalization or trading volume. The key positive contributing factors were economic recovery and the better performances of the listed companies, which hit the lowest point during the 4<sup>th</sup> quarter of 2008. In 2009, average daily trading volume was higher than that of 2008 and peaked as the highest volume in the past 5 years. Retail client transaction captured the highest volume while foreign client transaction returned to be net buy. In 2009, there were a total of 17 listed companies (6 companies in SET and 11 companies in mai) and 5 real estate funds that raised capital in the primary market. In 2009, SET index closed at 734.54 points, higher than 449.96 points in 2008. Trading volume was a record high since 2005. Average daily trading volume was at THB 18,226 million. Trading volume of the company was THB 378,274 million, accounted for 4.27 percent market share, and the company was ranked number 7, out of 35 companies in the industry. The trading volume and market share of the company has continued to increase since 2005.

2. Currently, there are a total of 41 members in the Thailand Future Exchange (TFEX), of which 36 are general securities companies. In 2009, 5 gold-trading members were included as a TFEX member, in order to support gold future trading. In 2009, total value was THB

1,334,318 million, equivalent to a daily average of THB 5,589 million. Total trading volume was 3.08 million contracts, accounted for a daily average of 12,771 contracts, an increase of 44 percent from a daily average of 8,837 contracts at year-end 2008. Internet trading accounted for 21 percent and SET50 Index Futures was the product of highest transaction, 84 percent of the total trading volume. As of 30 December 2009, there were 28,281 open contracts and 29,647 derivative trading accounts, an increase of 86.5 percent from year-end 2008. Gold futures product began with trading transaction on February 2009 and single stock futures product had added 11 non-voting depository receipts (NVDR) during June. Both products attracted much attention from investors. For gold futures, an annual average trading volume was 1,397 contracts per day, accounted for 10 percent of the total derivative trading volume. Single stock futures captured an average trading volume of 600 contracts per day, triple the amount of the previous year.

3. Currently, investment advisory service is offered only to the top-ranking securities. However, the competition among the banking industry is aggressive, mainly due to the clustering of target group in Thailand. Each bank tries to attract customers by offering full financial service, convenience and luxury. Moreover, there was competition in private bank service in foreign country, which focuses on investment in various types and instruments in order to create satisfying return to VIP customers in Thailand.

4. In financial advisory and securities underwriting service, competition was high due to the large number of competitors that is still increasing. Some service providers have foreign alliance. And with the current economic situation, pricing competition has intensified. However, the key competitive factor still remains to be service quality, personnel expertise on providing a customer with relevant advise and solution to a problem, as well as product innovation, which can create value-added and more benefit to customer.

## FUND MANAGEMENT BUSINESS

### PRODUCTS AND SERVICES

TFUND puts importance and emphasis on a great range of retail mutual funds marketing strategies, in order to fully covers all needs of investors in every

group and level. The company utilized many types of distribution channels for sale, including a direct sale. The employees are qualified by laws and are strictly enforced to adhere to related laws and regulations. For greater convenience, TFUND offers unit trusts sale through TBANK's branch network and supports unit trusts sale and repurchasing of other financial institutions approved by the SEC. Furthermore, service quality continues to improve for better efficiency through electronic channel.

### COMPETITION AND MARKET OUTLOOK

At the end of 2009, there were a total of 20 fund management companies, accounted for a total assets under management of THB 1,528,058.14 million (excluding Vayupak Fund, foreign investment funds, property fund for resolving financial institution problem and property and loan fund), a 25.40 percent increase from 2008. During 2009, there were 605 new issued funds, accounted for THB 590,754.83 million of assets. Among the newly issued funds, 375 were foreign investment funds, comprised of debt instruments with maturity not exceeding 1 year, which accounted for THB 440,787.34 million net assets or 74.61 percent of assets of the newly issued funds during 2009.

As of 30 December 2009, TFUND had 78 retail mutual funds, accounted for THB 74,713.96 million assets under management, an increase of 2.79 percent from the previous year. With a market share of 4.89 percent, the company was ranked number 5 among 20 management companies in the industry. The increase in assets under management mainly came from Korean bond funds that accounted for THB 16,760.97 million or 79.25 percent of all funds offered. As of 30 December 2009, TFUND had 23 private funds accounted for THB 8,256.46 million, an increase of THB 6,741.64 million or 445.05 percent from the previous month. In addition, there were 22 provident funds which accounted for THB 4,511.76 million, an increase of THB 504.66 million or 12.59 percent from the previous year.

## PRODUCTS OF INSURANCE BUSINESS

Insurance business of Thanachart Group can be divided into two key areas of business, namely non-life insurance business operated by Thanachart Insurance Company Limited "TNI", which offers all types of non-life

insurance services, and life insurance business operated by Thanachart Life Assurance Company Limited “TLIFE”, which offers life insurance services to institutional, corporate and individual customers.

## NON-LIFE INSURANCE BUSINESS

### PRODUCTS AND SERVICES

TNI offers all types of insurance services, e.g. fire, automobile, marine, miscellaneous and investment.

### COMPETITION AND MARKET OUTLOOK

In 2009, non-life insurance business in Thailand experienced a growth in premium income once compared to 2008. Each company tried to adapt constantly in order to gain competitive advantage, for example, pricing strategy, new product design that offers low price but still satisfies the customer's needs, more claim coverage, promotional campaigns through various medias-television, radio, newspaper, advertisement poster board, branding image in order to create customer's awareness. Moreover, many companies put more focus on the post-sale service improvement, channel expansion, utilizing new technology in order to improve and streamline working procedures. At the same time, many companies emphasized on business alliances to expand sale channels, i.e. commercial bank's branches, grocery store's counters, department stores or telemarketing, in order to enhance competitive capability and to deepen the access to retail customers.

TNI focuses on a standard of good service quality, productivity, efficiency and honesty, as well as development of products in order to offer new policy which is more coherent with the economic, social condition and the needs of customers, by taking into consideration a just premium rate to customer. Furthermore, the company constantly adjusted its progressive competitive strategy to be coherent with the ever-changing conditions, by ways of increase sale channel, expand to new customer base, maintain existing customer base. As much as 95 percent of all customers is the customer group with policy claim limit not exceeding THB 5 million. The customers mostly selected automobile and fire insurance and these customers mainly came from the Bank's lending customers and from the company's marketing campaigns.

The customer group with policy claim limit of THB 5 million and more comprised of institutional customers, private enterprises that possess branch network, whether commerce or industrial. Major portion of this customer groups selected miscellaneous and fire insurance. As aforementioned, it can be concluded that TNI has never relied on any customer that accounted for more than 30 percent of TNI's total revenue. Moreover, the service is only offered to domestic customers in Thailand.

According to Thai Reinsurance Public Company Limited, the insurance industry will experience a slight expansion of 5.6 percent in premium received or a total of THB 115,040.11 million in the year 2010. The assumption is that the Thai economy will expand by 0.25-1.00 percent due to various measures and policy which each government attempts to implement to counteract the crisis, as well as, the violent conflict that has a tendency to be resolved.

## LIFE INSURANCE BUSINESS

### PRODUCTS AND SERVICES

TLIFE offers life and health insurance, which can be divided into two key categories, e.g. individual and group insurance.

### COMPETITION AND MARKET OUTLOOK

TLIFE operates its business with a multi-distribution channel strategy, in order to satisfy various needs of the customers by offering products and services coherent and suitable for each customer group. Currently, the company has utilized various channels, such as, corporate network, corporative network, insurance agent, bancassurance and insurance broker.

In 2009, life insurance business expanded substantially, especially through bancassurance channel. This was a result of economic downturn which affected many bank's credit lending business to contract. Each bank had to rely on the premium income of life insurance policy. Overview of the business sector in 2009 showed a growth of 16-18 percent while in 2010 the growth rate is expected to be within the range of 15-20 percent. Market penetration through commercial bank in 2009 was successful and thus resulted in a prediction that various banks that have alliance with life insurance companies will put more importance on product development,

sale promotion and staff training for them to gain more knowledge and skills. At the same time, the agent channel will continue to self-cultivate in order to be able to provide consultancy and structure a financial plan for a customer.

In the 11-month period 2009, TLIFE captured a total market share of 4.71 percent and was ranked number 8 in the industry. Market share of first year premium received was 13.27 percent and was ranked number 2 in the industry.

The industry is expected to grow by 15-20 percent in 2010. This was under the assumptions that the global economy will revive and will positively affect all Thai business sectors, which would then enhance life insurance business from the increase in purchasing power and consumer's confidence. Furthermore, the Bank interest rate are still low while the return on the life insurance business maintains to be higher. The cooperation between banks and life insurance companies will focus on sale expansion in bancassurance channel and new business channel in order to acquire better access to the customers, as well as, product development which will satisfy the customer's needs and is suitable for each sale channel. In addition, the government may adjusted its regulation and allow larger limit on tax write-off from health insurance policy, individual insurance policy, pension policy and etc.

## ASSET MANAGEMENT BUSINESS

### CHARACTERISTICS OF PRODUCTS AND SERVICES

Thanachart Group's asset management business is managed by **NFS Asset Management Company Limited** "NFS AMC" and **MAX Asset Management Company Limited** "MAX AMC". They operate the asset management business by buying or taking transfers of non-performing loans of Thanachart Group, financial institutions, and financial institutions which have been closed down, for the purpose of managing or selling them. They are also engaged in other related businesses which are permitted by Ministry of Finance's notifications or the law related to the asset management corporation or other related laws.

## INDUSTRY OUTLOOK AND COMPETITION

Both NFS AMC and MAX AMC have their main purposes and policies to manage non-performing assets and restore the quality of debtors that are bought or transferred from financial institutions including financial institutions which have been restrained and ceased their business operations or withdrawn their banking, finance or credit foncier business licenses. For MAX AMC, the company took transfers of non-performing assets from DBS Thai Danu Bank Public Company Limited to manage while NFS AMC takes transferred of non-performing assets mainly from Thanachart Group for managing those assets with the main focus given on finding solutions to its non-performing problems. It needs to access the financial health of the debtors to find out whether debts could be restructured or the assets of the debtors should be sold to repay debts by selling the transferred assets to third parties who are interested in buying them. As a strategy to sell the assets efficiently and to be able to compete with other players in the market, it has hired special consultants specifically for managing properties for sale. These consultants are responsible for collecting information about the properties for sale, determining their selling prices, managing high-value assets, as well as appointing selling agents or brokers with prior experience in selling these types of assets. The assets have to be set as packages in order to have more value-added. The coordination with the companies under the Group is promoted in the form of loans with special condition; for example, free of charge on the right transfer fee when selling assets through the exhibition booth. Also, the company has increased its distribution channels, which include among others, selling the foreclose property through brokers or agents, finding and contacting private companies in organizing public auctions to dispose of the properties, cross-selling and selling on the website of Thanachart Group, as well as finding and selecting media which helps promote sales and reach as many target groups as possible.

## PRODUCT AND SERVICES MANAGEMENT

### SOURCE OF FUND

One source of TBANK's fund is the capital, comprises of issued and paid-up capital which was in the amount of THB 19,346 million in 2009, including legal reserve and retained earnings. There are another two key sources of fund which are:

1. Deposits which by the end of 2009 were in the amount of THB 266,727 million, a decrease from THB 270,832 million at the end of 2008.

2. Borrowings which were in the amount of THB 90,936 million and could be divided to THB 75,936 million short-term borrowings, mainly comprised of short-term B/E since TBANK added B/E as another saving alternative for customers, and THB 15,000 million long-term borrowings.

### FUNDING AND BORROWING OF PARTIES RELATED TO EXECUTIVES OR MAJOR SHAREHOLDERS

At the end of 2009, TBANK gave loans to a parent company, subsidiary companies, and related companies in Thanachart Group as follows:

1. TGL (subsidiary company of TBANK)

TBANK lent to the company for hire purchase business for all types of automobile in line with the business direction of Thanachart Group. In 2009, loan

outstanding balance was THB 2,168 million, a decrease from THB 3,645 million at the end of 2008.

2. TLEASING (subsidiary company of TBANK)

TBANK lent to the company for hire purchase business of automobile for commercial uses and privately owned automobile which can seat no more than seven persons, as well as, motorcycle as approved by the BOT. On 5 July 2007, the company was permitted to operate motorcycle hire purchase business instead of TGL. And in 2009, loan outstanding balance was THB 634 million, a decrease from THB 824 million at the end of 2008.

3. National Leasing (subsidiary company of Thanachart Group Leasing Company Limited)

TBANK lent to the company for property hire purchase business, as well as, property leasing. In 2009, loan outstanding balance was THB 79 million.

4. TLA (subsidiary company of TBANK)

TBANK lent to the company for legal advisory, litigation, lawsuit execution and collateral appraisal services. In 2009, loan outstanding balance was THB 10 million.

Loan outstanding balance of Thanachart Group, as aforementioned, totaled to THB 2,889 million, accounted for 1.02 percent of total loans at year-end 2009. All lending and borrowing activities were transacted under the permission of the BOT.

## THANACHART CSR



### Foundation for the Better Life of Children

*Supported the training on "Development of Agri-Nature for the sufficient economy system" arranged by the experts from Pongrad Agri-Nature Center in Chanthaburi province to the children. The training was aimed at encouraging the children to apply these principles to their everyday lives as well as raising their awareness on the sufficient living in order to grow up as good-quality adults.*



## RISK MANAGEMENT AND RISK FACTORS

### OVERVIEW ON THE RISK MANAGEMENT

Thailand's economy contracted in 2009, following the severe downturn in global economy especially in the first quarter of the year. The underlying causes of the downturn stemmed from the credit tightening and shortage of liquidity in global financial institutions including the lack of business and consumers' confidence worldwide. The crisis led to a sharp decline in most major export items to all major markets. Together with the internal political issues, the contraction of the Thai economy was more severe than expected. Nevertheless, the Thai exports started to revive since the second quarter as the world economy started to show signs of recovery. In accordance with the timely government's measures during the crisis, the Thai economy revealed the continued signs of recovery with the improvement of consumption spending and increasing number of inbound tourists. In 2010, the Thai economic recovery is expected to continue with the global economy, leading to the upturns in manufacturing sector and tourism going forward.

Thanachart Capital Public Company Limited "TCAP" realized the importance of such risk factors and the Board of Directors and executives of TCAP have therefore closely monitored the business operation as well as made an effort to develop the risk management system continually to cushion for any possible risks. As most of lending-related transactions are from the services of Thanachart Bank Public Company Limited "TBANK" which is a subsidiary company, TBANK realizes the risks from lending activities so that TBANK has changed its lending measure. At the same time, tools such as Behavior Scoring for measuring the credit risks have been improved and developed. This will help the Bank manage the risk appropriately in line with the risk profile.

Furthermore, to reaffirm the strength and stability of the financial position of TCAP, the Company is currently in the stage of developing the Internal Capital Adequacy

Assessment Process (ICAAP) under Pillar 2 of Basel II framework in accordance with the Bank of Thailand (BOT) guidelines. The process would allow TCAP to effectively manage its capital as well as control and manage risks in the periods ahead. To support such framework, TCAP strategically establishes a structure of the organization to support the operation under the direction and supervision of the various committees.

### TCAP'S RISK MANAGEMENT STRUCTURE

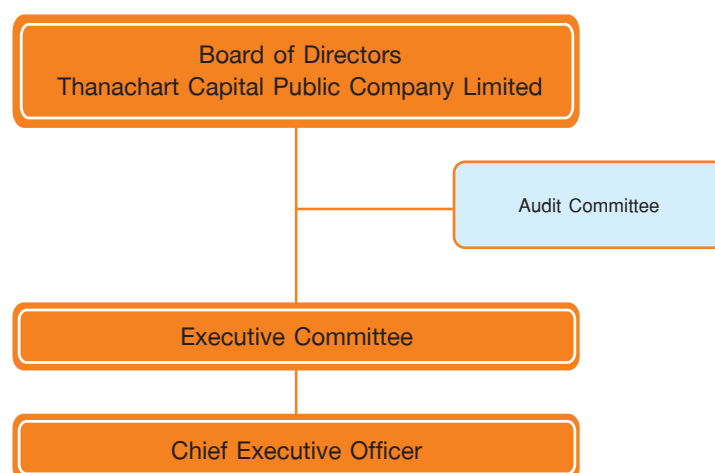
TCAP recognizes the importance of risk management since its business operations are always faced with various risk factors, both internal and external, which may affect TCAP's operation. Therefore, in order to efficiently control and manage the risks, TCAP has established a structure in which the risk management is placed under the direction and supervision of the following committees.

**Board of Directors** has a role in policy determination and establishes guidelines for an efficient enterprise-wide risk management 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 2009)



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

- TCAP would 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, TCAP 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 allowed TCAP to be able to perceive the degree of severity from the possible risks. These risk variables could also be used as a ceiling or the acceptable risk level as well as to provide warning signals before severe losses occur.

The aforementioned risk management systems are developed based on prudent principles and will be reviewed regularly to suit prevailing situations. The systems are designed to be transparent, explicit, examinable and to take into consideration 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 the subsidiaries' earnings and capital. The credit risk may arise from ordinary financial transactions such as credit lending, financial obligations in the form of avals 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 government nor the BOT, and private debt instruments such as debentures.

Under its credit risk management policies and guidelines, TCAP and the 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.

## 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 2009 RELATIVE TO 31 DECEMBER 2008 COULD BE CATEGORIZED INTO BUSINESS TYPES AS FOLLOWS:

(Unit: Million Baht)

TYPE OF BUSINESS	2009		2008	
	OUTSTANDING	PERCENT	OUTSTANDING	PERCENT
Agricultural and mining	2,638	0.91	1,187	0.42
Manufacturing and commercial	16,772	5.78	13,404	4.79
Real estate and construction	16,289	5.61	15,596	5.57
Public utilities and service	16,184	5.57	13,829	4.94
Personal consuming				
Housing loans	7,241	2.49	7,724	2.76
Securities	1,944	0.67	1,897	0.68
Hire-purchase	211,564	72.87	211,828	75.66
Others	17,683	6.09	14,518	5.19
Total loans and accrued interest receivables	290,315	100.00	279,983	100.00

The overall credit data as of 31 December 2009 revealed that TCAP and its subsidiaries' lending on hire purchase business accounted for 72.87 percent of total loans. Nonetheless, most of these hire purchase loans were provided to retail customers whose credit line was relatively small, and with a large number of customers, such risk therefore was well diversified. This hire purchase lending has been transacted through TBANK since 2003.

## 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 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 2009 COMPARED WITH THOSE OF 31 DECEMBER 2008 WAS AS FOLLOWS:

(Unit: Million Baht)

LOANS CLASSIFICATION	2009		2008	
	OUTSTANDING	PERCENT	OUTSTANDING	PERCENT
Substandard	1,801	14.72	2,158	17.50
Doubtful	2,549	20.83	2,092	16.97
Doubtful of loss	7,889	64.46	8,079	65.53
<b>Total</b>	<b>12,239</b>	<b>100.00</b>	<b>12,329</b>	<b>100.00</b>

TCAP and its subsidiaries' non-performing loans declined from THB 12,329 million as of 31 December 2008 to THB 12,239 million as of 31 December 2009. From the credit overview, the non-performing loans were

accountable for 4.22 percent of total loans and interest receivables, decreasing from 4.40 percent in December of the previous year. They could be classified by type of business as follows:

NON-PERFORMING LOANS CLASSIFIED BY TYPE OF BUSINESS

(Unit: Million Baht)

TYPE OF BUSINESS	2009		2008	
	OUTSTANDING	PERCENT	OUTSTANDING	PERCENT
Agricultural and mining	38	0.31	41	0.33
Manufacturing and commercial	1,403	11.46	1,312	10.64
Real estate and construction	1,447	11.82	1,762	14.29
Public utilities and service	519	4.24	569	4.62
<b>Personal consuming</b>				
Housing loans	753	6.15	688	5.58
Securities	316	2.58	300	2.43
Hire-purchase	5,213	42.59	5,130	41.61
Others	2,550	20.84	2,527	20.50
<b>Total non-performing loans</b>	<b>12,239</b>	<b>100.00</b>	<b>12,329</b>	<b>100.00</b>

As of 31 December 2009, TCAP and its subsidiaries had no credit risk from non-performing loans that collateral did not fully cover the remaining loan amounts after deducting provision for loan loss. This was

due to the fact that 100 percent provision was allocated on such loans by the Company in compliance with the International Accounting Standards 39 (IAS 39).

NON-PERFORMING LOANS OF TCAP AND FINANCIAL SUBSIDIARIES

(Unit: Million Baht)

	2009	2008	CHANGE
Non-performing loans (NPLs)	11,630	11,640	(10)
Loans not fully covered by collateral	8,110	7,731	379
Provision for loan loss	8291	7,823	468
Loans not fully covered by collateral after loan loss provision	(181)	(92)	(89)
General provision for loan loss	387	270	117

## TROUBLED DEBT RESTRUCTURING

(Unit: Million Baht)

	2009	2008
Number of debtors (persons)	11,008	831
Outstanding principal and accrued interest receivables	7,135	4,846
Loans not fully covered by collateral	2,579	1,571
Revaluation allowance for debt restructuring	98	87
<b>Total loans and accrued interest receivables</b>	<b>290,315</b>	<b>279,983</b>
<b>Restructured debts to total loans (percent)</b>	<b>2.46</b>	<b>1.73</b>

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 2009, the outstanding principal and the accrued interest receivables of the restructured debt amounted to THB 7,135 million, or 2.46 percent of total loans and accrued interest receivables. The net restructured debt (less collateral) amounted to approximately THB 2,579 million.

### 1.3 RISK 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. 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 regulations.

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 RISK FROM IMPAIRMENT OF THE PROPERTY FORECLOSED

As of 31 December 2009, TCAP and its subsidiaries' net amount of property foreclosed at accounting cost value (after the allowance for impairment) totaled to THB 6,254 million, or 1.42 percent of the total assets with the allowance for impairment stood at THB 831 million which accounted for 11.30 percent of the accounting cost value.

TCAP and its subsidiaries have entered into agreements to-buy-or-sell THB 87 million worth of their property foreclosed (at cost value). Currently, the agreements are in the process of installments or transfers of ownership, the Company as a result has not yet realized the sales of such assets and they are still recorded as property foreclosed of TCAP and its subsidiaries.

### 1.5 RISK FROM GUARANTEES AND AVALS

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

As of 31 December 2009, TCAP and its subsidiaries' obligations in the form of avals and guarantees for loans amounted to THB 5,684 million, or 1.24 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. The estimated VaR has therefore been used as a guideline to determine the overall risk appetites of TCAP and its subsidiaries. The control and monitoring of this type of risk is delegated to the Investment Committee. In order to ensure the efficiency and accuracy of its tools for risk measurement, TCAP and its subsidiaries requires that the tools are subject to back-testing in accordance with the Bank for International Settlement (BIS) standards.

Moreover, TCAP has 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 event occurs.

As of 31 December 2009, TCAP and its subsidiaries' trading investments and available-for-sale securities classified by type of investment were as follows:

(Unit: Million Baht)

	FAIR VALUE	
	2009	2008
<b>Current investments</b>		
Trading investments	-	-
Government and state enterprise securities	917	607
Private debt securities	759	-
Domestic marketable equity securities	6	-
Available-for-sale investments		
Government and state enterprise securities	24,553	4,290
Private debt securities	1,387	469
Foreign debt securities	336	-
Domestic marketable equity securities	132	49
<b>Total current investments</b>	<b>28,090</b>	<b>5,415</b>
<b>Long-term investments</b>		
Available-for-sale investments	-	-
Government and state enterprise securities	20,864	697
Private debt securities	7,222	4,540
Foreign debt securities	5,667	-
Domestic marketable equity securities	5,775	2,819
<b>Total long-term investments</b>	<b>39,528</b>	<b>8,056</b>
<b>Total investments in trading and available-for-sale securities</b>	<b>67,618</b>	<b>13,471</b>

Under the expectation that the Thai economic condition and the world economy have passed its through and the recovery is likely underway in 2010, TCAP and its subsidiaries increased their investments in the long-term domestic and foreign debt instruments with decent ratings with emphasis on bonds issued by government and state enterprises as well as the securities with strong fundamentals. Such strategy, as a result, has raised the price risk of TCAP and its subsidiaries to be 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 whose repricing periods are mismatched. These changes may have a negative impact on net interest income of TCAP and its subsidiaries.

It is the goal of TCAP 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. 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 2009, 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 were as follows:

(Unit: Million Baht)

ITEMS	PERIOD OF INTEREST RATE REPRICING OR DUE DATE						TOTAL
	AT CALL	0-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO INTEREST	
Financial assets							
Cash	-	-	-	-	-	3,665	3,665
Interbank and money market items	697	58,561	1,475	-	-	4,097	64,830
Investments	2,062	9,702	30,878	37,766	9,290	5,861	95,559
Receivables from clearing house	-	-	-	-	-	429	429
Loans	47,784	6,629	15,420	183,668	34,614	1,923	290,038
Total financial assets	50,543	74,892	47,773	221,434	43,904	15,975	454,521
Financial liabilities							
Deposits	86,110	60,744	73,994	44,432	-	591	265,871
Interbank and money market items	8,673	10,054	1,467	305	-	440	20,939
Payables to clearing house	-	-	-	-	-	96	96
Securities business payables	-	-	-	-	-	1,036	1,036
Borrowings	-	58,109	16,819	22,377	-	-	97,305
Liabilities payable on demand	-	-	-	-	-	2,112	2,112
Total financial liabilities	94,783	128,907	92,280	67,114	-	4,275	387,359

### 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, exchange rate exposures in their possession of assets or liabilities or transactions in foreign currencies.

Most transactions relating 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 2009, 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 honor their 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. In this regard, TCAP and its subsidiaries have assigned to the Committee responsible for overseeing the liquidity and interest rates the duties of controlling and managing the liquidity risk.

The structure of TBANK's funding could be classified by sources of fund and maturity as follows:

#### FUNDS CLASSIFIED BY SOURCE

(Unit: Million Baht)

	2009	PERCENT	2008	PERCENT
Borrowings and deposits				
From public	265,871	69.22	269,730	78.76
From financial institutions	15,737	4.10	7,286	2.13
From foreign entities	5,202	1.35	7	0.00
Bills of exchange and promissory notes	68,600	17.86	52,722	15.39
Debentures	28,705	7.47	12,741	3.72
Total	384,115	100.00	342,486	100.00

#### FUNDS CLASSIFIED BY MATURITY

(Unit: Million Baht)

	2009	PERCENT	2008	PERCENT
Less than 1 year	316,141	82.30	322,261	94.09
More than 1 year	67,974	17.70	20,225	5.91
Total	384,115	100.00	342,486	100.00

As of 31 December 2009, deposits and borrowings of TCAP and its subsidiaries amounted to THB 384,115 million 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 2009 CLASSIFIED BY MATURITY DATE WERE AS FOLLOWS:

(Unit: Million Baht)

ITEMS	THE MATURITY DATE OF FINANCIAL INSTRUMENTS				TOTAL
	AT CALL	LESS THAN 1 YEAR	MORE THAN 1 YEAR	NOT SPECIFIED	
<b>Financial assets</b>					
Cash	3,665	-	-	-	3,665
Interbank and money market items	4,773	60,037	20	-	64,830
Investments	2,062	34,885	52,907	5,705	95,559
Receivables from clearing house	-	429	-	-	429
Loans	15,032	91,676	183,330	-	290,038
<b>Total financial assets</b>	<b>25,532</b>	<b>187,027</b>	<b>236,257</b>	<b>5,705</b>	<b>454,521</b>
<b>Financial liabilities</b>					
Deposits	82,110	138,469	45,292	-	265,871
Interbank and money market items	9,113	11,521	305	-	20,939
Payables to clearing house	-	96	-	-	96
Securities business payables	-	1,036	-	-	1,036
Liabilities payable on demand	2,112	-	-	-	2,112
Borrowings	-	74,928	22,377	-	97,305
<b>Total financial liabilities</b>	<b>93,335</b>	<b>226,050</b>	<b>67,974</b>	<b>-</b>	<b>387,359</b>
<b>Off-balance sheet items</b>					
Avals to bills and guarantees of loans	18	133	155	-	306
Obligation under unmatured import bills	-	87	-	-	87
Letter of credits	54	887	69	-	1,010
Other Commitments	5,013	62,885	29,898	2,086	99,882
<b>Total off-balance sheets</b>	<b>5,085</b>	<b>63,992</b>	<b>30,122</b>	<b>2,086</b>	<b>101,285</b>

#### 4. OPERATIONAL RISK

The operational risk is the risk that arises from the lack of appropriate governance of business affairs 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 processes, personnel, information technology systems, or external events. Such risks can pose adverse impact on earning and capital as well as the reputation and credibility of TCAP and its subsidiaries.

TCAP and its subsidiaries has established a number of measures to ensure adequate and

appropriate internal control systems in accordance with the change in transaction features. In order to allow the internal work processes to be more flexible and accommodative to the format of the Company's financial service more effectively and control the risk under an acceptable limits of TCAP and its subsidiaries, the following measures have been brought to implementation:

- 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 that comprises of the Risk Control Department 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 arise from the work based on the lack of knowledge and awareness.

- 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, the Risk Management Committee as well as the Operational Risk Management Unit to monitor and assess the risks associated with related events. The Committees are held 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.

- Specify procedures in selecting the outsourcing service, both in the operation and information technology systems to minimize the operational risk level, enhance efficiency and credibility in the Company's operation. These procedures have to also be subject to regulations of TCAP and related authorities.

- 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.

Nonetheless, TCAP and its subsidiaries have also employed the Basic Indicator Approach proposed by the BIS to assess the operational risks calculated from the gross income of the Company.

## 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 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 2009, most changes in regulations and requirements from the related authorities have concentrated on the improvement of measures to promote corporate governance of financial institutions, more efficient risk management and improved consumer protection. These measures therefore posed no significant impact on the Company's strategies and business operation. And throughout, TCAP has constantly improved and developed the internal operation system as well as customer service standard. This has also been an important mission for the Company and its subsidiaries that the business operation has to also comply with authorities' rules and regulations.

## THANACHART CSR



### Elderly Care Center: Nakhon Pathom

*Staff members from the head quarter as well as the Bank's Nakhon Pathom Hub joined together for the activities to donated funds for bed sheets and lunch to the elderly and also organized physical activities to give them moral support and relaxation.*

## CORPORATE GOVERNANCE

### REPORT ON CORPORATE GOVERNANCE COMPLIANCE

#### CORPORATE GOVERNANCE POLICY, BUSINESS ETHICS AND CODES OF CONDUCT FOR DIRECTORS, EXECUTIVES, AND STAFF

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

TCAP has established corporate governance policy as well as business ethics and codes of conduct for directors, executives, and staff. The policy can be easily accessed via the Company's website "www.thanachart.co.th" and Thanachart Group's intranet system which is intended to be channels for communicating with staff of the Group at every level, shareholders as well as stakeholders, so that they can acknowledge a firm standpoint and principle in good corporate governance established and practiced by the Board of Directors.

Moreover, Thanachart Group has continuously supported good governance and recognition on corporate social responsibility awareness (CG & CSR Project) of staff in the group. Thanachart Group also designed training courses that focus particularly on encouraging staff to work on the basis of moral, ethics, and business codes of conduct, for example, pure-hearted businessman program, and inner power program. In 2009, there was 3,950 staff attending training courses.

### TCAP'S BUSINESS CONDUCTS ACCORDING TO GOOD CORPORATE GOVERNANCE PRINCIPLES IN 2009 INCLUDES:

#### 1. SHAREHOLDERS' RIGHTS AND EQUITABLE TREATMENT

##### 1.1 SHAREHOLDERS' BASIC RIGHTS

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

##### 1.2 SHAREHOLDERS' MEETING

In 2009, TCAP held the Annual General Meeting of Shareholders on Wednesday, 29 April 2009. The meeting was conducted according to laws, regulations, and corporate governance guidelines as follows:

##### PRIOR TO THE SHAREHOLDERS' MEETING

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

##### ONLINE THROUGH THE SET SYSTEM

Resolutions of the Board of Directors' meeting regarding the dividend payment and the date of the Annual General Meeting of Shareholders as well as the agendas of the AGM.



INTERNET WEBSITE  
([www.thanachart.co.th](http://www.thanachart.co.th))

The information was published on the website 21 days prior to the meeting and composes of the Notice of shareholders' meeting and related information including; date, time, and meeting venue, meeting rules, vote casting procedures, as well as proxy statement. This information replicated the documents mailed to each shareholder.

DELIVERED BY MAIL

Meeting notice, meeting documents, and annual report in form of CD-ROM were delivered to all shareholders at least 19 days prior to the meeting.

NEWSPAPER ADVERTISEMENT

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

- TCAP also provided opportunity to the Company's shareholders to raise issues for consideration as additional item of the meeting agenda. They could nominate the candidate for director as well as any other business-related issues a month prior to the meeting day, from 29 December 2008 until 27 January 2009, which had to be in Thai and English in order to accommodate both Thai and foreign shareholders. In addition, rules, procedures, and channel for raising such issues were available on the Company's website and the results will be informed at the shareholders' meeting.

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

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

**THE DAY OF ANNUAL GENERAL MEETING OF SHAREHOLDERS 2009**

- TCAP arranged various facilities, such as meeting venue, reception staff, barcode system for registration as well as printed ballot papers for each

agenda item, for shareholders' convenience during the registration. Moreover, the shareholder could also register in advance within two hours prior to the meeting time.

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

- There were 379 shareholders and 640 shareholder's proxies attended the meeting.

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

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

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

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

**POST ANNUAL GENERAL MEETING OF SHAREHOLDERS**

- The Company took minutes of the meeting whereby all important information was entirely recorded. The drafted minutes of the 2009 Annual General Meeting of Shareholders has been submitted to the Stock Exchange of Thailand (SET) and also made available on TCAP's website within 14 days after the meeting day (TCAP's AGM was on 29 April 2009, and the drafted minutes were published on 13 May 2009).

**1.3 CONTROLLING MEASURES ON THE USE OF INTERNAL DATA**

TCAP has specified the controlling measures of the use of internal data in the Company's Code of Conduct which can be summarized as follows:

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

- In compliance with the Securities and Exchange Commission (SEC) Regulations, executives in manager position, the next four positions below the manager, and the highest ranking position in the accounting department are required to report their holdings of the Company's shares on the quarterly basis. Moreover, any trading transactions of aforementioned shares have to be reported to the SEC within three business days once the transaction has been completed, while the copy of the transactions have to be submitted to the Company Secretary Office.

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

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

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

#### 1.4 CONTROLLING MEASURES ON CONFLICT OF INTERESTS

TCAP has established and documented policies and approval procedures on related transactions to be fully disclosed to all related parties. The Company has also established policies and measures aiming at preventing executives and related parties from making use of internal information for personal interest. The policies are including:

- In case of a conflict-of-interest, related, or affiliated transaction between any related parties, the matter will be reported to the Compliance Unit for seeking their opinion on legal issues and practice guidelines before being forwarded to the authorized party for approval.

- As stated in the notification of various committees, any transactions from which the director,

executive or related parties gain benefit are required to specify the interest of such transaction. In addition, related director or executive is prohibited from attending the meeting during the time when the agenda item are being conducted.

- The execution of transactions from which TCAP or director or senior management of the Company gain benefit has to seek the unanimous approval from the Board of Directors in which neither director nor senior management who is beneficial from the transactions can participate in the approval process.

- The Board of Directors has to be fully informed of transactions that may involved in the conflict of interest or related party issues and is always subject to a careful consideration and in compliance with rules and regulations of the SET, the SEC, and the Bank of Thailand (BOT).

- Information disclosure on transactions which may have conflicts of interest or connected transactions or affiliated transactions is complied with rules and regulations established by the authorities.

- All related transactions are subjected to a review in accordance with the annual audit plan and will be reported to the Audit Committee.

- The information about business connection or business of which the benefit is related to directors and senior management has to be disclosed quarterly for controlling purposes and to be the list of related transactions which will be disclosed in the notes to the financial statements.

#### 2. ROLE OF STAKEHOLDERS

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

## SHAREHOLDERS

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

## EMPLOYEES

Thanachart Group emphasizes on equal and fair treatments to its employees, as well as ensures that they are appropriately compensated. As a guideline in determining employees' salaries, the Group conducts survey and takes into consideration inflation rates, the Consumer Price Index, and the Key Performance Indicators (KPIs). In 2009, the Group introduced the performance evaluation form, which is consistent with Thanachart Group's key business strategies or the CEO's Six-point agenda, to assess employee's performance for the purpose of fair compensation and promotion. Moreover, the Group also provides many fringe benefits for the employee, including medical expense, annual leave, provident fund, saving cooperatives for Thanachart Group's staff, fire drills, upkeep of workplace environment, as well as security for life and belongings. The Group also strengthens working relationships among employees by publishing and circulating the monthly journal entitled "Tor Saiyai" that provides better connections between employees within the group. In addition, via the intranet system, the Group also circulates news and information about Thanachart Group's products and services, related external rules and regulations, as well as activities of the Group.

Thanachart Group has been constantly active in human resource development. In 2009, Thanachart focuses on enhancing knowledge and competencies as well as necessary working skills for each position at every staff level in order to increase employee's working efficiency and ability to respond to Thanachart Group's visions, missions, and objectives. Moreover, the Group also strengthened employees' recognition of rules and

regulations of the authorities as well as the Business Codes of Conduct by establishing the human resource development plan that is consistent with strategic and business plan of Thanachart Group. In order to keep up with the pace of business growth and expansion, the Group organized effective training courses for employees under the advice and knowledge support from Scotiabank that has expertise in international finance, external training and seminar, as well as staff visit at reputable domestic and foreign institutes.

In 2009, Thanachart Group organized the third year "Go Together" project under "A Year of Customer-Centric Creating a Culture of Collaboration" scheme, totally, 13 projects. Such project aimed at strengthening the unity of the organization whereby 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 inform the Group's strategic directions as well as policies that are consistent with business operations. This would help enhancing unity and cooperation among staff within the organization as they are the key driving force of Thanachart Group. Moreover, the project is still being organized in 2010 under the Grow Together scheme.

## 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](http://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 report to the Board of Directors on

a monthly basis. This aims at improving the Group's services, fulfilling customer's needs, and 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.

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 recognizes the importance of good customs and tradition as well as laws and rules for the purpose of maintaining and rehabilitating the society and the environment.

#### SOCIETY AND ENVIRONMENT

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

#### PUBLIC SECTOR

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

### 3. INFORMATION DISCLOSURE AND TRANSPARENCY

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

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

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

1. Stock Exchange of Thailand
  - Annual Registration Statement Form 56-1
  - Financial Statements and Annual Report
  - Shareholders' meeting resolutions
2. Securities and Exchange Commission
3. Department of Business Development,  
Ministry of Commerce
4. TCAP's website "[www.thanachart.co.th](http://www.thanachart.co.th)"
5. Press, Media, and Other medias
6. Analyst meetings
7. Company visits/One-on-one meetings
8. Roadshows
9. Notification by mail

In 2009, the TCAP's senior management and Investor Relations paid a visit and provided information to related parties in various occasions, including One-on-

One meetings, Conference calls, Group analyst meetings, and Roadshows.

#### 4. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

##### CONSTITUENT OF THE BOARD OF DIRECTORS

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

TCAP's Board of Directors structure is complied with the notification of the Securities and Exchange Commission No. Thor Chor 28/2008, Re: Application for Offer and Permission for Sale of Newly Issued Securities, dated 15 December 2008 and the BOT's notification, Re: Governance of Financial Institutions, dated 9 July 2009.

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

- (1) Holding shares not more than 0.5 percent of paid-up capital of the Company, affiliated company, associated company or related company, including shares held by persons related to the independent director.
- (2) Not taking part in the management or being an employee, staff, or advisor who receives salary, or a controlling person of the Company, a regular salary from the Company, member company of the Group, affiliated company, associated company, related company or a person who has authority controlling a juristic person that may have a conflict of interest (at present and during the past two years).
- (3) Not having a business relationship with the Company, member company of the Group, affiliated company, subsidiary company or juristic person that may have a conflict of interest that obstructs the independent opinion.
- (4) Not being a person related by blood or registration under laws such as father, mother, 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, member company of the Group, affiliated company, subsidiary company or related company.

- (5) Neither having a relationship with the Company in the form of its professional service provider such as auditor and financial advisor nor having a business association with the Company under significant cash amount or value as stipulated (at present or during the past two years before the appointment).
- (6) Not being a representative of any member of the Company's Board of Directors or any major shareholder. Nor being a shareholder related to the major shareholders.
- (7) Not being simultaneously an audit committee member of any listed company of the Group, associated company or subsidiary company.
- (8) Not having any prohibited characteristic that undermines independence in carrying out his or her duties as director.

Every Independent Directors are independent to express opinion 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.

##### EXECUTIVE DIRECTOR is defined as:

- 1) Directors who involve in the management of the Company in accordance with the Notification of the Securities and Exchange Commission No. Thor Chor 28/2008, Re: Application for Offer and Permission for Sale of Newly Issued Securities, dated 15 December 2008, including any additional amendments or announced substitution which means Director who assume the directorship in the Executive position, Director who act as the Executive, and as Director with full signatory authority except the case when it 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 committees.

2) In accordance with the BOT's Notification No. Sor Nor Sor 13/2009, Re: Governance of Financial Institutions, Executive Director is defined as:

- (1) Director with a responsibility in the position of manager, deputy manager, assistant manager or equivalence.
- (2) Director with a responsibility in the operation or involve in business management as executive, including a party in executive committee.
- (3) Director with full signatory authority,

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

At present, the number of Independent Directors and Non-Executive Directors of TCAP is accounted for 56 percent of the total number of Board of Directors. The constituent of the Company's Board of Directors as of 31 December 2009 is was the following:

			EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTOR	INDEPENDENT DIRECTOR
1.	Mr. Banterng	Tantivit	-	✓	-
2.	Mr. Suphadej	Poonpipat	✓	-	-
3.	Mr. Somjate	Moosirilert	✓	-	-
4.	Mr. Phimol	Rattapat	-	✓	-
5.	Mr. Somkiat	Sukdheva	-	✓	✓
6.	Mrs. Siripen	Sitasuwan	-	✓	✓
7.	Mrs. Punthip	Surathin	-	✓	✓
8.	Ms. Suvarnapha	Suvarnaprathip	✓	-	-
9.	Mr. Taweesak	Saksirilarp	✓	-	-

**Note:** TCAP's authorized signatories include Mr. Suphadej Poonpipat, Ms. Suvarnapha Suvarnaprathip, Mr. Taweesak Saksirilarp, and Mr. Somjate Moosirilert. Any 2 out of the 4 authorized signatories can jointly sign with the Company's seal affixed. Mr. Panupan Tuangthong is the Company Secretary.

## 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 of TCAP, one third (or nearest number but do not exceed one third) of the members of the Board of Directors must retire. After the date when TCAP's Articles of Association has been effective, the retirement of Directors in year 1 and year 2 are decided by a draw. In the subsequent years, the Director who holds the longest time in office will be retired. 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 AND RESPONSIBILITIES OF TCAP'S BOARD OF DIRECTORS

TCAP's Board of Directors is accountable to all the Company's shareholders and participates in the governance of the Company's business affairs in an independent and neutral manner, taking into consideration the interest of the shareholders and other stakeholders. The roles and responsibilities of the Board of Directors are as follows:

1. The Board is responsible for the overall business conducts of TCAP to ensure the compliance with legal requirements, the Company's objectives and Articles of Association, as well as the resolutions adopted at the shareholders' meetings.



2. The Board appoints the Executive Committee or Sub-Committees to perform duties as assigned by the Board.

3. The Board may assign or authorize one or more directors or other persons to take any action on behalf of the Board.

4. The Board authorizes the Chairman of the Executive Committee and the Chief Executive Officer to conduct business management of TCAP within the framework of the capital expenditure budgets and operating expenditure budgets approved for various projects.

5. The Board makes approval on visions, missions, and values of the Company as well as the business ethics.

6. The Board considers the strategies proposed by the management and makes approval on important issues related to the Company's direction and policies. The Board also makes approval on business plans, budgets, and operational goals proposed by the management.

7. The Board monitors the Company's performance and progress achieved in relation to the established objectives as well as the compliance with the related laws, regulations and policies.

8. The Board ensures that the Company has the effective internal control system and appropriate risk management system.

9. The Board ensures that both internal and external auditor conduct their duties effectively.

10. The Board approves the quarter and annual financial statements and ensures that the financial statements have been prepared in accordance with the generally accepted accounting principles.

11. The Board ensures that the information is disseminated to the Company's stakeholders and general public.

#### 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 on Governance of Financial Institutions, 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

TCAP's Board of Directors has appointed the Executive Committee which consists of 4 members. As of 31 December 2009, the member of the Executive Committee were as follows:

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

##### Notes:

1. Mr. Anuwat Luengtaweekul resigned from the Executive Committee, effective on 30 April 2009.
2. Mr. Somjate Moosirilert has been appointed as the Executive Director on 30 April 2009, and BOT approved on 25 June 2009. He also has been appointed as the Chief Executive Officer effective on 29 October 2009.

#### ROLES AND RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE

1. The Committee is responsible for managing the Company in line with policies, targets, budgets, and plans approved by the Board of Directors, subject to legal requirements, regulations, and announcements made by the authorities concerned.

2. The Committee is responsible for managing risks.

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

4. The Committee is responsible for managing the Company's business affairs, such as deposits taking, credit extension, investments, and selling of foreclosed assets.

5. The Committee is responsible for managing the internal organization, such as organizational restructuring, human resource management, and administration.

6. The Committee may delegate its duties management-related authority which is within its power.

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

#### AUDIT COMMITTEE

Recognizing the importance of good corporate governance, the Board of Directors appoints as the Audit Committee with qualifications in line with the requirements established by the SEC. 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 SET and the BOT. Details of the Audit Committee's duties and responsibilities are put in writing and receive the approval of the Board of Directors. The key tools used by the Committee is the Internal Audit Group which is responsible for conducting the audit of TCAP's business operations and ensuring that they comply with TCAP's regulations, laws, and other related requirements. The objective is to prevent damages to the shareholders as well as the stakeholders who are related to the Company.

TCAP's Board of Directors approved the establishment of the Audit Committee on 25 June 1998 with the tenure being the same as that of the Board of Directors. As of 31 December 2009, the Committee consisted of 3 independent directors with at least 2 directors who have knowledges, understandings, or experiences in the field of 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. Punthip                            | Surathin       |
| Member of the Audit Committee              |                |
| Mr. Pawat                                  | Metheechutikul |
| Secretary of the Audit Committee           |                |
| Ms. Sirintorn                              | Payaphrom      |
| Assistant Secretary of the Audit Committee |                |

#### Notes:

1. Mr. Somkiat Sukdheva has been appointed, effective on 8 January 2009.
2. Mrs. Punthip Surathin has been appointed, effective on 26 May 2009.
3. Mrs. Siripen Sitasuwan has been appointed as the Chairperson of the Audit Committee, effective on 26 May 2009.
4. Directors who have knowledges, understandings, or experiences in the field of accounting or finance are Mrs. Siripen Sitasuwan and Mrs. Punthip Surathin

#### ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

1. To review the process related to the preparation and information disclosure of TCAP's financial statements, ensuring that the information is complete and reliable. In reviewing the process, the Audit Committee will coordinate with the external auditor and the executives responsible for preparing the quarterly, mid-year, 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 will work with the external auditor, the internal auditor, and the regulating authorities concerned.

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

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

5. To review related party transactions as well as transactions which may lead to a conflict of interest, ensuring that they are right and complete (properly dealt with and in compliance with the legal requirements).

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

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

8. To select and propose for appointment an independent person to be the Company's external auditor and also to consider the audit fees. The Committee must have a least 1 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

TCAP's Board of Directors approved the establishment of the Nomination Committee on 10 August 2002. As of 31 December 2009, the Committee consisted of 3 Independent Directors. The members of the Nomination Committee are as follows:

1. Mr. Somkiat Sukdheva  
Chairman of the Nomination Committee

2. Mrs. Siripen Sitasuwan  
Member of the Nomination Committee
3. Mrs. Punthip Surathin  
Member of the Nomination Committee
- Mr. Panupan Tuangthong  
Secretary of the Nomination Committee

#### Notes:

1. Mr. Somkiat Sukdheva has been appointed as Chairman of the Committee, effective as from 26 May 2009.
2. Mrs. Suvarnapha Suvarnaprathip resigned from her membership, effective as from 25 August 2009.
3. Mrs. Punthip Surathin was appointed as member of the Committee, effective as from 25 August 2009.

#### ROLES AND RESPONSIBILITIES OF THE NOMINATION COMMITTEE

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

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

- 2.1 Competency, knowledge and experience,
- 2.2 Dedication in duties, and
- 2.3 Incorporating evaluation results of the

Board of Directors in the assessment in case which the existing directors continued for another term.

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

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

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

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

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

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

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

#### REMUNERATION COMMITTEE

TCAP's Board of Directors approved the establishment of the Remuneration Committee on 28 March 2002. As of 31 December 2009, the committee consisted of 3 Independent Directors. The tenor of the Committee's member is the same as the tenor of directorship. The members of the Remuneration Committee are as follows:

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

**Notes:**

1. Mr. Somkiat Sukdheva was appointed as Chairman of the Committee, effective as from 26 May 2009.
2. Mrs. Suvarnapha Suvarnaprathip resigned from her membership, effective as from 25 August 2009.
3. Mrs. Punthip Surathip was appointed as member of the Committee, effective as from 25 August 2009.

#### ROLES AND RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

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

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

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

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

5. To ensure that the remuneration of Directors, the Chief Executive Officer, or authorized person with

management power are appropriate, taking into account their duties and responsibilities.

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

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

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

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

#### RISK MANAGEMENT COMMITTEE

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 AND RESPONSIBILITIES OF THE RISK MANAGEMENT COMMITTEE

1. To formulate risk management policy to be proposed to the Board of Directors for consideration and approval. The policy must establish standards for monitoring and ascertaining that the risk management policy is being strictly adhered to.

2. To establish risk management measures aimed at preventing possible damages and finding solutions to problems arising from the risks.

3. To assess both internal and external factors that may significantly affect the financial positions. The results of the assessment will be used to revise the Company's overall risk management policy.

4. To determine areas for improvement and give instructions to the risk management unit to take necessary actions aimed at enhancing the efficiency of the risk management mechanisms.

5. To monitor and control the management of various risk factors by various committees and/or work units, ensuring that they adhere to the established policy.

## CORPORATE GOVERNANCE COMMITTEE

TCAP 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 2 committees to carry out the following duties:

1. The Executive Committee is responsible for ensuring that TCAP's business affairs are conducted in line with the good corporate governance policies approved by the Board of Directors.
2. The Audit Committee is responsible for monitoring, reviewing, and examining the implementation of the established policies on good corporate governance. The Audit Committee ensures that the Company's business operations have good corporate governance.

## EXECUTIVES

As 31 December 2008, TCAP's executives who were at the level of manager and the first four persons in the management level below the manager according to the guidelines of the SEC included the followings:

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

Note: Mr. Suphadej Poonpipat resigned from his CEO position, effective as from 29 October 2009. He is still in the positions of Vice Chairman of the Board of Directors and Chairman of the Executive Committee. Mr. Somjate Moosirilert was appointed as CEO, effective as from 29 October 2009.

## COMPANY SECRETARY

TCAP has appointed a Company Secretary since 26 June 2008. In this regard, "Mr. Panupan Tuangthong" has been appointed as a Company Secretary to replace "Mr. Anuwat Luengtaweekul" since 1 June 2009. The Company has also assigned the Company Secretary Office to be responsible for looking after corporate secretarial work, ensuring more effective management and compliance with the principles of good corporate governance.

## DUTIES AND RESPONSIBILITIES OF THE COMPANY SECRETARY

1. To provide the Board of Directors with preliminary advice on laws, rules and regulations as well as the Articles of Association of TCAP, ensuring that they are always complied with properly. To also provide the Board of Directors with updates on such matters whenever there is a significant change that may affect the directors.
2. To organize annual general meetings of shareholders and meetings of the Board of Directors, ensuring that they are in compliance with legal requirements as well as the Articles of Association of the Company.
3. To take minutes of Annual General Meetings of shareholders and the meetings of the Board of Directors, as well as monitoring the implementation of the resolutions adopted at the shareholders' meeting and the meetings of the Board of Directors.
4. To make and keep directors registration documents, notices of the Board of Directors' meeting, minutes of the Board of Directors' meeting, annual reports, notices of the shareholders' meeting, and minutes of the shareholders' meeting.
5. To look after the information disclosure and various reports that need to be sent to the authorities regulating TCAP in line with their requirements as well as to keep the reports of gain and loss reported by directors and executives.
6. To contact and communicate with shareholders in general, ensuring that they are kept informed of various rights and news about TCAP.
7. To support activities of the Board of Directors.

8. To operate other aspects in compliance with the Notifications of Capital Market Supervisory Board.

## BOARD OF DIRECTORS MEETINGS

TCAP establishes in advance the schedules of the meetings of the Board of Directors throughout the year. The meeting will take place every month during the last week of each month. In addition, the Board may hold special meetings as it deems necessary. The agenda for the meeting will be clearly determined in advance. The list will consist of subjects for information, consideration or approval as well as the subject of risk management that needs to be considered at the monthly meeting of the Board of Directors. The secretary of the Board of Directors will be responsible for sending members of the Board

Notices of the meetings together with supporting documents 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 3 hours. In 2009, the Board of Directors had 13 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 MEETING HELD IN 2009

Unit: times

		BOARD OF DIRECTORS (13 MEETINGS)	AUDIT COMMITTEE (8 MEETINGS)	NOMINATION COMMITTEE (4 MEETINGS)	REMUNERATION COMMITTEE (2 MEETINGS)	EXECUTIVE COMMITTEE (14 MEETINGS)
1. Mr. Banterng	Tantivit	13	-	-	-	-
2. Mr. Suphadej	Poonpipat	13	-	-	7	14
3. Mr. Somjate	Moosirilert	11	-	-	-	6
4. Mr. Phimol	Rattapat	13	-	-	-	-
5. Mr. Somkiat	Sukdheva	13	8	4	2	-
6. Mrs. Siripen	Sitasuwan	11	7	4	2	-
7. Mrs. Punthip	Surathin	5	5	-	-	-
8. Ms. Suvarnapha	Suvarnaprathip	13	-	4	2	9
9. Mr. Taweesak	Saksirilarp	13	-	-	-	13
<b>Directors resigned in 2009</b>						
1. Rear Admiral Vitura	Sangsingkeo	1	-	-	-	-
2. Mr. Sommart	Poonpakdee	-	-	-	-	-
3. Mr. Anuwat	Luengtaweekul	4	-	-	-	5

- Notes:**
1. Rear Admiral Vitura Sangsingkeo resigned from his directorship on 29 January 2009.
  2. Mr. Sommart Poonpakdee passed away on 2 February 2009.
  3. Mr. Somjate Moosirilert has assumed his directorship since 2 March 2009.
  4. Mr. Anuwat Luengtaweekul resigned from his directorship of the Board of Directors and the Executive Committee on 30 April 2009.
  5. Mrs. Punthip Surathin has been appointed as director and member of the Audit Committee since 26 May 2009 and member of the Nomination Committee and the Remuneration Committee on 25 August 2009.
  6. Ms. Suvarnapha Suvarnaprathip resigned from member of the Nomination Committee and the Remuneration Committee on 25 August 2009.

## NOMINATION AND APPOINTMENT OF DIRECTORS AND OTHER COMMITTEES

### 1. Procedures of appointing TCAP's Board of Directors

TCAP does not specify the maximum number of members of the Board of Directors. However, its Articles of Association stipulate that there must be at least 5 directors. There are 2 different procedures related to the appointment of directors. The first procedure is concerned



with appointing a director to replace the one who retires by rotation. The second procedure is concerned with appointing a director to fill in a vacant directorship. In this regard, TCAP's Board of Directors established the Nomination Committee responsible for selecting and nominating persons with appropriate qualifications for holding directorships. Under the first procedure, a resolution will have to be adopted at the shareholders' meeting. Under the second procedure, the Board of Directors can adopt a resolution approving the election of the director, based on the qualifications which are suitable for the vacant directorship. As regards the appointment of independent directors, the appointment must be in compliance with the requirements imposed by the SET and SEC.

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

- (1) Each voter has the number of vote equals to the number of shares, one share represents one vote.
- (2) Vote casting can be conducted individually or in terms of a group of individuals or by any other procedures as deemed appropriate by the shareholders. However, in each resolution, all shareholders must cast all of their votes as stated in (1).
- (3) The resolutions are adopted by a majority vote. In the case when the votes are equal, the ultimate decision is upon the Chairman of the meeting.

## 2. Procedure for appointing the Executive Committee

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

## 3. Procedure for appointing the Audit Committee

The Board of Directors may appoint at least 3 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 which is in compliance with the SET's guidelines. 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 Board of Directors shall appoint at least 3 independent directors or non-executive directors 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 guidelines of the SET and BOT.

## DEVELOPMENT OF DIRECTORS AND EXECUTIVES

Each Director of TCAP has attended at least 1 training course organized by the Thai Institute of Directors Association (IOD). Two Directors that have attended the training course in 2009 are:

1. Mr. Somkiat Sukdheva  
Member of the Audit Committee/Chairman of the Nomination and Chairman of the Remuneration Committee  
Certificate: Successful Formulation & Execution the Strategy (SFE), Class 3/2552
2. Mrs. Punthip Surathin  
Member of the Audit Committee/Member of the Nomination and Member of the Remuneration Committee  
Certificate: Audit Committee Program (ACP), Class 27/2552

## EVALUATION OF BOARD OF DIRECTORS AND MANAGEMENT TEAM'S PERFORMANCE

TCAP 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 2009, overall Board of Directors' performance was graded "very good" with 4.54 points out of 5 points, an increase from 4.51 points in 2008.

## SUCCESSION PLAN

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

## THE ORIENTATION FOR NEWLY APPOINTED DIRECTORS AND EXECUTIVES

When the composition of the directors has been changed or there is newly appointed executive, the Company Secretary Office is responsible for preparing necessary documents for new directors. 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.

## REMUNERATION POLICY

The Company determines the remuneration of its directors by comparing it with the remuneration of directors in the same industry. It is used as benchmark to be considered along with duties, roles and scope of responsibilities of each director. Having considered and assessed the remuneration of the directors, the Remuneration Committee proposes it to the Board of Directors for consideration before presenting the proposal at the shareholders' meeting for approval. The remuneration is paid in the form of meeting stipends, monthly compensation and performance allowance.

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

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

## DIRECTOR'S REMUNERATION

### (A) Financial Remuneration

As of 31 December 2009, the company paid THB 18,916,440.23 in total to 4 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 2008), which could be summarized as follows:

1) Details of the remuneration of the Company's directors are as follows:

LIST OF DIRECTORS		TYPES OF REMUNERATION (BAHT PER YEAR)			
		MONTHLY COMPENSATION	MEETING STIPENDS	PERFORMANCE ALLOWANCE	TOTAL
1. Mr. Banerng	Tantivit	720,000.00	520,000.00	1,981,503.34	3,221,503.34
2. Mr. Suphadej	Poonpipat	360,000.00	260,000.00	990,751.67	1,610,751.67
3. Mr. Somjate	Moosirilert	300,000.00	220,000.00	-	520,000.00
4. Mr. Phimol	Rattapat	360,000.00	260,000.00	990,751.67	1,610,751.67
5. Mr. Somkiat	Sukdheva	360,000.00	260,000.00	990,751.67	1,610,751.67
6. Mrs. Siripen	Sitasuwan	360,000.00	220,000.00	990,751.67	1,570,751.67
7. Mrs. Punthip	Surathin	210,000.00	100,000.00	-	310,000.00
8. Ms. Suvarnapha	Suvarnaprathip	360,000.00	260,000.00	990,751.67	1,610,751.67
9. Mr. Taweesak	Saksirilarp	360,000.00	260,000.00	990,751.67	1,610,751.67
<b>Directors resigned in 2009</b>					
1. Rear Admiral Vitura Sangsingkeo		30,000.00	20,000.00	990,751.67	1,040,751.67
2. Mr. Sommart	Poonpakdee	30,000.00	-	990,751.67	1,020,751.67
3. Mr. Anuwat	Luengtaweekul	120,000.00	80,000.00	990,751.67	1,190,751.67
<b>Director resigned in 2008</b>					
1. Mrs. Chantima	Chaturaphat	-	-	768,171.68	768,171.68
<b>TOTAL</b>		<b>3,570,000.00</b>	<b>2,460,000.00</b>	<b>11,666,440.23</b>	<b>17,696,440.23</b>

**Notes:**

- The performance allowance which was approved at the 2009 Annual General Meeting of Shareholders was for the director who held their directorship in 2008. As a result, any director who resigned before the date of the payment of the performance allowance was also entitled to the allowance. Such director was the following:
  - Mrs. Chantima Chaturaphat resigned from her directorship on 10 October 2009.
- Rear Admiral Vitura Sangsingkeo resigned their directorship on 29 January 2009.
- Mr. Sommart Poonpakdee passed away on 2 February 2009.
- Mr. Somjate Moosirilert has assumed his directorship since 2 March 2009.
- Mr. Anuwat Luengtaweekul resigned from his directorship of the Board of Directors and the Executive Committee on 30 April 2009.
- Mrs. Punthip Surathin has been appointed as director and member of the Audit Committee since 26 May 2009.

2) The remuneration made to the Audit Committee in terms of meeting stipends amounted to THB 1,010,000.

NAME		AMOUNT (BAHT PER YEAR)
1. Mr. Sommart	Poonpakdee	50,000.00
2. Mrs. Siripen	Sitasuwan	410,000.00
3. Mr. Somkiat	Sukdheva	340,000.00
4. Mrs. Punthip	Surathin	210,000.00
<b>TOTAL</b>		<b>1,010,000.00</b>

**Notes:**

- According to the resolution of the Board of Directors meeting No. 2/2009 on 26 February 2009, the payments to the Audit Committee's compensation has been changed as follows:
  - Chairman of the Audit Committee's monthly compensation has been changed from THB 50,000 per month to THB 40,000 per month
  - Member of the Committee's monthly compensation has been changed from THB 20,000 per month to THB 30,000 per month.
 This monthly compensation was initially paid in March 2009.
- Mr. Sommart Poonpakdee passed away on 2 February 2009.
- Mrs. Siripen Sitasuwan has assumed her chairmanship of the Audit Committee since 26 May 2009.
- Mrs. Punthip Surathin has assumed her membership of the Audit Committee since 26 May 2009.

3) The remuneration made to the Nomination Committee in terms of meeting stipends amounted to THB 140,000.

NAME		AMOUNT (BAHT PER YEAR)
1. Mr. Somkiat	Sukdheva	40,000.00
2. Mrs. Siripen	Sitasuwan	60,000.00
3. Ms. Suvarnapha	Suvarnaprathip	40,000.00
4. Mrs. Punthip	Surathin	-
TOTAL		140,000.00

**Notes:** 1. Mr. Somkiat Sukdheva has assumed his chairmanship of the Nomination Committee since 26 May 2009.  
2. Mrs. Suvarnapha Suvarnaprathip resigned from her membership of the Committee on 25 August 2009.  
3. Mrs. Punthip Surathin has assumed her membership of the Committee since 25 August 2009.

4) The remuneration made to the Remuneration Committee in terms of meeting stipends amounted to THB 70,000.

NAME		AMOUNT (BAHT PER YEAR)
1. Mr. Somkiat	Sukdheva	20,000.00
2. Mrs. Siripen	Sitasuwan	30,000.00
3. Ms. Suvarnapha	Suvarnaprathip	20,000.00
4. Mrs. Punthip	Surathin	-
TOTAL		70,000.00

**Notes:** 1. Mr. Somkiat Sukdheva has assumed his chairmanship of the Remuneration Committee since 26 May 2009.  
2. Mrs. Suvarnapha Suvarnaprathip resigned from her membership of the Committee on 25 August 2009.  
3. Mrs. Punthip Surathin has assumed her membership of the Committee since 25 August 2009.

5) There was no payment made to the Executive Committee.

6) The remuneration paid to six TCAP's executives who are at the level of manager and the first four persons in the management level below the manager according to the guidelines of the SET included salaries, allowances, cost-of-living allowances, and contributions to

provident fund. The total payments were THB 34,411,056. These payments did not include payment to the executive working in the Company Accounting Group.

7) The Remuneration of subsidiary companies which are the main business.

TBANK as a main business of TCAP made payments to the directors and executives for performing their duties in 2008 as follows:

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

LIST OF DIRECTORS		TYPES OF REMUNERATION (BAHT PER YEAR)			
		MONTHLY COMPENSATION	MEETING STIPENDS	PERFORMANCE ALLOWANCE	TOTAL
1. Mr. Banerng	Tantivit	630,000.00	466,800.00	1,412,926.26	2,509,726.26
2. Mr. Suphadej	Poonpipat	315,600.00	226,800.00	706,463.13	1,248,863.13
3. Mrs. Michele	Kwok	315,600.00	132,300.00	706,463.13	1,154,363.13
4. Mr. Kiettisak	Meecharoen	315,600.00	207,900.00	706,463.13	1,229,963.13
5. Mr. Narong	Chivangkur	315,600.00	226,800.00	706,463.13	1,248,863.13
6. Mr. Sathaporn	Jinachitra	315,600.00	226,800.00	706,463.13	1,248,863.13
7. Assoc. Prof. Dr. Somjai Phagaphasvivathana		236,700.00	170,100.00	-	406,800.00
8. Ms. Suvarnapha	Suvarnaprathip	315,600.00	207,900.00	706,463.13	1,229,963.13
9. Mr. Brendan	King	315,600.00	189,000.00	706,463.13	1,211,063.13
10. Mr. Somjate	Moosirilert	78,900.00	37,800.00	-	116,700.00
11. Mr. Kobsak	Duangdee	236,700.04	151,200.00	-	387,900.04
12. Mr. Martin	Weeks	26,300.00	-	-	26,300.00
<b>Directors resigned in 2009</b>					
1. Mr. Suvit	Arunanondchai	52,600.00	18,900.00	706,463.13	777,963.13
2. Mr. Vichit	Yarnamorn	52,600.00	18,900.00	706,463.13	777,963.13
<b>TOTAL</b>		<b>3,523,000.04</b>	<b>2,281,200.00</b>	<b>7,771,094.43</b>	<b>13,575,294.47</b>

**Notes:**

1. Mr. Suvit Arunanondchai and Mr. Vichit Yarnamorn resigned their directorship of TBANK on 23 February 2009.
2. Assoc. Prof. Dr. Somjai Phagaphasvivathana has assumed his directorship since 26 March 2009.
3. Mr. Kobsak Duangdee has assumed his directorship since 1 April 2009.
4. Mr. Somjate Moosirilert has assumed his directorship since 29 October 2009.
5. Mr. Martin Weeks has assumed his directorship since 24 December 2009.

7.2) The total payments made to the Audit Committee in the form of meeting stipends amounted to THB 740,000.

NAME		AMOUNT (BAHT OF YEAR)
1. Mr. Kiettisak	Meecharoen	370,000.00
2. Mr. Suvit	Arunanondchai	35,000.00
3. Mr. Sathaporn	Jinachitra	185,000.00
4. Assoc. Prof. Dr. Somjai Phagaphasvivathana		150,000.00
<b>TOTAL</b>		<b>740,000.00</b>

**Notes:**

1. Mr. Suvit Arunanondchai resigned from his membership of the Audit Committee on 23 February 2009.
2. Assoc. Prof. Dr. Somjai Phagaphasvivathana has assumed his membership of the Audit Committee on 26 March 2009.

7.3) The total payments made to the Nomination and Remuneration Committee in the form of meeting stipends amounted to THB 40,000.

NAME		AMOUNT (BAHT OF YEAR)
1. Mr. Narong	Chivangkur	25,000.00
2. Mr. Sathaporn	Jinachitra	15,000.00
TOTAL		40,000.00

7.4) As the remuneration for the Bank's Executive Committee and Board of Directors has not yet been determined, there was no payment to their members.

7.5) In relation to the remuneration of TBANK's executives, based on the guidance of the SEC, there were 8 persons in total who were considered executives in the position of manager and the 1<sup>st</sup> 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 THB 41,177,691.

7.6) With regard to the remuneration of the Independent Director of the subsidiaries, there is one Independent Director who assume the directorship in Thanachart Life Assurance Company Limited and received the compensation amounted to THB 150,000 in 2009.

**(B) Remuneration other than cash payments**

- None -

## THANACHART CSR



### Heroes in Black

*Provided fund to sponsor the purchase of bulletproof helmet for scout volunteers stationed along the border of Thailand-Cambodia as well as presented stories of their lives to communicate with the public of their mission to protect the country.*



## REPORT OF THE NOMINATION COMMITTEE AND THE REMUNERATION COMMITTEE

The Board of Directors of Thanachart Capital Public Company Limited established the Nomination Committee and the Remuneration Committee since 2002. The Committees consisted of three same members whose names as at 31 December 2009 were as follows:

- |                 |            |                                 |
|-----------------|------------|---------------------------------|
| 1. Mr. Somkiat  | Sukdheva   | Chairman (Independent director) |
| 2. Mrs. Siripen | Sitasuwan  | Member (Independent director)   |
| 3. Mrs. Punthip | Surathin   | Member (Independent director)   |
| Mr. Panupan     | Tuangthong | Secretary                       |

In 2009, the Nomination Committee held four meetings to process the following important matters:

1. To review and propose to the Company's Board of Directors meeting for approving the Charter of the Nomination Committee to reflect the duties and responsibilities of the Committee.
2. To select and nominate the name of person appropriate for the assessment to be appointed as a director by the Company's Board of Directors meeting.
3. To select and nominate the name of person appropriate for the assessment to be appointed as the Chief Executive Officer by the Company's Board of Directors meeting.
4. To review and nominate the names of person appropriate for the assessment to be appointed as directors, replacing the directors retiring by rotation in the Annual General Meeting of Shareholders for the year 2010. The names of person appropriate have been proposed to be approved at the Company's Board of Directors meeting and the Annual General Meeting of Shareholders.
5. To review rules, procedures, and channels of providing opportunities for shareholders to propose the names of person appropriate to be appointed as Company's directors.

In 2009, the Remuneration Committee held two meetings to process the following important matters:

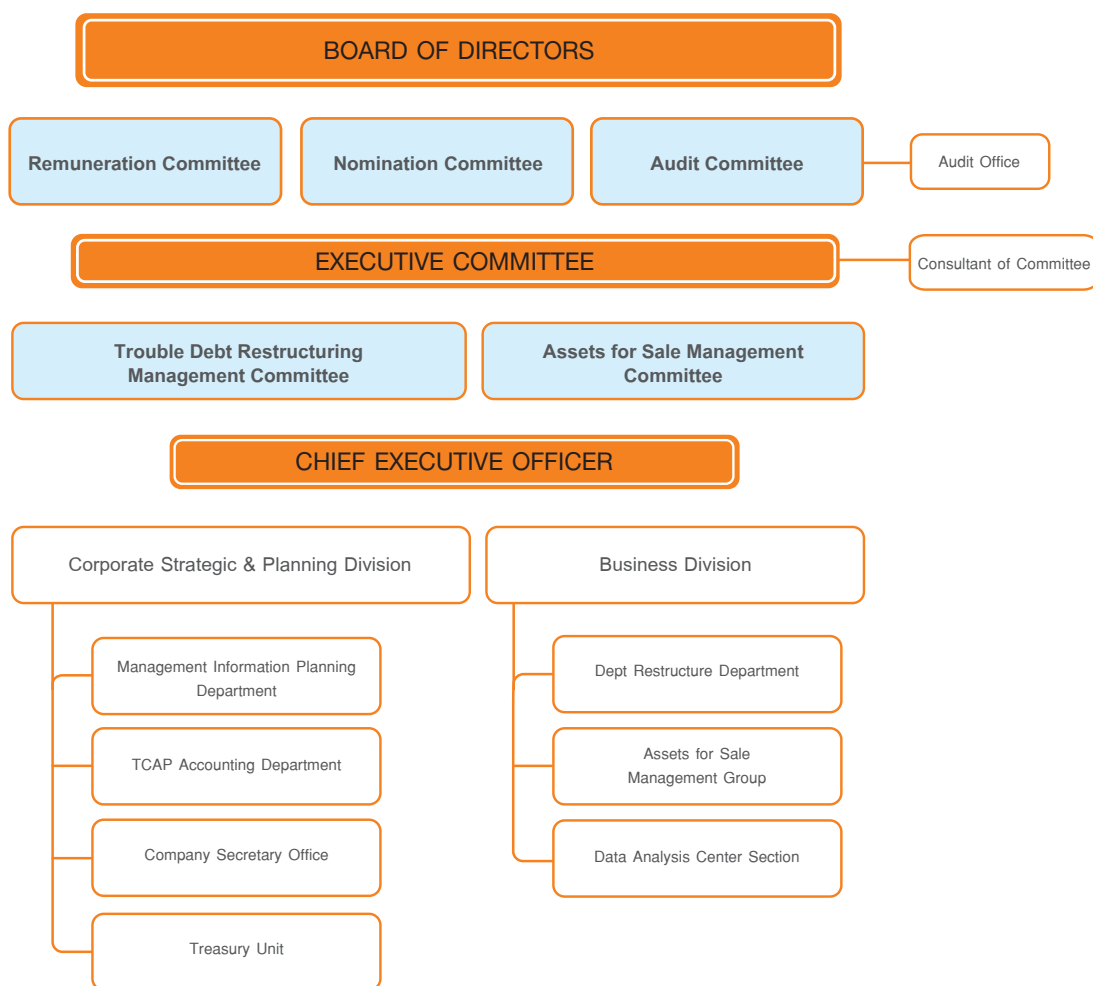
1. To review and propose to the Company's Board of Directors meeting for approving the Charter of the Remuneration Committee to reflect the duties and responsibilities of the Committee.
2. To acknowledge the Company's Board of Directors' performance for the year 2008 and propose to the Company's Board of Directors' meeting for seeking the solution to be implemented for supporting the Board of Directors' operations.
3. To review and consider the remuneration packages for directors and executives, taking into account that the assigned duties and responsibilities and performance are in line with the Company's policy and operating results. The remuneration packages have been proposed for approval at the Company's Board of Directors meeting and the Annual General Meeting of Shareholders for the year 2010.



(Mr. Somkiat Sukdheva)  
Chairman of the Nomination Committee  
and the Remuneration Committee

## SUPERVISION AND MANAGEMENT STRUCTURES

### THANACHART CAPITAL PUBLIC COMPANY LIMITED



Information as at 31 December 2009

## BOARD OF DIRECTORS AND MANAGEMENT TEAM

### THE BOARD OF DIRECTORS

#### Mr. Banterng Tantivit

Age

Education(s)

Directorship and Executive Training Program

Experience(s) in the past 5 years

2006-Present

2005-Present

2003-Present

2002-Present

2001-Present

1989-Present

1987-Present

Family relationship with management

No. of TCAP share(s) held

#### Chairman (Non-Executive Director)

65 years

- Master of Science (Finance), Massachusetts Institute of Technology, USA

- Bachelor of Science in Electrical Engineering,  
Massachusetts Institute of Technology, USA

- Director Accreditation Program (DAP), Class 25/2004,  
Thai Institute of Directors Association

- Vice Chairman, Thanachart Insurance Company Limited

- Director, Arsom Silp Institution of the Arts

- Director, Siam Piwat Holding Company Limited

- Chairman, Thanachart Life Assurance Company Limited

- Chairman, MBK Resort Public Company Limited

- Director, Siam Piwat Company Limited

- Director, B.V. Holding Company Limited

- Chairman, Plan Estate Company Limited

- Chairman, Thanachart Bank Public Company Limited

- Advisor, Dusit Thani Public Company Limited

- Advisor, Patum Rice Mill and Granary Public Company Limited

- Chairman and Chairman of the Executive Committee,  
MBK Public Company Limited (During the year 2006,  
was appointed as the Chairman)

- Director, Deebuk Company Limited

- Director, Thai Farming Company Limited

None

0.1545% (2,060,000 Shares)

## Mr. Suphadej Poonpipat

## Vice Chairman and Chairman of the Executive Committee (Executive Director)

Age	59 years
Education(s)	- Master of Science, University of Wisconsin, USA - Bachelor of Business Administration and Accounting, Chulalongkorn University
Directorship and Executive Training Program	- Director Accreditation Program (DAP), Class 8/2004, Thai Institute of Directors Association
Experience(s) in the past 5 years	
2007-Present	- Director, Royal Orchid Hotel (Thailand) Public Company Limited - Director, Thai Royal Orchid Real Estate Company Limited
2006-Present	- Director, Siam Piwat Holding Company Limited
2005-Present	- Vice Chairman, Chairman of the Executive Committee and Chief Executive Officer, Thanachart Bank Public Company Limited - Director and Chairman of the Executive Committee, Thanachart Insurance Company Limited - Director, MBK Resort Public Company Limited
2003-Present	- Director and Chairman of the Executive Committee, Thanachart Life Assurance Company Limited - Director, Plan Estate Company Limited - Director, Siam Piwat Company Limited - Vice Chairman and Vice Chairman of the Executive Committee, MBK Public Company Limited (During the year 2006, was appointed as the Vice Chairman)
2000-Present	- Advisor, Patum Rice Mill and Granary Public Company Limited
1992-Present	- Director, Advanced Info Service Public Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Note: Mr. Suphadej Poonpipat resigned from Chief Executive Officer, effective on 29 October 2009.

**Mr. Somjate Moosirilert****Member of the Executive Committee and Chief Executive Officer  
(Executive Director)**

Age	53 years
Education(s)	<ul style="list-style-type: none"><li>- Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University</li><li>- Bachelor of Arts (Commerce), Thammasat University</li></ul>
Directorship and Executive Training Program	<ul style="list-style-type: none"><li>- Role of The Chairman Program (RCP), Class 5/2001, Thai Institute of Directors Association</li></ul>
Experience(s) in the past 5 years	
2009-Present	<ul style="list-style-type: none"><li>- Director, Member of the Executive Committee and Senior Executive Vice President, Thanachart Bank Public Company Limited</li><li>- Director, TSFC Securities Public Company Limited</li><li>- Vice Chairman, The Securities Exchange of Thailand</li><li>- Chairman, Thanachart Securities Public Company Limited</li><li>- Executive Director, Association of Securities Companies</li></ul>
2002-2008	<ul style="list-style-type: none"><li>- Managing Director, Thai Asset Management Corporation</li></ul>
Family relationship with management	None
No. of TCAP share(s) held	None

Note: Mr. Somjate Moosirilert was appointed as a Director, and a Member of the Executive Committee, effective on 2 March 2009 and 25 June 2009 respectively and appointed as Chief Executive Officer, effective on 29 October 2009.

**Mr. Phimol Rattapat****Director (Non-Executive Director)**

Age	74 years
Education(s)	<ul style="list-style-type: none"><li>- Barrister at Law, Barrister Association of Thailand</li><li>- Bachelor of Law, Thammasat University</li></ul>
Directorship and Executive Training Program	<ul style="list-style-type: none"><li>- Director Accreditation Program (DAP), Class 2/2003, Thai Institute of Directors Association</li><li>- Finance for Non-Finance Director (FN), Class 3/2003, Thai Institute of Directors Association</li><li>- Role of The Chairman Program (RCP), Class 9/2003, Thai Institute of Directors Association</li></ul>
Experience(s) in the past 5 years	
2007-Present	<ul style="list-style-type: none"><li>- Legal Advisor, Thanachart Bank Public Company Limited</li></ul>
2004-Present	<ul style="list-style-type: none"><li>- Chairman, NL Development Public Company Limited</li></ul>
2002-Present	<ul style="list-style-type: none"><li>- Director, President Bakery Public Company Limited</li></ul>
2004-2007	<ul style="list-style-type: none"><li>- Chairman, Office of The Attorney General</li></ul>
2000-2007	<ul style="list-style-type: none"><li>- Legal Advisor, Thanachart Capital Public Company Limited</li></ul>
Family relationship with management	None
No. of TCAP share(s) held	None

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

Age	65 years
Education(s)	<ul style="list-style-type: none"> <li>- Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>- Bachelor of Economics, Thammasat University</li> </ul>
Directorship and Executive Training Program	<ul style="list-style-type: none"> <li>- Senior Executive Program (SEP) Sloan School MIT, USA</li> <li>- Director Accreditation Program (DAP), Class 6/2003, Thai Institute of Directors Association</li> <li>- Director Certification Program (DCP), Class 40/2004, Thai Institute of Directors Association</li> <li>- Audit Committee Program (ACP), Class 3/2004, Thai Institute of Directors Association</li> <li>- Finance for Non-Finance Director (FN), Class 8/2004, Thai Institute of Directors Association</li> <li>- Role of The Compensation Committee (RCC), Class 6/2008, Thai Institute of Directors Association</li> <li>- IT Governance: A Strategic Path Forward Board and Performance Evaluation, Thai Institute of Directors Association</li> <li>- Successful Formulation &amp; Execution of Strategy (SFE), Class 3/2009, Thai Institute of Directors Association</li> </ul>
Experience(s) in the past 5 years	
2003-Present	- Chairman, Korvac (Thailand) Company Limited
2000-Present	- Partner, P. T. and S Car Care Partnership Limited
2002-2008	- Director and Executive Director, Siam City Bank Public Company Limited
2003-2006	- Director, Government Pharmaceutical Organization Merieux Biological Products Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

**Note:** Mr. Somkiat Sukdheva was appointed as a Member of the Audit Committee, effective on 8 January 2009 and was appointed as the Chairman of the Nomination Committee, and the Chairman of the Remuneration Committee, effective on 26 May 2009.

**Mrs. Siripen Sitasuwan**

**Chairperson of the Audit Committee,  
Member of the Nomination Committee,  
and Member of the Remuneration Committee  
(Independent Director)**

Age	61 years
Education(s)	<ul style="list-style-type: none"><li>- Master of Business Administration, Wichita State University, Kansas, USA</li><li>- Bachelor of Arts (Commerce), Chulalongkorn University</li></ul>
Directorship and Executive Training Program	<ul style="list-style-type: none"><li>- Director Certification Program (DCP), Class 33/2003, Thai Institute of Directors Association</li><li>- Role of The Compensation Committee (RCC), Class 4/2007, Thai Institute of Directors Association</li></ul>
Experience(s) in the past 5 years	
2008-Present	<ul style="list-style-type: none"><li>- Chairperson, Seamico Asset Management Company Limited</li></ul>
2000-2007	<ul style="list-style-type: none"><li>- Director, Shin Satellite Public Company Limited</li></ul>
1999-2007	<ul style="list-style-type: none"><li>- President, Shin Corporation Public Company Limited</li><li>- Director, Advanced Info Service Public Company Limited</li></ul>
Family relationship with management	None
No. of TCAP share(s) held	None

Note: Mrs. Siripen Sitasuwan was appointed as the Chairperson of the Audit Committee, effective on 26 May 2009.



**Mrs. Punthip Surathin**

**Member of the Audit Committee,  
Member of the Nomination Committee,  
and Member of the Remuneration Committee,  
(Independent Director)**

Age	61 years
Education(s)	<ul style="list-style-type: none"><li>- Master of Business Administration, Fort Hays Kansas State College, USA</li><li>- Bachelor of Arts (Accounting), Second Class Honor, Chulalongkorn University</li></ul>
Directorship and Executive Training Program	<ul style="list-style-type: none"><li>- Director Certification Program (DCP), Class 5/2001, Thai Institute of Directors Association</li><li>- Audit Committee Program (ACP), Class 27/2009, Thai Institute of Directors Association</li><li>- Certificate in Senior Executive Program, Capital Market Academy (Class 3)</li><li>- The National Defense Course, The National Defense College (Class 40)</li></ul>
Experience(s) in the past 5 years	
2009-Present	<ul style="list-style-type: none"><li>- Director and Member of the Audit Committee, YLG Bullion &amp; Futures Company Limited</li></ul>
2008-Present	<ul style="list-style-type: none"><li>- Director and Member of the Audit Committee, IRPC Public Company Limited</li></ul>
2007-Present	<ul style="list-style-type: none"><li>- Executive Director, The Fiscal Policy Research Institute Foundation</li></ul>
2005-2009	<ul style="list-style-type: none"><li>- Director, Bangkok Insurance Company Limited</li></ul>
2007-2008	<ul style="list-style-type: none"><li>- Chairperson, Dhanarak Asset Development Company Limited</li><li>- Director General, The Treasury Department</li></ul>
2006-2008	<ul style="list-style-type: none"><li>- Director, PTT Public Company Limited</li></ul>
2003-2008	<ul style="list-style-type: none"><li>- Director, Siam Commercial Bank Public Company Limited</li></ul>
2005-2007	<ul style="list-style-type: none"><li>- Deputy Permanent Secretary, Ministry of Finance</li></ul>
2003-2007	<ul style="list-style-type: none"><li>- Director, Erawan Hotel Public Company Limited</li></ul>
2002-2005	<ul style="list-style-type: none"><li>- Vice President, The State Enterprise Policy Office</li></ul>
Family relationship with management	None
No. of TCAP share(s) held	None

**Note:** Mrs. Punthip Surathin was appointed as a Director, and a Member of the Audit Committee, effective on 26 May 2009 and was appointed as a Member of the Nomination Committee and a Member of the Remuneration Committee, effective on 25 August 2009.

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

Age	64 years
Education(s)	- Bachelor of Economics, Monash University, Australia
Directorship and Executive Training Program	- Commercial Lending Training Program Banker Trust, New York, USA - Director Accreditation Program (DAP), Class 20/2004, Thai Institute of Directors Association
Experience(s) in the past 5 years	
2005-Present	- Director, Thanachart Life Assurance Company Limited
2002-Present	- Director and Vice Chairperson of the Executive Committee, Thanachart Bank Public Company Limited
1997-Present	- Director, Seacon Development Public Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Note: Ms. Suvarnapa Suvarnaprathip resigned from a Member of the Nomination Committee and a Member of the Remuneration Committee, effective on 25 August 2009.

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

Age	55 years
Education(s)	- Master of Business Administration, National Institution of Development Administration - Bachelor of Economics, Thammasat University
Directorship and Executive Training Program	- Directors Certification Program (DCP), Class 94/2007, Thai Institute of Directors Association
Experience(s) in the past 5 years	
2009-Present	- Director, Fuel Pipeline Transportation Limited
2007-Present	- Chairman and Chairman of the Executive Committee, MAX Asset Management Company Limited
2003-Present	- Investment Committee, NASSET Property Fund 6
2000-Present	- Chairman and Chairman of the Executive Committee, NFS Asset Management Company Limited
2005-2007	- Executive Vice President, Thanachart Bank Public Company Limited
2005	- Executive Vice President, Thanachart Capital Public Company Limited
2004-2005	- Senior Vice President, Debt Restructuring Division, National Finance Public Company Limited (Changed the company's name to Thanachart Capital Public Company Limited)
Family relationship with management	None
No. of TCAP share(s) held	None

## EXECUTIVES

### Mr. Watchara Permiphithak

Age

Education(s)

Directorship and Executive Training Program

Experience(s) in the past 5 years

2007-Present

2006-Present

2006-2007

2005-2006

2004-2005

Family relationship with management

No. of TCAP share(s) held

### Senior Vice President, Business Division

48 years

- Master of Business Administration, National Institution of Development Administration

- Bachelor of Engineering (Electrical), Kasetsart University

- Seminar program "Coping with and Looking beyond the Global Crisis", the Bank of Thailand

- Director, Max Asset Management Company Limited

- Investment Committee, NASSET Property Fund 6

- Director and Vice Chairman of the Executive Committee, NFS Asset Management Company Limited

- Senior Vice President, Debt Restructuring Department, Thanachart Bank Public Company Limited

- Senior Manager, Credit Department, Head Office, Bank of Ayudhya Public Company Limited

- First Vice President, Debt Restructuring Department, Thanachart Bank Public Company Limited

None

None

### Ms. Rommanee Jenpinit

Age

Education(s)

Directorship and Executive Training Program

Experience(s) in the past 5 years

2001-2007

Family relationship with management

No. of TCAP share(s) held

### First Vice President, Management Information Planning Department

49 years

- Bachelor of Business Administration, Sukhothai Thammathirat Open University

- Modern Banking Executive Development Program, The Thai Institute of Banking and Finance Association

- First Vice President, Office of Planning and Accounting System Development, Thanachart Capital Public Company Limited

None

None

**Ms. Darawan Bunnumstien**

Age

Education(s)

Directorship and Executive Training Program

Experience(s) in the past 5 years

2007-Present

2005-Present

2003-Present

2004-2005

2001-2004

Family relationship with management

No. of TCAP share(s) held

**First Vice President, Debt Restructuring Department**

48 years

- Bachelor of Political Science, Thammasat University

- Seminar Program "Coping with and Looking beyond the Global Crisis",  
The Bank of Thailand

- Managing the Recovery Program, The Bank of Thailand

- Debt Restructuring to Successful Program, The Bank of Thailand

- Director, Max Asset Management Company Limited

- Director, NFS Asset Management Company Limited

- Investment Committee, NASSET Property Fund 6

- First Vice President, Office of Corporate Debt Restructuring,  
National Finance Public Company Limited  
(Changed the company's name to Thanachart Capital Public  
Company Limited)- First Vice President, Debt Restructuring Department 3,  
NFS Asset Management Company Limited

None

0.000006% (800 Shares)

**Mrs. Thanawan Chaisithikarnkha**

Age

Education(s)

Directorship and Executive Training Program

Experience(s) in the past 5 years

2002-Present

Family relationship with management

No. of TCAP share(s) held

**Vice President, Accounting Department**

44 years

- Bachelor of Business (Accounting), Ramkhamhaeng University

- MINI MBA, Chulalongkorn University

- Young Bankers' Executive Development Program YOBEX,  
The Thai Institute of Banking and Finance Association

- Step to "Year 2011 IFRS", Federation of Accounting Professions

- CFO Professional Program, NIDA Business School /  
The Stock Exchange of Thailand / Market for Alternative  
Investment (mai) and The Federation of Thai Industries

- Vice President, Accounting Department

None

None

## REPORT ON CHANGE IN SHAREHOLDING OF THE COMPANY'S DIRECTORS AND EXECUTIVES IN 2008-2009

(Information as at 31 December 2009)

NO.	NAME	POSITION	NUMBER OF SHARE (\$) HELD AS AT 31 DECEMBER 2009	NUMBER OF SHARE (\$) HELD AS AT 31 DECEMBER 2008	INCREASE (DECREASE)	PERCENTAGE OF SHARE HOLDING
1.	Mr. Banterng Tantivit	Chairman (Non-Executive Director)	2,060,000	2,060,000	-	0.1545
2.	Mr. Suphadej Poonpipat	Vice Chairman and Chairman of the Executive Committee (Executive Director)	-	-	-	-
3.	Mr. Somjate Moosirilert	Member of the Executive Committee and Chief Executive Officer (Executive Director)	-	-	-	-
4.	Mr. Phimol Rattapat	Director (Non-Executive Director)	-	-	-	-
5.	Mr. Somkiat Sukdheva	Chairman of the Nomination Committee, Chairman of the Remuneration Committee, and Member of the Audit Committee (Independent Director)	-	-	-	-
6.	Mrs. Siripen Sitasuwan	Chairperson of the Audit Committee, Member of the Nomination Committee, and Member of the Remuneration Committee (Independent Director)	-	-	-	-
7.	Mrs. Punthip Surathin	Member of the Audit Committee Member of the Nomination Committee, and Member of the Remuneration Committee (Independent Director)	-	-	-	-
8.	Ms. Suvarnapha Suvarnaprathip	Vice Chairperson of the Executive Committee (Executive Director)	-	-	-	-
9.	Mr. Taweesak Saksirilarp	Member of the Executive Committee and Executive Vice President (Executive Director)	-	-	-	-
10.	Mr. Watchara Permpithak	Senior Vice President, Business Division	-	-	-	-
11.	Ms. Rommanee Jenpinit	First Vice President, Management Information Planning Department	-	-	-	-
12.	Ms. Darawan Bunnumstien	First Vice President, Debt Restructuring Department	800	800	-	0.000006
13.	Mrs. Thanawan Chaisithikarnkha	Vice President, Accounting Department	-	-	-	-

## THE INFORMATION OF THE EXECUTIVES AND AUTHORIZED PERSONS' POSITIONS IN SUBSIDIARIES, ASSOCIATED AND RELATED COMPANIES

(Information as at 31 December 2009)

NAME		TCAP	SUBSIDIARY COMPANIES						ASSOCIATED		RELATED COMPANIES																	
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
Mr. Banterng	Tantivit	XXX	XXX				XX	XXX	XXX ///	XXX	X	X	XXX	X	X	X												
Mr. Suphadej	Poonpipat	XX ///	XX ///	A			X ///	X ///	XX //	X	X	X	X				X	X	X									
Mr. Somjate	Moosirilert	X / A	X / B	XXX																						X		
Mr. Phimol	Rattapat	X																		XXX	X							
Mr. Somkiat	Sukdheva	X																				XXX						
Mrs. Siripen	Sitasuwan	X																					XXX					
Mrs. Punthip	Surathin	X																						X	X			
Ms. Suvarnapa	Suvarnaprathip	X //	X //					X																		X		
Mr. Taweesak	Saksirilarp	X / C			XXX ///	XXX ///																						X
Mr. Watchara	Permphithak	D			X	X //																						
Ms. Rommanee	Jenpinit	E																										
Ms. Darawan	Bunnumstien	E			X	X																						
Mrs. Thanawan	Chaisithikarnkha	F																										

**Note:** XXX Chairman XX Vice Chairman X Director /// Chairman of the Executive Committee // Vice Chairman of the Executive Committee / Executive Committee  
A CEO B Senior Executive Vice President C Executive Vice President D Senior Vice President E First Vice President F Vice President

## LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES

(Information as at 31 December 2009)

### SUBSIDIARY COMPANIES

1. Thanachart Bank Public Company Limited
2. Thanachart Securities Public Company Limited
3. MAX Asset Management Company Limited
4. NFS Asset Management Company Limited
5. Thanachart Insurance Company Limited
6. Thanachart Life Assurance Company Limited

### ASSOCIATED COMPANIES

7. MBK Public Company Limited

### RELATED COMPANIES

8. MBK Resort Public Company Limited
9. Siam Piwat Holding Company Limited
10. Siam Piwat Company Limited
11. Plan Estate Company Limited
12. Deebuk Company Limited
13. Thai Farming Company Limited
14. B.V. Holding Company Limited
15. Advanced Info Service Public Company Limited
16. Royal Orchid Hotel (Thailand) Public Company Limited
17. Thai Royal Orchid Real Estate Company Limited
18. NL Development Public Company Limited
19. President Bakery Public Company Limited
20. Korvac (Thailand) Company Limited
21. Seamico Asset Management Company Limited
22. YLG Bullion & Futures Company Limited
23. IRPC Public Company Limited
24. Seacon Development Public Company Limited
25. TSFC Securities Public Company Limited
26. Fuel Pipeline Transportation Limited

## THANACHART CSR



### CSR CLUB

*The club voluntarily joined by the staff of Thanachart Group to participate in social responsibility activities in various areas such as receiving the donation of stationary equipments and passed to schools in the rural area, the canal cleaning to support the community in preserving the environment, etc.*



## RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR FINANCIAL REPORT

Thanachart Capital's Board of Directors is responsible for the separated and consolidated financial statements and for financial informations presented in this annual report. The aforementioned financial statements were prepared in accordance with the generally accepted accounting principles, applying appropriate and consistent accounting policies and with careful judgements and best estimates. Important information is adequately and transparently disclosed to shareholders and other investors in the notes to financial statements.

Thanachart Capital's Board of Directors has established and maintained appropriate and effective risk management and internal control system in order to rationally assure that the accounting information is correctly and completely recorded and adequated to sustain Thanachart Capital's assets, as well as to prevent any material irregular operations or fraud.

Thanachart Capital's Board of Directors has appointed an Audit Committee comprising Independent Directors responsible for revision of accounting policies and the quality of financial statements, internal control, internal audit and risk management system, 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 audited by the Certified Public Accountant of Ernst & Young Office Limited. The Board of Directors had provided the auditing team all information and document supports in order that the Auditor would be able to audit and address his/her opinion to the auditing standards. The Auditor's opinion 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 control is at a satisfying level and provides reliability on its separated and consolidated financial statements for the year ended December 31, 2009 which is in compliance with the generally accepted accounting principles and relevant rules and regulations.



Mr. Banterng Tantivit  
Chairman



Mr. Suphadej Poonpipat  
Chairman of the Executive Committee

## REPORT OF THE AUDIT COMMITTEE

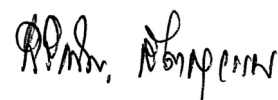
The Audit Committee consists of three members appointed by Thanachart Capital's Board of Directors. All of them are Independent Directors who are qualified experts in accounting and finance with extensive work experience in financial institutions and large-sized corporations. They include:

Mrs. Siripen	Sitasuwan	Chairperson of the Audit Committee
Mr. Somkiat	Sukdheva	Member
Mrs. Punthip	Surathin	Member

The Audit Committee has duties and responsibilities assigned by the Company, which are in the Charter established by the Audit Committee. In 2009, the Audit Committee held seven meetings and one extraordinary meeting, totally eight meetings, with the related units including, among others, the Audit Office, Audit Group, Compliance Department, Thanachart Capital Accounting Department, Risk Management Department, and the Auditor. The meetings were for informing and considering all related issues and the Audit Committee reported the results of all meetings to the Company's Board of Directors. The Audit Committee also participated in the Board of Directors' meeting so as to be informed of the performance of various units in the Company and those of the Group's member companies.

The Audit Committee is of the opinion that the business management of Thanachart Capital and member companies of Thanachart Group is in line with the principles of good corporate governance. It is also of the opinion that Thanachart Capital financial statements disclosed complete, accurate, reliable information and are in line with the generally accepted accounting principles. Moreover, the operation of the Company must comply with the laws because it is one of the most important policies of the Company. The internal control systems are sufficiently tight and show continuous improvement. As well, the Company's risk management systems adequately cover all key types of risks with a work unit specifically responsible for monitoring the various risks and making necessary changes that match the prevailing conditions. The Company has no transaction that gives rise to any conflict of interest. In carrying out its duties, the Audit Committee has received good cooperation from the management and other parties concerned. The Committee is able to work independently to its satisfaction.

The Audit Committee recommends that Ernst & Young Office Limited continues to act as the Company's auditor for another year. The Committee is of the opinion that the Auditor is considered one of the country's leading auditors. It also has a good understanding of the Company businesses and is supported by qualified personnel with knowledge and experience. Therefore, the Audit Committee considers it appropriated that the Company proposes to its shareholders that Ernst & Young Office Limited remain as the Company's auditor in 2010.



Siripen Sitasuwan  
Chairperson of the Audit Committee

## REPORT OF INDEPENDENT AUDITOR

To the Shareholders of Thanachart Capital Public Company Limited

I have audited the accompanying consolidated balance sheets of Thanachart Capital Public Company Limited and its subsidiaries as at 31 December 2009 and 2008, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Thanachart Capital Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Capital Public Company Limited and its subsidiaries and of Thanachart Capital Public Company Limited as at 31 December 2009 and 2008, the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.



Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited  
Bangkok: 24 February 2010

# BALANCE SHEETS

Thanachart Capital Public Company Limited and its subsidiaries

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
<b>Assets</b>					
Cash		3,665,409,936	4,017,994,398	40,000	40,000
Interbank and money market items	6				
Domestic					
Interest bearing		53,198,935,262	40,977,469,318	6,671,661,369	3,366,782,963
Non-interest bearing		3,765,768,198	3,945,117,314	68,094,045	111,212,539
Foreign					
Interest bearing		7,571,684,915	20,372,080,617	-	-
Non-interest bearing		331,088,960	495,714,325	-	-
Total interbank and money market items - net		64,867,477,335	65,790,381,574	6,739,755,414	3,477,995,502
Investments					
Current investments - net	7	34,927,223,547	11,823,115,615	10,765,759,094	2,999,343,403
Long-term investments - net	7	60,484,334,073	26,157,767,934	8,464,436,663	5,562,867,577
Investments in subsidiaries - net	8	-	-	13,243,048,879	16,903,296,764
Investments in an associated company - net	9	1,701,081,590	1,404,443,616	657,994,072	657,994,072
Total investments - net		97,112,639,210	39,385,327,165	33,131,238,708	26,123,501,816
Receivables from clearing house		429,219,703	50,185,586	-	-
Loans and accrued interest receivables	10				
Loans		287,859,976,017	277,553,638,314	4,057,199,651	8,627,833,429
Securities business receivables		1,944,658,101	1,896,481,321	-	-
Total loans and receivables		289,804,634,118	279,450,119,635	4,057,199,651	8,627,833,429
Accrued interest receivables		310,757,162	323,639,772	57,533	181,348
Total loans and accrued interest receivables		290,115,391,280	279,773,759,407	4,057,257,184	8,628,014,777
Less: Allowance for doubtful accounts	11	(10,435,922,132)	(9,920,939,383)	(588,013,363)	(1,302,142,043)
Less: Revaluation allowance for debt restructuring	12	(98,252,571)	(86,795,159)	(151,174)	(272,113)
Total loans and accrued interest receivables - net		279,581,216,577	269,766,024,865	3,469,092,647	7,325,600,621
Property foreclosed - net	14	6,524,474,610	7,554,495,386	2,161,600,774	2,440,979,948
Property, premises and equipment - net	15	2,423,022,732	2,522,254,110	209,667,425	209,231,156
Intangible assets - software - net	16	475,285,188	419,172,975	1,286,527	2,424,444
Leasehold right - net		476,491,249	552,383,624	212,270,335	247,209,909
Goodwill		44,274,108	44,274,108	-	-
Financial derivative assets		956,688,110	1,369,064,034	-	-
Other assets - net	17	3,409,061,518	2,618,334,704	85,852,202	97,299,088
<b>Total assets</b>		<b>459,965,260,276</b>	<b>394,089,892,529</b>	<b>46,010,804,032</b>	<b>39,924,282,484</b>

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

# BALANCE SHEETS (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

As at 31 December 2009 and 2008

(Unit: Baht)

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2009	2008	2009	2008
Liabilities and shareholders' equity					
Deposits	18				
Deposits in Baht		265,780,765,438	269,660,018,831	-	-
Deposits in foreign currencies		89,953,995	70,367,617	-	-
Total deposits		265,870,719,433	269,730,386,448	-	-
Interbank and money market items	19				
Domestic					
Interest bearing		15,305,723,563	6,679,211,369	540,375	4,501,864,428
Non-interest bearing		430,964,353	607,157,923	-	-
Foreign					
Interest bearing		5,193,820,752	-	-	-
Non-interest bearing		8,822,437	6,450,786	-	-
Total interbank and money market items - net		20,939,331,105	7,292,820,078	540,375	4,501,864,428
Payable to clearing house		95,690,201	294,804,300	-	-
Securities business payable		1,035,955,112	854,589,048	-	-
Liabilities payable on demand		2,111,811,444	1,316,693,276	-	-
Borrowings	20				
Short-term borrowings		74,928,699,414	46,652,604,936	6,500,000,000	2,944,305,375
Long-term borrowings		22,376,700,000	18,810,500,000	10,500,000,000	8,000,000,000
Total borrowings		97,305,399,414	65,463,104,936	17,000,000,000	10,944,305,375
Accrued interest payable		1,109,756,961	1,774,584,759	117,342,465	70,886,986
Life premium reserve		15,286,244,129	7,821,623,453	-	-
Unearned premium reserve		1,354,934,243	1,465,630,973	-	-
Corporate income tax payable		1,348,105,322	301,189,486	-	70,220,357
Other liabilities	21	6,100,696,956	5,413,297,305	370,570,075	416,663,548
Total liabilities		412,558,644,320	361,728,724,062	17,488,452,915	16,003,940,694

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

# BALANCE SHEETS (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

As at 31 December 2009 and 2008

(Unit: Baht)

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2009	2008	2009	2008
Shareholders' equity					
Share capital	22				
Registered, issued and paid-up					
15,856 preference shares of Baht 10 each		158,560	158,560	158,560	158,560
1,333,138,147 ordinary shares of Baht 10 each		13,331,381,470	13,331,381,470	13,331,381,470	13,331,381,470
		13,331,540,030	13,331,540,030	13,331,540,030	13,331,540,030
Share premium		2,065,644,888	2,065,644,888	2,065,644,888	2,065,644,888
Share premium of a subsidiary company		775,814,226	1,141,663,553	-	-
Amount by which the value of investment in subsidiary					
is lower than attributable net book value		226,460,173	226,460,173	-	-
Revaluation surplus on investments	23	2,657,959,695	380,736,772	2,126,587,108	99,597,575
Revaluation deficit on investments	23	(499,108,900)	(1,699,455,335)	(5,767,831)	(543,784,863)
Retained earnings					
Appropriated - statutory reserve	24	979,538,466	803,178,954	979,538,466	803,178,954
- treasury stock reserve	22	387,500,975	110,260,325	387,500,975	110,260,325
Unappropriated		13,784,814,953	10,342,356,392	10,024,808,456	8,164,165,206
Total shareholders' equity before treasury stock					
and minority interest		33,710,164,506	26,702,385,752	28,909,852,092	24,030,602,115
Less: Treasury stock	22	(387,500,975)	(110,260,325)	(387,500,975)	(110,260,325)
Equity attributable to the Company's shareholders		33,322,663,531	26,592,125,427	28,522,351,117	23,920,341,790
Minority interest - equity attributable to minority					
shareholders of subsidiaries		14,083,952,425	5,769,043,040	-	-
Total shareholders' equity		47,406,615,956	32,361,168,467	28,522,351,117	23,920,341,790
Total liabilities and shareholders' equity		459,965,260,276	394,089,892,529	46,010,804,032	39,924,282,484
Off-balance sheet items - commitments					
35.1					
Avals to bills and guarantees of loans		306,250,634	128,025,575	10,000,000	10,000,000
Obligation under unmatured import bills		87,557,302	442,517,702	-	-
Letter of credit		1,009,878,320	664,174,238	-	-
Other commitments		99,881,319,942	94,516,146,613	8,000,560,088	8,000,560,088

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

# INCOME STATEMENTS

Thanachart Capital Public Company Limited and its subsidiaries

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2009	2008	2009	2008
Interest and dividend income					
Loans		4,146,082,509	3,792,822,588	73,923,677	52,150,519
Interbank and money market items		1,063,659,390	1,570,454,164	82,678,891	79,616,398
Hire purchase and financial leases		15,241,401,397	14,735,660,791	257,877,338	951,117,371
Investments		1,661,299,981	1,313,893,064	1,094,735,730	907,201,319
Total interest and dividend income		22,112,443,277	21,412,830,607	1,509,215,636	1,990,085,607
Interest expenses					
Deposits		4,863,002,497	6,999,255,765	-	-
Interbank and money market items		119,972,167	183,897,580	15,455,055	287,320,057
Short-term borrowings		1,106,931,883	1,675,476,084	207,613,598	240,395,896
Long-term borrowings		802,150,241	647,662,475	215,431,509	154,956,164
Total interest expenses		6,892,056,788	9,506,291,904	438,500,162	682,672,117
Net interest and dividend income		15,220,386,489	11,906,538,703	1,070,715,474	1,307,413,490
Reversal of bad debt and doubtful accounts					
(Bad debt and doubtful accounts)	25	(2,795,999,902)	(3,579,667,767)	189,459,384	237,081,083
Loss on debt restructuring	26	(53,273,798)	(13,549,829)	(294,161)	(197,938)
Net interest and dividend income after					
bad debt and doubtful accounts and					
loss on debt restructuring		12,371,112,789	8,313,321,107	1,259,880,697	1,544,296,635
Non-interest income					
Brokerage fees		885,292,839	756,390,129	-	-
Gain (loss) on investments	2.2, 27	2,722,003,966	(302,267,769)	3,076,142,454	77,476,605
Share of income from investments in an associated					
company accounted for under equity method	9	256,973,374	334,979,289	-	-
Fees and service income					
Acceptances, aval and guarantees		40,710,681	34,500,005	202,800	-
Others		2,148,396,920	2,206,862,321	138,544,894	216,077,162
Gain on exchange and financial derivatives		147,882,056	222,700,412	-	-
Gain (loss) on property foreclosed and other assets	28	311,629,162	248,667,857	31,400,484	(69,549,214)
Gain on debt settlements/disposals		326,198,829	240,888,950	44,803,707	17,344,359
Insurance premium/Life insurance premium income		14,465,286,937	7,340,117,864	-	-
Other income		1,005,883,319	824,362,362	507,258,177	513,839,724
Total non-interest income		22,310,258,083	11,907,201,420	3,798,352,516	755,188,635

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



# INCOME STATEMENTS (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries  
For the years ended 31 December 2009 and 2008

(Unit: Baht)

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2009	2008	2009	2008
Non-interest expenses					
Personnel expenses		4,434,811,338	3,660,134,901	81,406,700	70,523,076
Premises and equipment expenses		1,778,856,791	1,515,508,880	132,487,812	139,811,156
Taxes and duties		234,197,458	222,246,926	10,334,387	3,878,180
Fees and service expenses		789,607,522	273,413,908	5,110,613	11,810,847
Directors' remuneration	29	42,111,535	41,306,048	19,096,440	20,088,386
Fund contributed to the Financial Institutions					
Development Fund/Deposits Protection Agency		1,072,378,634	822,569,724	-	-
Insurance/Life insurance expenses		12,533,227,743	5,818,093,457	-	-
Other expenses		3,632,397,001	3,525,256,571	293,479,535	434,942,531
Total non-interest expenses		24,517,588,022	15,878,530,415	541,915,487	681,054,176
Income before corporate income tax		10,163,782,850	4,341,992,112	4,516,317,726	1,618,431,095
Corporate income tax	30	(2,988,865,257)	(999,509,115)	(989,127,479)	(252,420,316)
Net income for the year		7,174,917,593	3,342,482,997	3,527,190,247	1,366,010,779
Net income attributable to					
The Company		5,109,005,558	2,768,410,852	3,527,190,247	1,366,010,779
Minority interests of the subsidiaries		2,065,912,035	574,072,145	-	-
		7,174,917,593	3,342,482,997	3,527,190,247	1,366,010,779
Earnings per share					
32					
Basic earnings per share					
Net income attributable to the Company		3.99	2.08	2.76	1.03
Diluted earnings per share					
Net income attributable to the Company		3.99	2.08	2.76	1.03

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

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Thanachart Capital Public Company Limited and its subsidiaries

For the years ended 31 December 2009 and 2008

(Unit: Baht)

Consolidated financial statements												
Equity attributable to the Company's shareholders												
	Amount by which the											
	Issued and paid-up share capital		Share premium	Share premium of a subsidiary company	value of investment in subsidiary is lower than attributable net book value	Revaluation surplus (deficit) on investments	Retained earnings		Unappropriated	Treasury stock	Minority interest - equity attributable to minority shareholders of subsidiaries	Total
	Preference shares	Ordinary shares					Appropriated	Statutory reserve				
Balance as at 1 January 2008	193,360	13,331,346,670	2,065,644,888	1,141,663,553	-	(17,079,904)	734,878,415	-	8,951,655,999	-	6,053,965,927	32,262,268,908
Increase in revaluation deficit on investments	-	-	-	-	-	(1,301,638,659)	-	-	-	-	-	(1,301,638,659)
Amount by which the value of investment in subsidiary is lower than attributable net book value	-	-	-	-	226,460,173	-	-	-	-	-	-	226,460,173
Income (expenses) recognised directly in equity	-	-	-	-	226,460,173	(1,301,638,659)	-	-	-	-	-	(1,075,178,486)
Net income for the year	-	-	-	-	-	-	-	-	2,768,410,852	-	574,072,145	3,342,482,997
Total income (expenses) for the year	-	-	-	-	226,460,173	(1,301,638,659)	-	-	2,768,410,852	-	574,072,145	2,267,304,511
Conversion of preference shares to ordinary shares	(34,800)	34,800	-	-	-	-	-	-	-	-	-	-
Cash payment for treasury stock	-	-	-	-	-	-	-	-	-	(110,260,325)	-	(110,260,325)
Dividend paid (Note 22)	-	-	-	-	-	-	-	-	(1,199,838,602)	-	-	(1,199,838,602)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	689,007	-	-	689,007
Transfer of retained earnings to statutory reserve (Note 24)	-	-	-	-	-	-	68,300,539	-	(68,300,539)	-	-	-
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	-	-	110,260,325	(110,260,325)	-	-	-
Decrease in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(858,995,032)	(858,995,032)
Balance as at 31 December 2008	158,560	13,331,381,470	2,065,644,888	1,141,663,553	226,460,173	(1,318,718,563)	803,178,954	110,260,325	10,342,356,392	(110,260,325)	5,769,043,040	32,361,168,467
Balance as at 1 January 2009	158,560	13,331,381,470	2,065,644,888	1,141,663,553	226,460,173	(1,318,718,563)	803,178,954	110,260,325	10,342,356,392	(110,260,325)	5,769,043,040	32,361,168,467
Decrease in share premium of subsidiary company from disposal of investment	-	-	-	(365,849,327)	-	-	-	-	-	-	-	(365,849,327)
Increase in revaluation surplus on investments	-	-	-	-	-	3,477,569,358	-	-	-	-	-	3,477,569,358
Income (expenses) recognised directly in equity	-	-	-	(365,849,327)	-	3,477,569,358	-	-	-	-	-	3,111,720,031
Net income for the year	-	-	-	-	-	-	-	-	5,109,005,558	-	2,065,912,035	7,174,917,593
Total income (expenses) for the year	-	-	-	(365,849,327)	-	3,477,569,358	-	-	5,109,005,558	-	2,065,912,035	10,286,637,624
Cash payment for treasury stock (Note 22)	-	-	-	-	-	-	-	-	-	(277,240,650)	-	(277,240,650)
Dividend paid (Note 22)	-	-	-	-	-	-	-	-	(1,213,938,218)	-	-	(1,213,938,218)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	991,383	-	-	991,383
Transfer of retained earnings to statutory reserve (Note 24)	-	-	-	-	-	-	176,359,512	-	(176,359,512)	-	-	-
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	-	-	277,240,650	(277,240,650)	-	-	-
Increase in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	6,248,997,350	6,248,997,350
Balance as at 31 December 2009	158,560	13,331,381,470	2,065,644,888	775,814,226	226,460,173	2,158,850,795	979,538,466	387,500,975	13,784,814,953	(387,500,975)	14,083,952,425	47,406,615,956

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

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

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Thanachart Capital Public Company Limited and its subsidiaries

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Separate financial statements								
	Issued and paid-up share capital				Retained earnings				
					Revaluation surplus (deficit) on investments	Appropriated		Unappropriated	Treasury stock
	Preference shares	Ordinary shares	Share premium	Statutory reserve		Treasury stock reserve			
Balance as at 1 January 2008	193,360	13,331,346,670	2,065,644,888	300,694,165	734,878,415	-	8,175,864,886	-	24,608,622,384
Increase in revaluation deficit on investments	-	-	-	(744,881,453)	-	-	-	-	(744,881,453)
Expenses recognised directly in equity	-	-	-	(744,881,453)	-	-	-	-	(744,881,453)
Net income for the year	-	-	-	-	-	-	1,366,010,779	-	1,366,010,779
Total income (expenses) for the year	-	-	-	(744,881,453)	-	-	1,366,010,779	-	621,129,326
Conversion of preference shares to ordinary shares	(34,800)	34,800	-	-	-	-	-	-	-
Cash payment for treasury stock	-	-	-	-	-	-	-	(110,260,325)	(110,260,325)
Dividend paid (Note 22)	-	-	-	-	-	-	(1,199,838,602)	-	(1,199,838,602)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	689,007	-	689,007
Transfer of retained earnings to statutory reserve (Note 24)	-	-	-	-	68,300,539	-	(68,300,539)	-	-
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	110,260,325	(110,260,325)	-	-
Balance as at 31 December 2008	158,560	13,331,381,470	2,065,644,888	(444,187,288)	803,178,954	110,260,325	8,164,165,206	(110,260,325)	23,920,341,790
Balance as at 1 January 2009	158,560	13,331,381,470	2,065,644,888	(444,187,288)	803,178,954	110,260,325	8,164,165,206	(110,260,325)	23,920,341,790
Increase in revaluation surplus on investments	-	-	-	2,565,006,565	-	-	-	-	2,565,006,565
Revenues recognised directly in equity	-	-	-	2,565,006,565	-	-	-	-	2,565,006,565
Net income for the year	-	-	-	-	-	-	3,527,190,247	-	3,527,190,247
Total income for the year	-	-	-	2,565,006,565	-	-	3,527,190,247	-	6,092,196,812
Cash payment for treasury stock (Note 22)	-	-	-	-	-	-	-	(277,240,650)	(277,240,650)
Dividend paid (Note 22)	-	-	-	-	-	-	(1,213,938,218)	-	(1,213,938,218)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	991,383	-	991,383
Transfer of retained earnings to statutory reserve (Note 24)	-	-	-	-	176,359,512	-	(176,359,512)	-	-
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	277,240,650	(277,240,650)	-	-
Balance as at 31 December 2009	158,560	13,331,381,470	2,065,644,888	2,120,819,277	979,538,466	387,500,975	10,024,808,456	(387,500,975)	28,522,351,117

The accompanying notes are an integral part of the financial statements

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

# CASH FLOWS STATEMENTS

Thanachart Capital Public Company Limited and its subsidiaries  
For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
<b>Cash flows from operating activities</b>				
Net income before corporate income tax	10,163,782,850	4,341,992,112	4,516,317,726	1,618,431,095
Adjustments to reconcile net income before corporate income tax to net cash provided by (paid from) operating activities				
Share of income from investments accounted for under equity method	(256,973,374)	(334,979,289)	-	-
Depreciation and amortisation	711,726,247	591,221,423	80,626,951	55,126,181
Bad debt and doubtful accounts and loss on debt restructuring (reversal)	2,849,273,700	3,593,217,596	(189,165,223)	(236,883,145)
Increase (decrease) in provision for impairment of property foreclosed	(86,594,799)	222,211,352	12,112,623	175,653,364
Increase (decrease) in provision for impairment of equipment/other assets	(40,384,701)	22,325,329	(27,664,582)	(16,116,691)
Increase (decrease) in provision for impairment/ revaluation of investments	(216,743,227)	271,493,156	20,483,068	18,461,193
Amortisation of deferred gain on disposal of property foreclosed	(6,298,049)	(262,113,076)	-	(578,798)
Loss (gain) on foreign exchange and financial derivatives	333,271,072	(63,415,644)	-	-
Increase in unearned premium reserve/life insurance premium reserve	7,580,848,406	2,500,684,257	-	-
Gain on sales of/capital return from investments in subsidiary and associated companies	(2,833,251,176)	-	(3,038,370,168)	(27,362,015)
Gain on transfers of assets for debt repayment	(45,006,801)	(16,123,706)	(2,477,073)	(10,250,543)
Loss (gain) on disposal of equipment	17,059,140	11,339,578	(3,855,055)	(2,053,257)
Amortisation of deferred income	(7,755,656)	(5,143,845)	-	-
Decrease (increase) in accrued other income receivable	268,204,378	104,380,634	(2,243,873)	(5,155,310)
	18,431,158,010	10,977,089,877	1,365,764,394	1,569,272,074
Net interest and dividend income	(15,220,386,489)	(11,906,538,703)	(1,070,715,474)	(1,307,413,490)
Cash received from interest on operating activities	20,570,077,578	20,029,226,286	388,519,427	1,071,658,755
Cash paid for interest on operating activities	(5,484,770,797)	(6,791,372,482)	(15,455,055)	(287,320,057)
Cash paid for income tax	(1,961,823,919)	(1,834,568,370)	(1,062,283,277)	(803,143,488)
<b>Income (loss) from operating activities before changes in operating assets and liabilities</b>	16,334,254,383	10,473,836,608	(394,169,985)	243,053,794
<b>Operating assets (increase) decrease</b>				
Interbank and money market items	691,663,445	(25,244,741,544)	(3,249,431,118)	(2,405,297,116)
Securities purchased under resale agreements	-	2,500,000,000	-	-
Investments in trading securities	(1,072,679,711)	(113,015,594)	-	-
Receivables from clearing house	(379,034,117)	193,384,773	-	-
Loans	(19,225,483,665)	(48,608,207,276)	3,967,167,517	15,840,844,273
Property foreclosed	7,780,844,187	6,567,269,825	362,068,626	348,442,312
Other assets	(488,292,792)	(24,347,286)	16,642,314	48,778,517

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

# CASH FLOWS STATEMENTS

## (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries  
For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
<b>Cash flows from operating activities (continued)</b>				
Operating liabilities increase (decrease)				
Deposits	(3,859,667,015)	81,564,045,023	-	-
Interbank and money market items	13,646,511,027	3,583,939,393	(4,501,324,053)	(7,998,200,357)
Payable to clearing house	(199,114,099)	294,804,300	-	-
Securities business payable	181,366,064	(389,330,351)	-	-
Liability payable on demand	795,118,168	(12,334,058)	-	-
Other liabilities	502,984,900	390,850,070	(76,082,830)	(308,646,005)
<b>Net cash flows provided by (used in) operating activities</b>	<b>14,708,470,775</b>	<b>31,176,153,883</b>	<b>(3,875,129,529)</b>	<b>5,768,975,418</b>
<b>Cash flows from investing activities</b>				
Increase in long-term investments	(52,547,805,389)	(12,372,090,746)	(8,113,700,326)	(3,134,960,106)
Cash received from disposal of investments in subsidiary and associated companies	7,740,066,401	-	7,655,761,426	-
Capital returned from subsidiaries	-	-	61,759,617	209,750,790
Cash paid for purchase of investments in subsidiaries	-	(245,267,845)	(1,018,902,990)	(245,267,845)
Cash received from interest and dividend	1,690,651,613	1,477,355,869	1,069,771,163	875,753,740
Cash paid for purchase of premises and equipment/intangible assets	(716,103,167)	(889,784,152)	(26,419,669)	(13,163,134)
Cash received from disposal of equipment/intangible assets	14,039,523	16,901,413	4,446,484	2,124,605
<b>Net cash flows used in investing activities</b>	<b>(43,819,151,019)</b>	<b>(12,012,885,461)</b>	<b>(367,284,295)</b>	<b>(2,305,761,950)</b>
<b>Cash flows from financing activities</b>				
Cash received from new issuance shares of a subsidiary	981,096,810	-	-	-
Cash received from borrowings	235,310,440,704	162,749,664,069	9,980,797,105	10,692,268,621
Cash paid for borrowings	(203,520,331,863)	(177,321,842,957)	(3,959,336,627)	(12,542,281,165)
Cash paid for interest expenses on borrowings	(2,014,322,673)	(2,372,995,236)	(336,750,002)	(350,340,243)
Dividend payment	(1,165,056,002)	(1,153,451,026)	(1,165,056,002)	(1,153,451,026)
Cash paid for treasury stock	(277,240,650)	(109,409,655)	(277,240,650)	(109,409,655)
Dividend paid to minority interest	(556,490,544)	(211,885,893)	-	-
<b>Net cash flows provided by (used in) financing activities</b>	<b>28,758,095,782</b>	<b>(18,419,920,698)</b>	<b>4,242,413,824</b>	<b>(3,463,213,468)</b>
<b>Net increase (decrease) in cash</b>	<b>(352,584,462)</b>	<b>743,347,724</b>	<b>-</b>	<b>-</b>
Cash at beginning of the year	4,017,994,398	3,274,646,674	40,000	40,000
<b>Cash at end of the year</b>	<b>3,665,409,936</b>	<b>4,017,994,398</b>	<b>40,000</b>	<b>40,000</b>
<b>Supplemental cash flows information</b>				
Non-cash transactions				
Conversion of preference shares to ordinary shares	-	34,800	-	34,800
Property foreclosed transferred from loans, other receivables and investments in receivables purchased	6,615,869,714	6,379,826,380	92,325,003	213,578,318
Leasehold transferred from property foreclosed	-	126,087,811	-	126,087,811
Accounts payable for purchase of fixed assets	71,061,877	153,821,746	256,053	1,967,832
Bad debt written off	1,886,595,986	1,880,676,167	21,120,040	108,515,804

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Thanachart Capital Public Company Limited and its subsidiaries  
For the years ended 31 December 2009 and 2008

## 1. General information

### 1.1 The Company's information

Thanachart Capital Public Company Limited ("the Company") was incorporated as a public company limited under Thai laws and operates its business in Thailand. The Company is mainly engaged in investment holding and is the parent company of the Thanachart Group. The Company's registered address is 444 MBK Tower, 10-11 and 15-20 Floors, Phayathai Road, Wangmai, Pathumwan, Bangkok.

All subsidiaries are registered as limited or public limited companies under Thai laws and operate their businesses in Thailand. The subsidiaries' business include commercial banking business, securities business, non-performing assets management business, leasing and hire-purchase business, non-life insurance business, life insurance business, fund management business, and others.

## 2. Basis of preparation of financial statements

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547, including accounting practice of Transferring/Transferred of financial assets; and with reference to the guidelines stipulated by the Bank of Thailand ("the BOT"). The presentation of the financial statements has been made in compliance with the Notification of the BOT relating to the preparation and format of the financial statements of commercial banks and holding company of financial business group, dated 3 August 2008.

The financial statements in Thai language are the official statutory 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) These consolidated financial statements include the financial statements of the Company and its subsidiaries (hereinafter referred to as "the subsidiaries") as follows:

	Percentage of shares held		Percentage of shares held	
	by the Company		by the subsidiaries	
	2009	2008	2009	2008
<u>Subsidiaries directly held by the Company</u>				
Thanachart Bank Plc.	50.92	74.93	-	-
NFS Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	83.44	83.44	-	-
NASSET Property Fund 6	99.80	99.80	0.06	0.06
Thiravanit Co., Ltd.	99.90	99.90	-	-
Thanachart SPV 01 Co., Ltd.	100.00	100.00	-	-
<u>Subsidiaries indirectly held through Thanachart Bank</u>				
Thanachart Securities Plc.	-	-	100.00	100.00
Thanachart Insurance Co., Ltd.	-	-	100.00	100.00
Thanachart Life Assurance Co., Ltd.	-	-	100.00	100.00
Thanachart Fund Management Co., Ltd.	-	-	75.00	75.00
Thanachart Broker Co., Ltd.	-	-	100.00	100.00
Thanachart Group Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Management & Services Co., Ltd.	-	-	100.00	100.00
Thanachart Legal and Appraisal Co., Ltd.	-	-	100.00	100.00
T Leasing Co., Ltd.	-	-	100.00	100.00
National Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Training & Development Co., Ltd.	-	-	100.00	100.00

On 3 February 2009, the Company sold an additional 416,526,737 ordinary shares of Thanachart Bank Plc. (a subsidiary company) ("the Bank") to The Bank of Nova Scotia ("BNS") at a price of Baht 18.38 per share or a total of Baht 7,656 million. This accords with the conditions of the Shareholders' Agreements. As a result of the sale, BNS held 48.998% of the Bank's total issued shares, and the Company's shareholding was decreased from 74.93% to 50.92%. The Company recorded a gain on the sale of Baht 3,038 million in the separate income statement, calculated under the cost method, while a gain of Baht 2,805 million was recorded in the consolidated income statement under the equity method.

In addition, on 29 May 2009, the Bank issued 200 million new ordinary shares, or Baht 2,000 million, for offer to the existing shareholders. The Company exercised its own entitlement and unexercised entitlements of minority shareholders, to purchase Baht 1,018.90 million of such shares at Baht 10 per share (par value). After purchasing such additional shares, the Company's shareholding in the Bank remains at 50.92%.

On 28 November 2008, the Company purchased shares of Max Asset Management Co., Ltd. from another shareholder for Baht 242 million. As a result, the Company's shareholding in that company was increased from 58.45% to 83.44% of its issued shares. The amount by which the purchase price which



was lower than the net book value of such subsidiary, amounting to Baht 226 million, was separately presented in shareholders' equity in consolidated balance sheet because the additional shares purchased is not treated as a business combination under accounting standards.

On 30 April 2008, Thanachart Group Leasing Co., Ltd. sold ordinary share of T Leasing Co., Ltd. to Thanachart Bank Plc. for a total of Baht 191 million. The gain on disposal in Thanachart Group Leasing's financial statements amounting to Baht 11 million has been eliminated from the consolidated financial statements.

- b) Total assets and total income of the subsidiaries that have a significant impact to and are included in the consolidated financial statements as at 31 December 2009 and 2008 and for the years then ended, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Total income	
	2009	2008	2009	2008
Thanachart Bank Plc.	406,426	351,215	22,499	20,635
Thanachart Life Assurance Co., Ltd.	15,936	7,231	12,015	4,998
NFS Asset Management Co., Ltd.	4,167	5,585	552	464
Thanachart Insurance Co., Ltd.	3,095	2,512	2,730	2,580
Thanachart Securities Plc.	3,079	2,869	1,115	923
Max Asset Management Co., Ltd.	1,594	1,778	233	244

- c) All subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent significant accounting policies. In case where there are different in accounting policies, the Company has adjusted the effect of these in the consolidated financial statements.
- e) The outstanding balances and significant intercompany transactions between the Company and its subsidiaries have been eliminated in the consolidated financial statements. The investments in subsidiaries as recorded in the Company's and its subsidiaries' books of accounts have been eliminated against the shareholders' equity of the subsidiaries.
- f) Minority interests represent the portion of net income or loss and net assets value of the subsidiaries that are not held by the Group, and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

- 2.3 The separate financial statements, which present investments in subsidiaries and associated company under the cost method, have been prepared solely for the benefit of the public.

### 3. Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions has issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards are referred to in these financial statements reflect such change.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows:

#### 3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for Preparation and Presentation of Financial Statements

TAS 36                      Impairment of Assets

TFRS 5                      Non-current Assets Held for Sale and Discontinued Operations

Accounting Treatment Guidance for Leasehold right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal year beginning on or after 1 January 2009. The management of the Company and its subsidiaries have assessed the effect of these standards and noted that TFRS 5 and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company and its subsidiaries, while the remaining framework, accounting standards and accounting treatment guidance do not have any significant impact on the financial statements for the current year.

#### 3.2 Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 and TAS 40 allow early adoption by the entity before the effective date.

The management of the Company and its subsidiaries have assessed the effect of these standards and believe that TAS 20 is not relevant to the business of the Company and its subsidiaries, while TAS 24 and TAS 40 will not have significant impact on the financial statements for the year in which they are initially applied.

## 4. Significant accounting policies

### 4.1 Revenue recognition

#### a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis, based on the amount of principal outstanding. Interest on hire purchase and financial lease agreements is recognised on the effective interest method.

The Company and its subsidiaries cease accruing interest income for loans on which principal or interest payments have been defaulted for more than three months past the due date. For the Company and its financial institution subsidiaries, accrued interest formerly recognised for such defaulted loans is reversed from the accounts. Interest is then recognised as income on a cash basis until settlement of such overdue balance has been received.

The Company and its subsidiaries recognise interest income on restructured loans on an accrual basis, with reference to 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 receivables are able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

The Company and its subsidiaries recognise interest income on investments in purchased/transferred loans for which loan repayment is received during the year based on the effective yield rate of the portfolio by the new book value (acquisition cost) of the outstanding balances of receivables. After the restructuring, interest income is recognised by the effective interest rate method for those receivables from which collection is made during the year.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred interest and taken up as income evenly throughout the term of the notes or loans or in proportion of debt repayment.

Deferred interest income on hire purchase, represents discounts on interest granted to debtors by dealers, is recognised as income based on the effective interest rate method, in the same manner as interest income recognised on hire purchases receivable.

#### b) Interest and dividends from investments

Interest income is recognised on an accrual basis based on the effective interest rate. Dividend income is recognised when the right to receive the dividend is established.

c) Brokerage fees income

Brokerage fees charged on securities trading are recognised as income on the transaction date.

d) Interest on loans for purchases of securities

Interest on 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 conditions stipulated by the Securities and Exchange Commission ("SEC").

e) Gain (loss) on investments and financial derivatives.

Gain (loss) on investments and financial derivatives are recognised as income/ expenses at the transaction dates.

f) Fees and services income

Fees and services income are recognised as income on an accrual basis.

g) Insurance/life insurance premium income

Non-life insurance business

Insurance premium income on insurance policies is recognised on the date the insurance policy comes into effect, after deducting premium ceded and refunded, for insurance policies with coverage periods of up to 1 year. For long-term insurance policies with coverage periods of longer than 1 year, related revenues and expenses are recorded as unearned and prepaid items, and amortised to income and expenses over the coverage period.

Insurance premium income in the income statement is presented at the net amount from unearned premium reserve.

Reinsurance premium income is recognised when the reinsurer places the reinsurance application or statement of accounts.

Life insurance business

Life insurance premium income is recognised when underwriting of the insurance is approved, after deducting premium ceded and refunded. Premium due and uncollected at the end of year is recognised as revenue only if the policy is still in force, and is calculated based on the average persistency rate.

## 4.2 Expense recognition

### a) Interest expenses

Interest expenses are charged to expenses on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

### b) Commission and expenses charged on hire purchase/financial leases

For hire purchase/financial lease contracts originating on or after 1 January 2007, initial direct expenses at the inception of a hire purchase/financial lease contract (i.e. commission expenses and stamp duty expenses) are to be deferred and amortised using the effective interest method, with amortisation deducted from interest income throughout the contract period, in order to reflect the effective rate of return on the contracts.

Unearned income on hire purchase/financial leases is presented net of commission expenses and initial direct costs at the inception of the contracts.

## 4.3 Unearned premium/life insurance premium reserve

### Non-life insurance business

Unearned premium reserve of a subsidiary company is set aside in compliance with the Notification of the Ministry of Commerce regarding the appropriation of unearned premium reserve as follows:

Fire, marine (hull), motors and miscellaneous (except for traveling accident with coverage of not more than 6 months)	- Monthly average basis (the one-twenty fourth basis)
Marine and transportation (cargo)	- Net premium written for the last ninety days
Traveling accident with coverage of not more than 6 months	- Net premium written for the last thirty days

### Life insurance business

Life assurance policy reserve represents the accumulated total liability for policies in force on the balance sheet date. Life assurance policy reserve is calculated according to the procedures prescribed by the Regulation on Life Assurance Policy Reserve as promulgated by the Ministry of Commerce on 23 November 2001. The liability is based on assumptions established at inception of the contract.

A subsidiary company base mortality and morbidity tables announced by the Office of Insurance Commission which reflect historical experiences.

### a) Reserve for life insurance policies of over 1 year is determined using the fractional reserve method.

- b) Reserve for accident and group insurance of 1 year or less, unearned premium reserve is set aside at the full amount of unearned premium and the period of coverage.

#### 4.4 Investments

Investments in securities held for trading are determined at fair value. The Company and its subsidiaries recognise changes in the carrying amounts of such securities as income or losses in the income statements.

Investments in available-for-sale securities, both held for short-term and long-term investments, are determined at fair value. The Company and its subsidiaries recognise changes in the value of the securities as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.

Investments in debt securities, both due within one year and expected to be held to maturity, are stated at amortised cost. Premiums/discounts on debt securities are amortised by the effective rate method, which the amortisation amount is presented as an adjustment to the interest income.

Investments in non-marketable equity securities which are classified as other investments are valued at cost net of allowance for impairment (if any).

The Company and its subsidiaries do not treat the investments in mutual fund as being investments in subsidiary or associated companies because the Company and its subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund manager in accordance with the details of each fund project and the funds are under the supervision of the Securities and Exchange Commission.

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private sector debt securities is determined using the formula quoted by the BOT, which is based on the yield rate quoted by the Thai Bond Market Association and adjusted by an appropriate risk factor. The fair value of unit trusts is determined based on their net asset value.

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 the income statement.

The weighted average method is used for computation of the cost of investments.

In the event of the recategorisation of investments, the Company and its subsidiaries value such investments at their fair values prevailing at the transfer date. Differences between the carrying amounts of the investments and their fair values on that date are recorded as gains (losses) in determining income or surplus (deficit) from revaluation of investments, which is presented as a separate item in shareholders' equity and amortised over

the remaining period to maturity of the debt securities, depending on the type of investments which is reclassified.

#### **4.5 Investments in receivables purchased and allowance for impairment**

Investments in receivables purchased, which are classified as other investments, are presented at their acquisition cost net of allowance for impairment (if any). Loss on impairment is recognised as an expense in the income statement.

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 based on the outstanding balance of investments in receivables purchased 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.

#### **4.6 Investments in subsidiary and associated companies**

Investments in subsidiaries 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 the income statement.

Investments in an associated company in the consolidated financial statements is 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 income from the operations of an associated company in proportion to the investment.

#### **4.7 Securities purchased under resale agreements**

A subsidiary company enters into agreements with a private company to purchase securities, whereby there is an agreement to resell the securities at certain dates and at a fixed price. Amounts paid for securities purchased are presented as assets under the caption of "Interbank and money market items" or "Loan", depending on the counter party and the underlying securities are treated as collateral to such receivables.

#### **4.8 Receivables from/payable to Clearing House**

Receivables from/payable to Clearing House comprises the net balance receivable from/payable to the Thailand Securities Depository in respect of securities trades settled through the Clearing House of Thailand Securities Depository and the net receivable from/payable to the Derivatives Clearing House. These also include amounts pledged with the Derivatives Clearing House as security for derivatives trading.



#### 4.9 Loans

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

Hire purchase and finance lease receivables are stated at the contract value of the hire purchase and finance lease receivables net of unearned income, which is presented after netting commission expenses and initial direct costs at the inception of the contracts.

Securities and derivatives business receivables comprise the net securities business receivables and derivatives business receivables. Securities business receivable comprise the net receivable balances of cash accounts and credit balance accounts for which the securities purchased are used as collateral, and other receivables such as overdue cash customers accounts and receivables which are subject to legal proceedings, are undergoing restructuring, or are being settled in installments.

#### 4.10 Allowance for doubtful accounts

- a) The Company and its subsidiaries 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 expenses during the year.

The Company and its subsidiaries set provision for normal loans (including restructured receivables) and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivable) after net of collateral value, as required by the BOT's guidelines. Collateral value included vehicles under hire purchase/financial lease contracts. For non-performing loans, the Company and the subsidiaries provide provision at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, based on the use of a discount rate and assumptions as to the time needed to dispose of the collateral, in accordance with the BOT's guideline. However, non-performing hire purchase or financial lease receivables are treated as having no collateral.

- b) A securities subsidiary provides an allowance for doubtful accounts based on a review of the debtors' repayment capability, taking into consideration the risk of recovery and the value of collaterals. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classification and provisions are made in accordance with the Notifications of the SEC.

- c) Subsidiaries engaged in hire purchase and leasing businesses have provided allowance for doubtful accounts at percentages of the amount of principal outstanding net of unearned income, based on the number of months overdue (with reference to the classification of loans under the BOT's guidelines). Allowance for doubtful accounts is provided based on the loan balances after net of collateral value for receivables overdue no more than 3 months, while provided without deducting collateral value for receivables overdue more than 3 months.
- d) Allowance for doubtful accounts of other receivables is based on the amount of debts that may not be collectible, determined from a review of the current status of the receivables as at the balance sheet date.
- e) The Company and its subsidiaries write off debtors when the relevant criteria under tax law are met. A subsidiary company engaged in commercial bank business writes off hire purchase receivables when full allowance for doubtful accounts has been made for such receivables.
- f) Amounts written off as bad debts or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

#### 4.11 Troubled debt restructuring

In cases where the debt restructuring involves modifications of the terms of repayment, the fair value of the receivables after restructuring is based on the net present values of expected future cash flows, discounted by the market minimum loan rate for credit to large customers prevailing at the restructuring date. The differences between the fair value of receivables as of the restructuring date and their previous book value is recorded as "Revaluation allowance for debt restructuring", and recognised as an expense in the income statements in the restructuring year. Such allowance is reviewed based on the net present value of future cash flows over the remaining period to maturity, recognising adjustments against bad debt and doubtful accounts.

In case where the troubled debt restructuring involves the transfer of assets or equity, the Company and its subsidiaries record the assets or equity interest received as a result of debt restructuring at their fair value (based on the value appraised by internal appraisers or external independent appraisers) providing this does not exceed the amount of principal legally claimable from the debtors (including interest of which recognition has ceased until the restructuring date). Any excess of the fair value of the assets over the book value is recognised as a gain from debt restructuring or an interest income, as the case may be.

Losses arising from debt restructuring through waivers of part of principal or recorded accrued interest receivable are recognised in the income statement when incurred.

#### 4.12 Recognition and amortisation of customers' assets

Assets which customers have placed with a 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 a subsidiary company for internal control purpose. As at the balance sheet date, a subsidiary company writes off those amounts which there are no guarantee obligations for both assets and liabilities, and presents only those assets which belong to a subsidiary company.

#### 4.13 Property foreclosed

Property foreclosed is stated at the lower of cost (fair value with reference to appraisal value less estimated selling expenses, 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 in the income statement 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 are recognised as expenses in the income statement.

#### 4.14 Property, premises and equipment and depreciation

- a) Land and assets in progress are stated at cost and depreciation is not provided.
- b) Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Depreciation is calculated with reference to cost on a straight-line basis over the following estimated useful lives:

Buildings	-	20	years
Building improvements	-	5 - 10	years
Furniture, fixtures and equipment	-	5 - 10	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

#### 4.15 Intangible assets and amortisation

Intangible assets are stated at cost less 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 charged to the income statement.

The intangible assets with finite useful lives have useful lives of approximately 5 - 10 years.

#### **4.16 Goodwill**

Goodwill has been initially measured at cost, which is the excess of the cost of the business combination over the company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair value of the net assets, liabilities and contingent liabilities is higher than the acquisition cost, the difference is recognised directly in the income statement. Goodwill is carried at cost less any accumulated impairment losses, and is tested for impairment annually or when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **4.17 Long-term leases**

Leases that transfer substantially all the risks and rewards of ownership to the Company and its subsidiaries are classified as financial lease. 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 the income statement over the lease period. Assets acquired under finance leases are depreciated over their estimated useful lives.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. The Company and its subsidiaries record advance payments made under operating leases as leasehold rights, and amortise them as expenses in the income statement over the term of the leases on the straight - line basis. Moreover, payments made under operating leases are recognised as expenses in the income statement over the term of the leases on the straight - line basis.

#### **4.18 Premium due and uncollected, and allowance for doubtful accounts**

Premium due and uncollected is stated at its net realisable value. Subsidiaries provide an allowance for doubtful accounts based on the estimated loss that may be incurred in the collection of the premium due, on the basis of collection experience and a review of current status of the premium due as at the balance sheet date.

#### 4.19 Sales of commercial paper

A subsidiary company records commercial paper with an aval by a subsidiary company, or without an aval or acceptance which is sold with recourse, as a liability under the caption of "Liabilities under commercial paper sold". Commercial paper sold at a discount with recourse, which is avaled by or has acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of "Contingent liabilities".

#### 4.20 Securities and derivatives business payables

Securities and derivatives business payables are the obligations of a subsidiary company in respect of its securities and derivatives business with outside parties.

#### 4.21 Loss reserves and outstanding claims/Benefit payments to life policies

##### Non-life insurance business

Outstanding claims are recorded at the amount to be actually paid. Loss reserve is provided upon the receipt of the claims advice from the insured based on the claims notified by the insured and estimates made by a subsidiary company's management. The estimated value of losses is limited to not more than the sum insured of the related insurance policies.

In addition, a subsidiary company set up additional provision for losses incurred but not yet reported (IBNR) based on historical experience but at no less than 2.5 percent of the total net written premiums in the twelve months prior to the allocation date, in compliance with the Notification of the Ministry of Commerce governing the appropriation of unearned premium reserves and loss reserve by non-life insurance companies. However, from 1 January 2009, a subsidiary company set up provision for IBNR at the higher of the reserve calculated using standard actuarial claims techniques and 2.5 percent of total net written premiums in the previous twelve months.

##### Life insurance business

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.

#### 4.22 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 companies and individuals which have significant influence over the Company and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the Company and its subsidiaries' operations.

#### **4.23 Impairment of assets**

The Company and its subsidiaries assess at each balance sheet date whether there are indications that an asset may be impaired. If any such indication exists or when annual impairment testing of an asset is required, the Company and its subsidiaries recognise impairment of loss when the asset's recoverable amount is less than the carrying amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An asset's fair value less costs to sell reflects the amount that could be obtained from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining 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 loss in the income statement.

At the balance sheet date, for assets other than goodwill, the Company and its subsidiaries assess whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company and its subsidiaries estimate the asset's recoverable amount and impairment loss recognised in prior years for assets other than goodwill is reversed.

#### **4.24 Employee benefits**

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

#### **4.25 Foreign currencies**

Transactions in foreign currency occurring during the year are translated into Baht at the exchange rate ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and off-balance sheets transactions, which were outstanding on the balance sheet date, are translated into Baht at the exchange rate ruling at the balance sheet date.

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

#### 4.26 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.

#### 4.27 Income tax

Income tax is provided in the accounts based on taxable profits determined in accordance with tax legislation.

#### 4.28 Financial derivatives

The Company and its subsidiaries have entered into off-balance sheet transactions involving derivative financial instruments in order to manage foreign exchange and interest rate risk and in response to customer needs.

Forward foreign currency contracts which originated for trading purposes are recorded as off-balance sheet items. Gains or losses arising from changes in the fair value of the contracts are recognised in the income statement.

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 sheet 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 in the income statement. 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 forward exchange contracts and interest rate swap contracts are presented at the net amount in the balance sheet.

### 5. Significant accounting judgment and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

#### 5.1 Recognition and derecognition of assets and liabilities

In considering whether to recognise and derecognise assets or liabilities, the management is required to make judgment on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

## **5.2 Allowance for doubtful accounts for loans and allowance for impairment of investments in receivables purchased**

Allowance for doubtful accounts for loans and allowance for impairment of investments in receivables purchased are intended to adjust the value of loans and receivables for probable credit losses. The management uses the BOT's regulation 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 are determined through a combination of specific reviews, probability of default, value of collateral and current economic conditions.

## **5.3 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 exercises 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.

## **5.4 Allowance for impairment of investments**

The Company and its subsidiaries review an impairment of investments when indication of impairment exists. The determination of what is indication of impairment requires judgment of management.

## **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, and judgment to estimate impairment losses, taking into consideration the latest appraisal value, the type and the nature of the assets.

## **5.6 Property, premises and equipment and depreciation**

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and salvage values of premises and equipment and to review estimate useful lives and salvage values when there are any changes.

## **5.7 Goodwill and intangible assets**

The initial recognition and measurement of goodwill and intangible assets requires the management to make judgment of the recoverable amount to be generated by the asset using the discounted cash flows method. 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 Financial leases/Operating leases

When entering into leases agreement, management is required to access and consider the scope of significant risk and rewards of ownership of the leased assets. Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as financial leases. In the other hand, leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating lease.

#### 5.9 Loss sharing from the transfer of non-performing loans to TAMC

In estimating loss sharing from the transfer of non-performing loans to the Thai Asset Management Corporation ("TAMC"), the Company and its subsidiaries use the latest information received from TAMC and projections of the amounts expected to be received from the debtors or from collateral. The management use judgment in determining the assumptions as to the percentage on the amount expected to be recovered from the receivable under the debt restructuring agreement, or as to collateral value. The management considers these assumptions to appropriate given the currently available information and current situation.

#### 5.10 Life insurance premium reserve

Life insurance premium reserve is calculated under the actuarial method, based on the assumptions established at inception of the contract which reflect the best estimate at the time, increased with a margin for risk and adverse deviation. The main assumptions used relate to mortality, morbidity, longevity, expenses and discount rates.

#### 5.11 Loss reserves and outstanding claims

Part of the loss reserve for claims of the subsidiary company is estimated by the subsidiary's management on the basis of claims advices received from insured parties. Another part is for losses incurred but not yet reported (IBNR), which is estimated using a range of standard actuarial claims techniques. The main assumption underlying these techniques relate to historical claims experience, including development of estimates of paid and incurred losses, average costs per claim, claim numbers and insurance type.

#### 5.12 Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The management has used judgment to assess of the results of the litigation cases, and in case where they believe that there will be no losses, they will provide no contingent liabilities at the balance sheet date.

## 6. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial						
Institution Development Fund	3,442	6,600	10,042	3,422	35,800	39,222
Commercial banks	494	45,300	45,794	689	4,490	5,179
Other banks	50	50	100	118	50	168
Other financial institutions	350	667	1,017	18	320	338
<b>Total</b>	<b>4,336</b>	<b>52,617</b>	<b>56,953</b>	<b>4,247</b>	<b>40,660</b>	<b>44,907</b>
Add: Accrued interest receivables	-	11	11	1	40	41
Less: Allowance for doubtful accounts	-	-	-	-	(26)	(26)
<b>Total domestic items</b>	<b>4,336</b>	<b>52,628</b>	<b>56,964</b>	<b>4,248</b>	<b>40,674</b>	<b>44,922</b>
<b>Foreign</b>						
US Dollar	200	7,546	7,746	286	20,236	20,522
Euro	55	-	55	98	-	98
Others	76	-	76	112	-	112
<b>Total</b>	<b>331</b>	<b>7,546</b>	<b>7,877</b>	<b>496</b>	<b>20,236</b>	<b>20,732</b>
Add: Accrued interest receivables	-	26	26	-	136	136
<b>Total foreign items</b>	<b>331</b>	<b>7,572</b>	<b>7,903</b>	<b>496</b>	<b>20,372</b>	<b>20,868</b>
<b>Total - net</b>	<b>4,667</b>	<b>60,200</b>	<b>64,867</b>	<b>4,744</b>	<b>61,046</b>	<b>65,790</b>

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Commercial banks	152	6,550	6,702	201	3,250	3,451
Other banks	5	-	5	6	-	6
Other financial institutions	-	20	20	-	20	20
<b>Total</b>	<b>157</b>	<b>6,570</b>	<b>6,727</b>	<b>207</b>	<b>3,270</b>	<b>3,477</b>
Add: Accrued interest receivables	-	13	13	-	1	1
<b>Total - net</b>	<b>157</b>	<b>6,583</b>	<b>6,740</b>	<b>207</b>	<b>3,271</b>	<b>3,478</b>

During the year 2009, a financial institution receivable of a subsidiary company entered into debt restructuring agreement which it had outstanding debt of Baht 306 million, whereby terms of payment were amended and some debt was converted to equity. The subsidiary company had loss on debt restructuring amounting to Baht 9 million and reversed existing allowance for doubtful accounts of Baht 25 million. As at 31 December 2009, the outstanding debt is amounting to Baht 57 million. (2008: the outstanding debt by Baht 306 million and related allowance by Baht 25 million).

Moreover, as at 31 December 2009, the Company has deposits of Baht 6,550 million with Thanachart Bank Plc. (a subsidiary company), in the form of bills of exchange that mature during January to May 2010 and bear interest at rates of 1.20 - 1.50 percent per annum (2008: Baht 3,250 million).

## 7. Investments

### 7.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2009		2008		2009		2008	
	Cost/ Amortised		Cost/ Amortised		Cost/ Amortised		Cost/ Amortised	
	cost	Fair value	cost	Fair value	cost	Fair value	cost	Fair value
<b>Current investments</b>								
<b>Trading securities</b>								
Government and state enterprise securities	917	917	604	607	-	-	-	-
Private debt securities	754	759	-	-	-	-	-	-
Domestic marketable equity securities	5	6	-	-	-	-	-	-
	1,676	1,682	604	607	-	-	-	-
Add: Allowance for change in value	6		3		-		-	
	1,682		607		-		-	
<b>Available-for-sale securities</b>								
Government and state enterprise securities	24,545	24,553	4,264	4,290	10,077	10,083	-	-
Private debt securities	1,379	1,387	463	469	-	-	-	-
Foreign debt securities	334	336	-	-	-	-	-	-
Domestic marketable equity securities	128	132	49	49	-	-	-	-
	26,386	26,408	4,776	4,808	10,077	10,083	-	-
Add: Allowance for change in value	22		32		6		-	
	26,408		4,808		10,083		-	
<b>Held-to-maturity debt securities - due within 1 year</b>								
Government and state enterprise securities	2,252		5,783		648		2,999	
Private debt securities	35		101		35		-	
Foreign debt securities	4,450		524		-		-	
	6,737		6,408		683		2,999	
<b>Other investments</b>								
Investment in property fund	100		-		-		-	
	100		-		-		-	
<b>Total current investments - net</b>	<b>34,927</b>		<b>11,823</b>		<b>10,766</b>		<b>2,999</b>	

	Consolidated financial statements				Separate financial statements			
	2009		2008		2009		2008	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Long-term investments</b>								
<b>Available-for-sale securities</b>								
Government and state enterprise securities	20,844	20,864	618	697	-	-	-	-
Private debt securities	7,060	7,222	4,360	4,540	578	575	-	-
Foreign debt securities	5,406	5,667	-	-	-	-	-	-
Domestic marketable equity securities	3,668	5,775	4,492	2,819	1,476	3,594	1,505	1,050
	36,978	39,528	9,470	8,056	2,054	4,169	1,505	1,050
Add (less): Allowance for change in value	2,556		(1,168)		2,115		(444)	
Less: Allowance for impairment	(6)		(246)		-		(11)	
	39,528		8,056		4,169		1,050	
<b>Held-to-maturity debt securities</b>								
Government and state enterprise securities	17,839		10,688		331		418	
Private debt securities	1,372		792		3,010		3,000	
Foreign debt securities	-		4,323		-		-	
	19,211		15,803		3,341		3,418	
Less: Allowance for impairment	(557)		(557)		(183)		(183)	
	18,654		15,246		3,158		3,235	
<b>Other investments</b>								
Investments in receivables purchased	2,062		2,318		1,118		1,227	
Investments in property fund	367		658		-		-	
Domestic non-marketable equity securities	338		329		230		230	
Foreign non-marketable equity securities	3		-		-		-	
	2,770		3,305		1,348		1,457	
Less: Allowance for impairment	(468)		(449)		(211)		(179)	
	2,302		2,856		1,137		1,278	
<b>Total long-term investments - net</b>	<b>60,484</b>		<b>26,158</b>		<b>8,464</b>		<b>5,563</b>	

## 7.2 Classified by due date of debt securities

(Unit: Million Baht)

Consolidated financial statements								
	2009				2008			
	Maturity				Maturity			
	Not over 1 year	1 - 5 years	Over 5 years	Total	Not over 1 year	1 - 5 years	Over 5 years	Total
<b>Available-for-sale securities</b>								
Government and state								
enterprise securities	24,525	20,186	678	45,389	4,264	43	575	4,882
Private debt securities	1,379	6,972	88	8,439	463	4,060	300	4,823
Foreign debt securities	334	5,406	-	5,740	-	-	-	-
<b>Total</b>	<b>26,238</b>	<b>32,564</b>	<b>766</b>	<b>59,568</b>	<b>4,727</b>	<b>4,103</b>	<b>875</b>	<b>9,705</b>
Add: Allowance for								
change in value	18	432	11	461	32	159	100	291
<b>Total</b>	<b>26,256</b>	<b>32,996</b>	<b>777</b>	<b>60,029</b>	<b>4,759</b>	<b>4,262</b>	<b>975</b>	<b>9,996</b>
<b>Held-to-maturity debt securities</b>								
Government and state								
enterprise securities	2,252	9,788	8,051	20,091	5,783	10,484	204	16,471
Private debt securities	35	899	473	1,407	101	273	519	893
Foreign debt securities	4,450	-	-	4,450	524	4,323	-	4,847
<b>Total</b>	<b>6,737</b>	<b>10,687</b>	<b>8,524</b>	<b>25,948</b>	<b>6,408</b>	<b>15,080</b>	<b>723</b>	<b>22,211</b>
Less: Allowance for impairment	-	(557)	-	(557)	-	(557)	-	(557)
<b>Total</b>	<b>6,737</b>	<b>10,130</b>	<b>8,524</b>	<b>25,391</b>	<b>6,408</b>	<b>14,523</b>	<b>723</b>	<b>21,654</b>
<b>Total debt securities</b>	<b>32,993</b>	<b>43,126</b>	<b>9,301</b>	<b>85,420</b>	<b>11,167</b>	<b>18,785</b>	<b>1,698</b>	<b>31,650</b>

	Separate financial statements							
	2009				2008			
	Maturity				Maturity			
	Not over	1 - 5	Over		Not over	1 - 5	Over	
	1 year	years	5 years	Total	1 year	years	5 years	Total
Available-for-sale securities								
Government and state								
enterprise securities	10,077	-	-	10,077	-	-	-	-
Private debt securities	-	500	78	578	-	-	-	-
Total	10,077	500	78	10,655	-	-	-	-
Add: Allowance for								
change in value	6	3	(6)	3	-	-	-	-
Total	10,083	503	72	10,658	-	-	-	-
Held-to-maturity debt securities								
Government and state								
enterprise securities	648	331	-	979	2,999	418	-	3,417
Private debt securities	35	3,010	-	3,045	-	3,000	-	3,000
Total	683	3,341	-	4,024	2,999	3,418	-	6,417
Less: Allowance for impairment	-	(183)	-	(183)	-	(183)	-	(183)
Total	683	3,158	-	3,841	2,999	3,235	-	6,234
Total debt securities	10,766	3,661	72	14,499	2,999	3,235	-	6,234

7.3 As at 31 December 2009, a revaluation surplus and a revaluation deficit in the consolidated shareholders' equity amounting to Baht 22 million and Baht 193 million, respectively, are as a result of the recategorisation of debt securities (2008: outstanding revaluation surplus amounting to Baht 30 million and outstanding revaluation deficit amounting to Baht 331 million in the consolidated financial statements).

7.4 As at 31 December 2009, long-term investments in held-to-maturity debt securities include Baht 933 million of non-transferable, 10-year promissory notes received from Thai Asset Management Corporation ("TAMC") as a result of the transfer of non-performing loans to TAMC (separate financial statements: Baht 331 million) (2008: Baht 1,169 million in the consolidated financial statements and Baht 418 million in the separate financial statements). However, the agreed transfer price received in the form of promissory notes could be revised up or down after TAMC reviews the prices, or assesses the collateral or adjusts the prices.

As at 31 December 2009, the Company and its subsidiaries are still unable to assess the exact amount of such losses. However, the Company and its subsidiaries have estimated their share of losses which may arise from the management of non-performing assets at approximately Baht 557 million. Such losses have been shown as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified by the type of promissory note (separate financial statements: Baht 183 million) (2008: Baht 557 million in the consolidated financial statements and Baht 183 million in the separate financial statements).

During the year ended 31 December 2009, the Company and its subsidiaries recognised interest on TAMC's promissory notes amounting to Baht 9 million and received payment under promissory notes and interest amounting to Baht 254 million (separate financial statements: Baht 3 million and Baht 94 million, respectively).

Moreover, the Company and its subsidiaries remain jointly liable with TAMC for their share of gains or losses arising from management of non-performing assets, as described in Note 35.2 to the financial statements.

7.5 As at 31 December 2009, the Company has investments of Baht 3,078 million in subordinated debentures issued by Thanachart Bank Plc. (a subsidiary company) (2008: Baht 3,000 million).

7.6 As at 31 December 2009, investments in government and state enterprise securities in the consolidated financial statements amounting to Baht 1,738 million, at amortised cost, have been placed as collateral for loans from commercial banks and as security with Government Agencies (2008: Baht 1,257 million).

7.7 As at 31 December 2009 and 2008, investments in securities in which the Company and its subsidiaries hold not less than 10 percent of the equity of the investees are as follow:

Name	Nature of business	Consolidated financial statements				Separate financial statements			
		2009		2008		2009		2008	
		Net book value	Percentage of holding	Net book value	Percentage of holding	Net book value	Percentage of holding	Net book value	Percentage of holding
		Million Baht	Percent	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
<u>Manufacturing and commercial industries</u>									
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	664	19.60	376	19.60	332	9.79	188	9.79
<u>Real estate and construction</u>									
HTR Corporation Limited	Office building for rent and property development	20	19.10	20	19.10	20	10.00	20	10.00
<u>Others</u>									
The Thai Business Fund 3 <sup>(1)</sup>	Mutual fund invests in property	252	26.67	340	26.67	-	-	-	-
Sub Thawee Property Fund <sup>(1)</sup>	Mutual fund invests in property	116	56.00	156	56.00	-	-	-	-
The Krung Thai Dividend Fixed-Income Fund	Mutual fund invests in debt securities	49	15.08	-	-	-	-	-	-
Thanasarn Open-Ended Fund <sup>(1)</sup>	Mutual fund invests in debt securities	-	-	267	28.99	-	-	-	-

<sup>(1)</sup> The Company and its subsidiaries do not consider the investments in the mutual funds as being investments in subsidiaries or associated company as the Company and its subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund manager in accordance with the details of each fund project and the funds are under the supervision of the Securities and Exchange Commission. Therefore, the Company and its subsidiaries account for their investment in these mutual funds as long-term available-for-sale or other investments which depend on the investment objectives.

## 7.8 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 2009 and 2008 can be summarised as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Investments in receivables	2,062	2,318	1,118	1,227
Less: Allowance for impairment	(349)	(322)	(113)	(81)
Investments in receivables - net	1,713	1,996	1,005	1,146

	2009				2008			
	Number	Balance			Number	Balance		
	of	per	Purchase	Yield	of	per	Purchase	Yield
	debtors	agreement	price		debtors	agreement	price	
		Million	Million	Percent		Million	Million	Percent
		Baht	Baht			Baht	Baht	
<b>Consolidated financial statements</b>								
Total accumulated investments								
in receivables	1,662	33,559	7,793	6.50 - 18.97	1,662	33,559	7,793	6.50 - 18.97
Outstanding investments in								
receivables as at the								
balance sheet date	775	13,997	2,062		933	14,868	2,318	
<b>Separate financial statements</b>								
Total accumulated investments								
in receivables	691	8,190	1,937	11.94 - 18.97	691	8,190	1,937	11.94 - 18.97
Outstanding investments in								
receivables as at the								
balance sheet date	346	6,290	1,118		495	6,983	1,227	

During the years 2009 and 2008, the Company and its subsidiaries have restructured investments in receivable purchased, by means of various types of restructuring, as summarised below.



2009					
Type of restructuring	Number of debtors	Outstanding loan balance before restructuring	Outstanding loan balance after restructuring	Type of assets to be transferred	Value of assets to be transferred per agreements
		Million Baht	Million Baht		Million Baht
<u>Consolidated financial statements</u>					
Transfer of assets	1	11	11	Land	16
Modification of terms	7	31	31		
Transfer of assets and/or equity securities and/or modification of terms	3	24	24	Land and ordinary share	27
Total	11	66	66		
<u>Separate financial statements</u>					
Modification of terms	3	7	7		
Transfer of assets and/or equity securities and/or modification of terms	1	7	7	Land	10
Total	4	14	14		

2008					
Type of restructuring	Number of debtors	Outstanding loan	Outstanding loan	Type of assets to be transferred	Value of assets to be transferred per agreements
		balance before restructuring	balance after restructuring		
		Million Baht	Million Baht		Million Baht
<u>Consolidated financial statements</u>					
Modification of terms	16	3	3		
Transfer of assets and/or equity securities and/or modification of terms	1	-	-	Condominium	1
Total	17	3	3		
<u>Separate financial statements</u>					
Modification of terms	5	1	1		
Transfer of assets and/or equity securities and/or modification of terms	1	-	-	Condominium	1
Total	6	1	1		

The remaining periods to maturity of the restructured debts of the Company and its subsidiaries, counting from end of the years 2009 and 2008 are as follow:

2009				
Periods	Consolidated financial statements		Separate financial statements	
	Outstanding loan		Outstanding loan	
	Number of	balances after	Number of	balances after
	receivables	restructuring	receivables	restructuring
		Million Baht		Million Baht
Defaulted after debt restructuring	3	21	1	7
Due within 2009	8	45	3	7
Total	11	66	4	14

2008				
Periods	Consolidated financial statements		Separate financial statements	
	Outstanding loan		Outstanding loan	
	Number of	balances after	Number of	balances after
	receivables	restructuring	receivables	restructuring
		Million Baht		Million Baht
Due within 2008	16	3	6	1
Less than 5 years	1	-	-	-
Total	17	3	6	1

Restructured investments in 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 2009 and 2008, there were no outstanding restructured receivables in the investments in receivables account.

- 7.9 As at 31 December 2009 and 2008, investments in securities of the Company and its subsidiaries, include investments in securities of companies with weak financial positions and poor operating results, are summarised as below.

Consolidated financial statements								
	Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts	
	2009	2008	2009	2008	2009	2008	2009	2008
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Equity securities - common shares</u>								
1. Companies which have loan settlement problems or have defaulted the repayment of debts	1	2	-	1	-	1	-	-
2. Companies which auditors' reports cited going concern issues	9	13	21	134	1	36	20	98
3. Financial institutions that are in the process of debt restructuring	-	1	-	8	-	-	-	8
<u>Investments in receivables purchased</u>								
1. 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
2. Companies which have loan settlement problems or have defaulted the repayment of debts	296	351	1,487	1,672	2,013	2,481	231	207

Separate financial statements								
	Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts	
	2009	2008	2009	2008	2009	2008	2009	2008
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Equity securities - common shares</u>								
1. Companies which have loans settlement problems or have defaulted the repayment of debts	-	1	-	1	-	1	-	-
2. Companies which auditors' reports cited going concern issues	1	5	-	113	-	35	-	77
<u>Investments in receivables purchased</u>								
1. Companies which have loan settlement problems or have defaulted the repayment of debts	111	161	845	907	1,188	1,401	70	36

## 8. Investments in subsidiaries

- 8.1 As at 31 December 2009 and 2008, investments in subsidiaries in the separate financial statements which are recorded under the cost method comprise of investments in ordinary shares of the following subsidiaries:

Separate financial statements									
Company's name	Nature of business	Paid-up share capital		Percentage of holding (%)		Value of investment under the cost method		Dividend income for the years ended 31 December	
		2009	2008	2009	2008	2009	2008	2009	2008
Thanachart Bank Plc.	Commercial bank	19,346	17,346	50.92	74.93	10,811	14,409	495	559
NFS Asset Management Co., Ltd.	Non-performing assets management	1,000	1,000	100.00	100.00	1,000	1,000	-	-
Max Asset Management Co., Ltd.	Non-performing assets management	572	572	83.44	83.44	514	576	189	-
NASSET Property Fund 6	Investment in non-performing assets and collection rights	900	900	99.80	99.80	898	898	-	-
Thiravanit Co., Ltd.	Liquidating	6	6	99.90	99.90	34	34	-	-
Thanachart SPV 01 Co., Ltd.	Not yet operation	2	2	100.00	100.00	2	2	-	-
						13,259	16,919	684	559
Less: Allowance for impairment						(16)	(16)		
Investments in subsidiaries - net						13,243	16,903		

During February 2009, the Company sold 416 million ordinary shares of Thanachart Bank Plc. ("the Bank") to The Bank of Nova Scotia ("BNS") at a price of Baht 18.38 per share or a total of Baht 7,656 million. As a result, the Company's shareholding decreased to be 50.92% of the Bank's shares. And during May 2009, the Bank issued 200 million new ordinary shares for offering to the existing shareholders. The Company exercised its own entitlement and unexercised entitlements of minority shareholders, as a result, the Company still holds 50.92%.

**8.2** The consolidated balance sheet as at 31 December 2008 and the consolidated income statement for the year then ended included assets, income and net income of Thanachart Life Assurance Co., Ltd., a subsidiary company of Thanachart Bank, of which the auditor of this subsidiary issued a qualified report on the financial statements for the year ended 31 December 2008 with respect to the effect of any adjustments which might be required as a result of a scope limitation imposed on the audit of insurance income and related expenses. Such issue has been already corrected and adjusted in the financial statements for the year ended 31 December 2009. However, the results of such adjustments have no material impact to the current year consolidated financial statements.

**8.3** The consolidated balance sheet as at 31 December 2009 included Baht 6 million of assets, Baht 0.1 million of liabilities and 0.1 million of net loss 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.

During the year ended 31 December 2008, the Company received the refund of capital amounting to Baht 210 million from 3 subsidiaries, comprising with Pasara Co., Ltd., Bangkok Home Co., Ltd. and Sinkahakarn Co., Ltd.. The gain on the capital refund, totaling Baht 27 million (after reversing allowance for impairment of Baht 65 million), has been eliminated in the consolidated financial statements.

#### 8.4 Cash flows information of asset management companies which are subsidiaries

Cash flows information of asset management companies which are subsidiaries for the years ended 31 December 2009 and 2008 are as follows:

(Unit: Million Baht)				
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.	
	2009	2008	2009	2008
<b>Cash flows from operating activities</b>				
Net income before corporate income tax	509	366	194	212
Adjustments to reconcile net income before corporate income tax to net cash provided by (paid for) operating activities				
Gain on assets transferred from receivables	(39)	(14)	(50)	(48)
Loss on impairment of investments in receivables (reversal)	-	12	(10)	(1)
Loss on impairment of property foreclosed (reversal)	17	(13)	3	(5)
Bad debts and doubtful accounts (reversal)	(136)	(217)	7	(10)
Others	(9)	(16)	-	-
	342	118	144	148
Interest expenses	80	166	-	18
Interest income	(266)	(122)	(20)	(26)
Dividend income	(2)	-	-	-
Cash received from interest income	259	112	21	25
Cash paid for corporate income tax	(135)	(82)	(73)	(104)
Income from operating activities before changes in operating assets and liabilities	278	192	72	61
Operating assets (increase) decrease				
Current investments	643	(645)	-	-
Investments in receivables	5	(158)	56	55
Loans	679	652	18	18
Property foreclosed	106	204	159	95
Other assets	1	11	(1)	18
Operating liabilities increase (decrease)				
Other liabilities	(178)	53	(26)	(32)
<b>Net cash flows from operating activities</b>	<b>1,534</b>	<b>309</b>	<b>278</b>	<b>215</b>
<b>Cash flows from investing activities</b>				
Proceeds from sales of long-term investments	149	229	-	-
Cash paid for equipments	-	(3)	-	(1)
Cash received from interest of long-term investments	8	16	-	-
Cash received from dividend	2	-	-	-
<b>Net cash flows from (used in) investing activities</b>	<b>159</b>	<b>242</b>	<b>-</b>	<b>(1)</b>
<b>Cash flows from financing activities</b>				
Cash received from borrowings	2,136	-	-	-
Cash paid for borrowings	(3,650)	(429)	-	(269)
Cash paid for interest expenses on borrowings	(80)	(166)	-	(30)
Cash paid for dividend	-	-	(300)	-
<b>Net cash flows used in financing activities</b>	<b>(1,594)</b>	<b>(595)</b>	<b>(300)</b>	<b>(299)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>99</b>	<b>(44)</b>	<b>(22)</b>	<b>(85)</b>
Cash and cash equivalent at beginning of the year	31	75	237	322
<b>Cash and cash equivalents at end of the year</b>	<b>130</b>	<b>31</b>	<b>215</b>	<b>237</b>

## 9. Investments in an associated company

- 9.1 As at 31 December 2009 and 2008, the Company and its subsidiaries have investments in ordinary shares of MBK Public Company Limited which is registered under Thai laws and engages in property rental, hotel and services. Information of the associated company is as follow:

(Unit: Million Baht)

Company's name	Paid-up share capital		Percentage of holding (%)		Investment value				Dividend income for the years ended		Share of income for the years ended	
					Cost method		Equity method		31 December		31 December	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>Consolidated financial statements</b>												
MBK Plc.	1,886	1,886	19.90	20.76	948	992	1,701	1,404	163	157	257	335
<b>Separate financial statements in which the cost method is applied</b>												
MBK Plc.	1,886	1,886	10.00	10.00	658	658			80	75		

The Company and its subsidiaries classify investments in ordinary shares of MBK Public Company Limited as investments in associated company because the Company and its subsidiaries have significant influence over that associated company.

Moreover, during the year ended 31 December 2009, a subsidiary company sold investments in associated company amounting to Baht 84 million with gain on the sale, calculated under the equity method, of Baht 29 million in the consolidated income statement.

### 9.2 Summarised financial information of associated company

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for the years ended		Net income for the years ended	
	as at 30 September		as at 30 September		as at 30 September		30 September		30 September	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
MBK Plc.	1,886	1,886	23,514	19,164	13,021	10,889	6,494	6,410	1,258	1,456

The share of income is determined based on financial statements of that associated company prepared for a different period, as a result of a limitation on the availability of information. The financial information used was that as at 30 September 2009 and 2008 and for the years then ended, 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 income for the year ended 30 September 2009 is not materially different from that income for the year ended 31 December 2009.

- 9.3 As at 31 December 2009, the fair values of the investment in MBK Plc. which is a listed in the Stock Exchange of Thailand, on a portion held by the Company and its subsidiaries is Baht 2,440 million (separate financial statements: Baht 1,226 million).

## 10. Loans and accrued interest receivables

### 10.1 Classified by loan types

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
<u>Loans</u>				
Overdrafts	2,812	2,511	-	-
Loans	52,242	43,691	227	235
Notes receivable	18,919	17,636	2,407	394
Hire purchase receivables	211,564	211,828	1,423	7,999
Financial lease receivables	2,323	1,888	-	-
<b>Total loans</b>	<b>287,860</b>	<b>277,554</b>	<b>4,057</b>	<b>8,628</b>
Add: Accrued interest receivables	311	324	-	-
Less: Allowance for doubtful accounts	(10,121)	(9,623)	(588)	(1,302)
Less: Revaluation allowance for debt restructuring	(98)	(87)	-	-
<b>Loans and accrued interest receivables - net</b>	<b>277,952</b>	<b>268,168</b>	<b>3,469</b>	<b>7,326</b>
<u>Securities business receivables</u>				
Customers' accounts	692	884	-	-
Credit balances in receivables	870	598	-	-
Other receivables	382	414	-	-
<b>Total securities business receivables</b>	<b>1,944</b>	<b>1,896</b>	<b>-</b>	<b>-</b>
Less: Allowance for doubtful accounts	(315)	(298)	-	-
<b>Securities business receivables and accrued interest receivables - net</b>	<b>1,629</b>	<b>1,598</b>	<b>-</b>	<b>-</b>
<b>Loans and accrued interest receivables - net</b>	<b>279,581</b>	<b>269,766</b>	<b>3,469</b>	<b>7,326</b>

## 10.2 Classified by remaining period of contract

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
At call *	9,410	8,798	2,807	1,139
Not over 1 year	30,135	29,692	710	6,099
Over 1 year	250,770	241,493	540	1,390
Total loans and accrued interest receivables	290,315	279,983	4,057	8,628
Less: Intercompany profits from loans transferred	(200)	(209)	-	-
Total loans and accrued interest receivables	290,115	279,774	4,057	8,628

\* Includes expired contracts

## 10.3 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	287,671	323	287,994	278,704	256	278,960
US Dollars	1,313	1,004	2,317	955	-	955
Other currencies	4	-	4	68	-	68
Total loans and accrued interest receivables	288,988	1,327	290,315	279,727	256	279,983
Less: Intercompany profits from loans transferred	(200)	-	(200)	(209)	-	(209)
Total loans and accrued interest receivables	288,788	1,327	290,115	279,518	256	279,774

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	4,057	-	4,057	8,628	-	8,628
Total loans and accrued interest receivables	4,057	-	4,057	8,628	-	8,628



#### 10.4 Classified by type of business and loans classification

(Unit: Million Baht)

Consolidated financial statements						
2009						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	2,598	2	8	8	22	2,638
Manufacturing and commercial	15,297	72	163	301	939	16,772
Real estate and construction	14,369	473	166	457	824	16,289
Public utilities and services	15,209	456	263	7	249	16,184
Personal consuming						
Housing loans	6,079	409	119	269	365	7,241
Securities	1,628	-	3	313	-	1,944
Hire purchase	189,471	16,880	909	828	3,476	211,564
Others	6,307	506	169	366	858	8,206
Others	8,315	5	1	-	1,156	9,477
Total loans and accrued interest receivables	259,273	18,803	1,801	2,549	7,889	290,315
Less: Intercompany profits from loans transferred						(200)
Total loans and accrued interest receivables						290,115

(Unit: Million Baht)

Consolidated financial statements						
2008						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,146	-	-	9	32	1,187
Manufacturing and commercial	11,439	653	25	372	915	13,404
Real estate and construction	13,405	429	318	25	1,419	15,596
Public utilities and services	12,020	1,240	312	14	243	13,829
Personal consuming						
Housing loans	6,473	563	92	130	466	7,724
Securities	1,597	-	4	296	-	1,897
Hire purchase	183,872	22,826	1,155	961	3,014	211,828
Others	6,510	718	251	285	792	8,556
Others	4,750	13	1	-	1,198	5,962
Total loans and accrued interest receivables	241,212	26,442	2,158	2,092	8,079	279,983
Less: Intercompany profits from loans transferred						(209)
Total loans and accrued interest receivables						279,774

(Unit: Million Baht)

Separate financial statements						
2009						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries	2,400	-	-	-	-	2,400
Manufacturing and commercial	-	-	-	-	2	2
Public utilities and services	-	-	-	-	1	1
Personal consuming						
Housing loans	6	-	2	-	29	37
Hire purchase	1,005	124	16	21	257	1,423
Others	5	-	2	1	186	194
Total loans and accrued interest receivables	3,416	124	20	22	475	4,057

(Unit: Million Baht)

Separate financial statements						
2008						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries	386	-	-	-	-	386
Manufacturing and commercial	-	-	-	-	2	2
Public utilities and services	-	-	-	-	2	2
Personal consuming						
Housing loans	3	4	-	14	17	38
Hire purchase	6,107	885	98	66	843	7,999
Others	3	8	2	3	185	201
Total loans and accrued interest receivables	6,499	897	100	83	1,049	8,628

## 10.5 Non-performing loans

As at 31 December 2009 and 2008, the Company and its financial institution subsidiaries (banking, asset management and securities business) have non-performing loans, classified in accordance with the BOT's and SEC's regulations (debtors classified as substandard, doubtful, doubtful of loss and loss), as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Non-performing loans (excluding accrued interest receivables)				
The Company	517	1,232	517	1,232
Banking business	8,359	7,167	-	-
Asset management business	2,561	3,176	-	-
Securities business	316	299	-	-

The above non-performing loans do not include loans which have already restructured and are now qualified for classification as normal debts or special mentioned debts.

Additionally, the Company and its financial institutions subsidiaries (banking and securities business) have the following loans for which income recognition under an accrual basis has been discontinued:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
The Company	424	1,198	424	1,198
Banking business	8,777	7,251	-	-
Securities business	316	299	-	-

The Company recognises income from loans that were transferred from investments in receivables on a cash basis. Subsidiaries engaged in the asset management business also recognise income from loans on a cash basis.

#### 10.6 Unearned income

As at 31 December 2009 and 2008, unearned income is summarised as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Unearned interest income	68	75	-	-
Unearned income from hire purchase/ financial lease	30,423	31,446	43	352

#### 10.7 Hire purchase/Financial lease receivables

As at 31 December 2009, the Company and its subsidiaries have net receivables under hire purchase and financial lease agreements amounting to Baht 207,923 million. Most of the hire purchase/financial lease agreements were made for car and motorcycle and they generally have terms of between 3 and 6 years, with interest charged at a fixed rate (separate financial statements: Baht 1,122 million).

(Unit: Million Baht)

Consolidated financial statements				
2009				
Amount due under lease agreement				
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	84,145	155,860	4,305	244,310
Unearned financial income	(13,528)	(16,759)	(136)	(30,423)
Present value of minimum lease payments				
receivable	70,617	139,101	4,169	213,887
Allowance for doubtful accounts				5,964

\* Includes non-performing loans

(Unit: Million Baht)

Consolidated financial statements				
2008				
Amount due under lease agreement				
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	83,204	156,810	5,148	245,162
Unearned financial income	(13,754)	(17,513)	(179)	(31,446)
Present value of minimum lease payments				
receivable	69,450	139,297	4,969	213,716
Allowance for doubtful accounts				5,788

\* Includes non-performing loans

(Unit: Million Baht)

Separate financial statements				
2009				
Amount due under lease agreement				
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	1,341	125	-	1,466
Unearned financial income	(42)	(1)	-	(43)
Present value of minimum lease payments				
receivable	1,299	124	-	1,423
Allowance for doubtful accounts				301

\* Includes non-performing loans

(Unit: Million Baht)

Separate financial statements				
2008				
Amount due under lease agreement				
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	6,969	1,382	-	8,351
Unearned financial income	(319)	(33)	-	(352)
Present value of minimum lease payments				
receivable	6,650	1,349	-	7,999
Allowance for doubtful accounts				1,027

## 10.8 Troubled debt restructuring

During the years 2009 and 2008, the Company and its subsidiaries entered into debt restructuring agreements with loans. The details are as followed:

2009					
Type of restructuring	Number of receivables	Outstanding loan balance before restructuring <sup>(1)</sup>	Outstanding loan balance after restructuring <sup>(1)</sup>	Type of assets to be transferred	Value of assets to be transferred per agreements
		Million Baht	Million Baht		Million Baht
<u>Consolidated financial statements</u>					
Transfer of assets	5	119	119	Land and premises thereon	142
Modification of terms	10,917	3,646	3,645		
Transfer of assets and/or equity securities and/or modification of terms	18	312	312	Land and premises thereon	101
<b>Total</b>	<b>10,940</b>	<b>4,077</b>	<b>4,076</b>		
<u>Separate financial statements</u>					
Modification of terms	48	3	3		
<b>Total</b>	<b>48</b>	<b>3</b>	<b>3</b>		

<sup>(1)</sup> Outstanding balance includes both principal and interest receivables

2008					
Type of restructuring	Number of receivables	Outstanding loan balance before restructuring <sup>(1)</sup>	Outstanding loan balance after restructuring <sup>(1)</sup>	Type of assets to be transferred	Value of assets to be transferred per agreements
		Million Baht	Million Baht		Million Baht
<u>Consolidated financial statements</u>					
Transfer of assets	1	1	1	Land	4
Modification of terms	347	1,028	1,024		
Transfer of assets and/or equity securities and/or modification of terms	15	23	23	Land and premises thereon	33
<b>Total</b>	<b>363</b>	<b>1,052</b>	<b>1,048</b>		
<u>Separate financial statements</u>					
Modification of terms	53	16	16		
Transfer of assets and/or equity securities and/or modification of terms	3	7	7	Land and premises thereon	13
<b>Total</b>	<b>56</b>	<b>23</b>	<b>23</b>		

<sup>(1)</sup> Outstanding balance includes both principal and interest receivables

The remaining periods to maturity of the restructured receivables of the Company and its subsidiaries, counting from end of the years 2009 and 2008 are as follow:

2009				
Periods	Consolidated financial statements		Separate financial statements	
	Outstanding loan		Outstanding loan	
	Number of	balance	Number of	balance
	receivables	after restructuring	receivables	after restructuring
		Million Baht		
Defaulted after				
debt restructuring	4,785	1,595	9	1
Due within 2009	861	410	34	1
Less than 5 years	2,184	884	3	-
5 - 10 years	3,083	1,121	1	-
10 - 15 years	14	32	1	1
More than 15 years	13	34	-	-
Total	10,940	4,076	48	3

2008				
Periods	Consolidated financial statements		Separate financial statements	
	Outstanding loan		Outstanding loan	
	Number of	balance	Number of	balance
	receivables	after restructuring	receivables	after restructuring
		Million Baht		
Defaulted after				
debt restructuring	128	513	16	14
Due within 2008	147	290	22	8
Less than 5 years	59	170	17	1
5 - 10 years	14	31	1	-
10 - 15 years	4	6	-	-
More than 15 years	11	38	-	-
Total	363	1,048	56	23

Supplemental information for the years 2009 and 2008 relating to restructured receivables is as follows:

(Unit: Million Baht)				
	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Interest income recognised in income statements	527	277	2	7
Gain on debt repayment/disposals recognised in income statements	53	155	1	7
Gain on transfers of assets for debt repayment recognised in income statements	41	16	2	10
Loss on debt restructuring recognised in income statements	44	14	-	-
Cash proceeds from collection of debts	1,304	1,666	13	31
Assets transferred from debtors	350	57	10	17

As at 31 December 2009 and 2008, the Company and its subsidiaries have the following restructured receivables balances (principal and interest receivables), including restructured receivables who were transferred from investments in receivables:

	Restructured receivables							
	Total number of		Number of		Outstanding		Outstanding balance,	
	outstanding		receivables		balance		net of	
	receivables		receivables		balance		collateral	
	2009	2008	2009	2008	2009	2008	2009	2008
					Million	Million	Million	Million
					Baht	Baht	Baht	Baht
Thanachart Capital Plc.	31,232	94,989	67	63	137	138	32	37
Thanachart Bank Plc.	812,480	707,430	10,600	381	5,280	2,645	1,963	883
Thanachart Securities Plc.	1,906	1,579	6	8	101	134	101	134
Other subsidiary companies	6,528	6,795	335	379	1,617	1,929	483	517

#### 10.9 As at 31 December 2009 and 2008, the Company has the following loans to subsidiary companies:

Company	Type of credit	Contract period as at 31 December 2009	Interest rate as at 31 December 2009	Outstanding balance	
				2009	2008
				Million Baht	Million Baht
NFS Asset Management Co., Ltd.	Promissory note	At call	Fixed at 2.80% per annum	2,400	264
National Leasing Co., Ltd.	Promissory note			-	112
Thanachart Legal and Appraisal Co., Ltd.	Promissory note			-	10
Total				2,400	386

#### 10.10 Classification of loans under the Bank of Thailand's guidelines

As at 31 December 2009 and 2008, the Company and its financial institution subsidiaries (banking and asset management business) classified and made allowances against their loans (including loans to financial institutions which are presented as part of interbank and money market items) in accordance with the BOT's guidelines as summarise below.

(Unit: Million Baht)

	Consolidated financial statements <sup>(1)</sup>						
	Debt balance/ book value		Debt balance after collateral <sup>(3)</sup>		Minimum percentage	Allowance for doubtful accounts	
	2009	2008	2009	2008		2009	2008
<b>Loans and accrued interest</b>							
<b>receivables (including interbank and money market items)<sup>(2)</sup></b>							
Normal	307,188	274,523	82,599	64,078	1	909	912
Special mention	17,970	25,107	7,484	9,253	2	190	185
Substandard	1,713	2,024	1,141	1,427	100	1,237	1,466
Doubtful	2,180	1,719	1,345	1,230	100	1,345	1,230
Doubtful of loss	7,737	7,897	5,624	5,074	100	5,709	5,127
<b>Total</b>	<b>336,788</b>	<b>311,270</b>	<b>98,193</b>	<b>81,062</b>		<b>9,390</b>	<b>8,920</b>
Additional allowance for possible uncollectible debts	-	-	-	-		387	270
	336,788	311,270	98,193	81,062		9,777	9,190
Less: Revaluation allowance							
for debt restructuring	(98)	(87)					
Intercompany gain	(200)	(209)					
<b>Total loans and accrued interest receivables</b>	<b>336,490</b>	<b>310,974</b>					

<sup>(1)</sup> Only the Company and those subsidiaries under control of the BOT.<sup>(2)</sup> Debt balance/book value of normal and special mention loans excluding accrued interest receivables.<sup>(3)</sup> The debt balance after collateral for substandard, doubtful and doubtful of loss loans is the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, as the case may be.

(Unit: Million Baht)

	Separate financial statements						
	Debt balance/ book value		Debt balance after collateral <sup>(2)</sup>		Minimum percentage	Allowance for doubtful accounts	
	2009	2008	2009	2008		2009	2008
<b>Loans and accrued interest receivables (including interbank and money market items)<sup>(1)</sup></b>							
Normal	3,436	6,519	2,965	1,740	1	29	17
Special mention	124	897	86	346	2	2	7
Substandard	20	100	17	100	100	17	100
Doubtful	22	83	22	73	100	22	73
Doubtful of loss	475	1,049	378	965	100	378	965
<b>Total loans and accrued interest receivables</b>	<b>4,077</b>	<b>8,648</b>	<b>3,468</b>	<b>3,224</b>		<b>448</b>	<b>1,162</b>
Additional allowance for possible uncollectible debts						140	140
						588	1,302

<sup>(1)</sup> Debt balance/book value of normal and special mention loans excluding accrued interest receivables.<sup>(2)</sup> The debt balance after collateral for substandard, doubtful and doubtful of loss loans is the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, as the case may be.



#### 10.11 Loans to companies which have settlement problems

As at 31 December 2009 and 2008, the Company and its subsidiaries' loans (including loans to financial institutions) in the consolidated and the separate financial statements included the following debtors with weak financial positions and operating results:

	Consolidated financial statements							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2009	2008	2009	2008	2009	2008	2009	2008
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Closed financial institutions	4	4	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	5	4	343	294	116	124	267	206
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	14	13	835	858	815	809	281	284
4. Companies which have loan settlement problems or have defaulted on the repayment of debts	946	980	2,340	2,696	1,776	2,288	1,112	1,124
5. Companies whose auditors' reports cited going concern issues	2	2	51	51	-	-	51	51

	Separate financial statements							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2009	2008	2009	2008	2009	2008	2009	2008
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Companies which have loan settlement problems or have defaulted on the repayment of debts	135	268	115	173	101	75	41	106

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

As at 31 December 2009 and 2008, a subsidiary company operating in the securities business classifies its securities business receivables and accrued interest receivables and provides related allowance for

doubtful accounts in accordance with the Notification of the Securities and Exchange Commission ("SEC") as follows:

(Unit: Million Baht)

	Receivable and accrued interest receivables		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	2009	2008	2009	2008	2009	2008
Doubtful	313	296	313	296	313	296
Substandard	3	4	-	-	2	2
Total	316	300	313	296	315	298

The above substandard receivables represent receivable balances with a value equivalent to these of their collaterals.

#### 10.13 Hire purchase receivables/financial lease receivables of subsidiaries separate by aging

As at 31 December 2009 and 2008, hire purchase and financial lease receivables of three subsidiaries engaged in hire purchase and financial lease businesses are classified by the due date of the contracts (after eliminating intercompany transactions) as follows:

(Unit: Million Baht)

	2009	2008
Current or overdue less than 90 days	3,563	5,177
Overdue 91 - 365 days	141	207
Overdue more than 1 year	58	45
Debtors under legal actions	93	136
Total	3,855	5,565
Allowance for doubtful accounts	344	433

## 11. Allowance for doubtful accounts

(Unit: Million Baht)

Consolidated financial statements									
For the year ended 31 December 2009									
The Company and its financial institution subsidiaries									
(Banking and asset management business)									
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total	Other subsidiaries	Consolidated
Balance - beginning of the year	912	185	1,466	1,230	5,127	270	9,190	731	9,921
Add: Increase (decrease)									
during the year	(3)	5	(229)	115	2,558	117	2,563	278	2,841
Bad debt recovery	-	-	-	-	80	-	80	12	92
Less: Bad debt written-off	-	-	-	-	(1,524)	-	(1,524)	(362)	(1,886)
Reversal from the disposals	-	-	-	-	(532)	-	(532)	-	(532)
Balance - end of the year	909	190	1,237	1,345	5,709	387	9,777	659	10,436

(Unit: Million Baht)

Consolidated financial statements									
For the year ended 31 December 2008									
The Company and its financial institution subsidiaries									
(Banking and asset management business)									
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total	Other subsidiaries	Consolidated
Balance - beginning of the year	525	141	1,685	1,085	3,870	523	7,829	543	8,372
Add: Increase (decrease)									
during the year	387	44	(219)	145	3,066	(253)	3,170	393	3,563
Bad debt recovery	-	-	-	-	54	-	54	1	55
Less: Bad debt written-off	-	-	-	-	(1,634)	-	(1,634)	(206)	(1,840)
Reversal from the disposals	-	-	-	-	(229)	-	(229)	-	(229)
Balance - end of the year	912	185	1,466	1,230	5,127	270	9,190	731	9,921

(Unit: Million Baht)

Separate financial statements							
For the year ended 31 December 2009							
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of the year	17	7	100	73	965	140	1,302
Add: Increase (decrease) during the year	12	(5)	(83)	(51)	(62)	-	(189)
Bad debt recovery	-	-	-	-	28	-	28
Less: Bad debt written-off	-	-	-	-	(21)	-	(21)
Reversal from the disposals	-	-	-	-	(532)	-	(532)
Balance - end of the year	29	2	17	22	378	140	588

(Unit: Million Baht)

Separate financial statements							
For the year ended 31 December 2008							
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of the year	44	18	188	180	1,082	140	1,652
Add: Decrease during the year	(27)	(11)	(88)	(107)	(4)	-	(237)
Bad debt recovery	-	-	-	-	11	-	11
Less: Bad debt written-off	-	-	-	-	(109)	-	(109)
Reversal from the disposals	-	-	-	-	(15)	-	(15)
Balance - end of the year	17	7	100	73	965	140	1,302

## 12. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2009	2008	2009	2008
Balance - beginning of the year	87	84	-	-
Add: Increase during the year	31	8	-	-
Less: Amortised during the year	(20)	(5)	-	-
Balance - end of the year	98	87	-	-

## 13. Classification of assets

As at 31 December 2009 and 2008, the quality of assets of the Company and its financial business subsidiaries classified in accordance with the announcements of the BOT are as follows:

(Unit: Million Baht)

	Consolidated financial statements									
	Loans and accrued				Property				Total	
	interest receivables		Investments		foreclosed		Other assets			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Normal	307,188	274,523	-	-	-	-	131	67	307,319	274,590
Special mention	17,970	25,107	-	-	-	-	58	82	18,028	25,189
Substandard	1,713	2,024	-	-	-	-	3	6	1,716	2,030
Doubtful	2,180	1,719	-	-	-	-	3	7	2,183	1,726
Doubtful of loss	7,737	7,897	986	1,547	822	906	196	242	9,741	10,592
Total	336,788	311,270	986	1,547	822	906	391	404	338,987	314,127
Less:										
Revaluation allowance for debt restructuring	(98)	(87)								
Intercompany gain from loans transferred	(200)	(209)								
	336,490	310,974								

(Unit: Million Baht)

	Separate financial statements									
	Loans and accrued				Property				Total	
	interest receivables		Investments		foreclosed		Other assets			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Normal	3,436	6,519	-	-	-	-	3	10	3,439	6,529
Special mention	124	897	-	-	-	-	5	14	129	911
Substandard	20	100	-	-	-	-	-	2	20	102
Doubtful	22	83	-	-	-	-	1	1	23	84
Doubtful of loss	475	1,049	416	933	531	519	101	126	1,523	2,627
Total	4,077	8,648	416	933	531	519	110	153	5,134	10,253

## 14. Property foreclosed

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	For the year ended 31 December 2009				For the year ended 31 December 2009			
	Balance - beginning of the year	Additions	Disposals/ Transfer	Balance - end of the year	Balance - beginning of the year	Additions	Disposals/ Transfer	Balance - end of the year
Assets acquired from settlement of debts								
Immovable assets	5,172	302	(405)	5,069	2,423	32	(246)	2,209
Movable assets	1,341	6,380	(7,287)	434	59	85	(138)	6
Assets acquired from auction bidding on the open market								
Immovable assets	1,958	164	(270)	1,852	478	78	(78)	478
Total property foreclosed	8,471	6,846	(7,962)	7,355	2,960	195	(462)	2,693
Less: Allowance for impairment	(917)	(574)	660	(831)	(519)	(119)	107	(531)
Property foreclosed - net	7,554	6,272	(7,302)	6,524	2,441	76	(355)	2,162

As at 31 December 2009, a subsidiary is committed to sell a portion of its property foreclosed, amounting to Baht 87 million, back to the debtors at prices and within periods specified in agreements.

Moreover, as at 31 December 2009, the Company and its subsidiaries have entered into sales agreements with customers to sell property foreclosed of approximately Baht 362 million (at cost) (separate financial statements: Baht 88 million), but the payment of installments or the transfer of ownership rights is still in progress. The Company and its subsidiaries have not recognised any gains in these cases and the assets are still recorded as property foreclosed.

## 15. Property, premises and equipment

(Unit: Million Baht)

	Consolidated financial statements					Total
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Motor vehicles	Work in process	
<u>Cost</u>						
31 December 2008	461	391	3,079	206	95	4,232
Additions	28	85	243	42	119	517
Transfers	-	64	129	-	(196)	(3)
Disposals	-	-	(52)	(32)	-	(84)
31 December 2009	489	540	3,399	216	18	4,662
<u>Accumulated depreciation</u>						
31 December 2008	-	66	1,527	117	-	1,710
Disposals	-	-	(38)	(27)	-	(65)
Depreciation during the year	-	26	536	31	-	593
31 December 2009	-	92	2,025	121	-	2,238
<u>Allowance for impairment</u>						
31 December 2008	-	-	-	-	-	-
Increase during the year	1	-	-	-	-	1
31 December 2009	1	-	-	-	-	1
<u>Net book value</u>						
31 December 2008	461	325	1,552	89	95	2,522
31 December 2009	488	448	1,374	95	18	2,423
Depreciation charge included in the income statements						
for the years ended 31 December						
2008						496
2009						593

(Unit: Million Baht)

	Separate financial statements					Total
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Motor vehicles	Work in process	
<u>Cost</u>						
31 December 2008	63	147	99	31	-	340
Additions	-	-	5	20	-	25
Disposal	-	-	(1)	(16)	-	(17)
31 December 2009	63	147	103	35	-	348
<u>Accumulated depreciation</u>						
31 December 2008	-	39	68	24	-	131
Disposals	-	-	(1)	(13)	-	(14)
Depreciation during the year	-	7	10	4	-	21
31 December 2009	-	46	77	15	-	138
<u>Net book value</u>						
31 December 2008	63	108	31	7	-	209
31 December 2009	63	101	26	20	-	210

Depreciation charge included in the income statements

for the years ended 31 December

2008	19
2009	21

As at 31 December 2009, the Company and its subsidiaries have motor vehicles acquired under financial leases with net book values amounting to approximately Baht 92 million. In addition, the Company and its subsidiaries have office equipment and motor vehicles which have been fully depreciated but are still in use with original costs, before deducting accumulated depreciation, amounting to approximately Baht 439 million (separate financial statements: Baht 20 million and Baht 59 million, respectively).

## 16. Intangible assets – software

(Unit: Million Baht)

	Consolidated financial statements			
	For the year ended 31 December 2009			
	Remaining useful life	Balance - beginning of the year	Additions	Balance - end of the year
Computer software	0 - 9 years	547	116	650
Less: Amortisation		(128)	(47)	(175)
Intangible assets - net		419	69	475
Amortised expenses included in the income statement for the year				47

(Unit: Million Baht)

Separate financial statements					
For the year ended 31 December 2009					
	Remaining useful life	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Computer software	0 - 9 years	8	-	-	8
Less: Amortisation		(6)	(1)	-	(7)
Intangible assets - net		2	(1)	-	1
Amortised expenses included in the income statement for the year					1

As at 31 December 2009, 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 33 million (separate financial statements: Baht 3 million).

## 17. Other assets

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Other receivables	855	749	105	121
Premium receivable from direct insurance	757	516	-	-
Accrued interest and dividend receivable	543	250	21	25
Value added tax refundable	401	353	-	-
Other receivable - VAT paid in advance for customers	172	201	8	25
Accrued estimated claims refunded from other parties	166	76	-	-
Deposits	159	152	5	7
Others	589	596	49	49
Total	3,642	2,893	188	227
Less: Allowance for impairment	(233)	(275)	(102)	(130)
Total other assets - net	3,409	2,618	86	97



## 18. Deposits

### 18.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
At call	636	563	-	-
Savings	81,338	72,713	-	-
Promissory notes	66	68	-	-
Fixed				
- Less than 6 months	66,649	64,704	-	-
- 6 months and up to 1 year	17,746	82,934	-	-
- Over 1 year	99,436	48,748	-	-
Total deposits	265,871	269,730	-	-

### 18.2 Classified by the remaining period of contract

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Not over 1 year*	220,579	268,316	-	-
Over 1 year	45,292	1,414	-	-
Total deposits	265,871	269,730	-	-

\* Include matured contracts

### 18.3 Classified by currency and location

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	265,780	1	265,781	269,660	-	269,660
US Dollars	44	6	50	64	1	65
Other currencies	40	-	40	5	-	5
Total deposits	265,864	7	265,871	269,729	1	269,730

## 19. Interbank and money Market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Commercial banks	7	1,150	1,157	63	-	63
Other banks	-	534	534	-	-	-
Finance and securities companies	4,773	3,545	8,318	3,921	493	4,414
Other financial institutions	4,298	1,430	5,728	2,005	804	2,809
<b>Total - Domestic</b>	<b>9,078</b>	<b>6,659</b>	<b>15,737</b>	<b>5,989</b>	<b>1,297</b>	<b>7,286</b>
<b>Foreign</b>						
US Dollar	-	5,037	5,037	-	-	-
Baht	35	130	165	7	-	7
<b>Total - Foreign</b>	<b>35</b>	<b>5,167</b>	<b>5,202</b>	<b>7</b>	<b>-</b>	<b>7</b>
<b>Total</b>	<b>9,113</b>	<b>11,826</b>	<b>20,939</b>	<b>5,996</b>	<b>1,297</b>	<b>7,293</b>

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Commercial banks	1	-	1	4,502	-	4,502
<b>Total</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>4,502</b>	<b>-</b>	<b>4,502</b>

As at 31 December 2008, Baht 4,500 million of interbank and money market items in the separate financial statements are borrowed from Thanachart Bank Plc. (a subsidiary company). During the year 2009, the Company has repaid all of this borrowing.

## 20. Borrowings

(Unit: Million Baht)

(Unit: Million Baht)

Type of borrowing	Interest rate per annum	Maturity year	Consolidated		Separate	
	(as at 31 December		financial statements		financial statements	
	2009)		2009	2008	2009	2008
<u>Short-term borrowings</u>						
Unsubordinated and unsecured debentures	2.41 - 4.75 percent	2010	6,328	-	6,500	-
Bills of exchange		At call	-	2	-	-
Bills of exchange	0.91 - 4.80 percent	2010	68,600	46,150	-	2,444
Promissory notes		2009	-	500	-	500
Total short-term borrowings			74,928	46,652	6,500	2,944
<u>Long-term borrowings</u>						
Subordinated debentures (TIER II)	5.10 - 5.25 percent	2015 - 2024	11,922	5,000	-	-
Unsubordinated and unsecured debentures	5.25 percent	2011	1,455	7,741	1,500	8,000
Unsubordinated and unsecured debentures	4.90 percent	2014	9,000	-	9,000	-
Bills of exchange		2010	-	6,070	-	-
Total long-term borrowings			22,377	18,811	10,500	8,000
Total borrowings			97,305	65,463	17,000	10,944

On 31 March 2003, the Company issued 4,000,000 units of unsubordinated and unsecured debentures, with a face value of Baht 1,000 each. The debentures will mature in 2010 and bear interest at the rate of the average MLR of 4 commercial banks minus a fixed rate per annum, payable semi-annually.

On 18 November 2008, the Company issued 4,000,000 units of unsubordinated and unsecured debentures, with a face value of Baht 1,000 each. The debentures of 2.5 million units will mature in 2010 and bear interest at fixed rate of 4.75 percent per annum, and the debentures amounting to 1.5 million units will mature in 2011 and bear interest at fixed rate of 5.25 percent per annum, payable semi-annually.

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.

On 9 May 2008, Thanachart Bank issued 5,000,000 units of subordinated, unsecured, unconvertible debentures with no debenture holders' representative, with a face value of Baht 1,000 each. The debentures are counted as Tier II capital of the Bank. The debentures will mature in 2015 and bear interest at a fixed rate of 5.1 percent per annum for the first three years and 6 percent per annum for the fourth to seventh years, payable quarterly.

On 3 April 2009, Thanachart Bank issued 2,000,000 units of name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debentures are counted as Tier II capital of the Bank. The debentures will mature in 2019 and bear interest at a fixed rates of 5.25 percent per annum for the first three years, 5.75 percent per annum for the fourth to seventh years and 6.50 percent per annum for the eighth to tenth years, payable quarterly. After 5 years, Thanachart Bank has call option to early redemption these debentures if the conditions as specified are met.

In addition, on 24 July 2009, Thanachart Bank issued 5,000,000 units of name registered subordinated, unsecured, unconvertible debentures with debenture holders' representative, with a face value of Baht 1,000 each. The debentures are counted as Tier II capital of the Bank. The debentures amounting to 3.5 million units will mature in 2019 and bear interest at a fixed rates of 5.25 percent per annum for the first five years and 5.50 percent per annum for the sixth to tenth years, and the debentures amounting to 1.5 million units will mature in 2024 and bear interest at a fixed rates 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. After 5 years, Thanachart Bank has call option to early redemption these debentures if the conditions as specified are met.

## 21. Other liabilities

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Other expenses payable	956	516	17	20
Loss reserves and outstanding claims from				
insurance/life assurance	872	786	-	-
Suspense account receivable	842	892	77	125
Provision for corporate income tax	586	421	-	-
Accrued personnel expenses	514	390	12	8
Insurance premium payable	284	440	1	5
Unearned income from hire purchase	199	233	6	21
Payables for property foreclosed	123	156	49	47
Dividend payable	95	46	95	46
Financial derivative liabilities	24	296	-	-
Others	1,606	1,237	114	145
<b>Total</b>	<b>6,101</b>	<b>5,413</b>	<b>371</b>	<b>417</b>

## 22. Share capital/treasury stocks/dividends

During the year 2009, there were no preference shareholders converted to the Company's ordinary shares. Therefore, as at 31 December 2009, 15,856 preference shares remained unconverted. Each preference share can convert to 1 ordinary share and the conversion right is unconditional and does not expire.

During the year 2009, the Company purchased 39,034,700 of its own common shares from its shareholders for a total of Baht 277.24 million, at an average price of Baht 7.10 per share. The shares repurchase scheme ended on 14 June 2009. Therefore, as at 31 December 2009, the Company has totaling 55,324,300 shares of treasury stocks or an amount of Baht 387.50 million. Such treasury stocks were not disposed of during the year and are to be disposed of within 3 years counting from end of the repurchasing period. These treasury stock transactions were made in accordance with a resolution of the Board of Directors of the Company, in order to manage the excess liquidity of the Company.

Moreover, during the years ended 31 December 2009 and 2008, the Company has dividend payment as below.

Dividends	Approved by	Dividend payment	Dividend per share	Payment date
		Million Baht	Baht	
Interim dividend on earnings for the first half-year of 2009	The Company's Board of Directors on 29 September 2009	447	0.35	28 October 2009
Dividend on earnings for the second half-year of 2008	The Annual General Meeting of shareholders on 29 April 2009	767	0.60	28 May 2009
Total dividend during the year ended 31 December 2009		1,214	0.95	
Interim dividend on earnings for the first half-year of 2008	The Company's Board of Directors on 25 September 2008	400	0.30	24 October 2008
Dividend on earnings for the second half-year of 2007	The Annual General Meeting of shareholders on 28 April 2008	800	0.60	27 May 2008
Total dividend during the year ended 31 December 2008		1,200	0.90	

## 23. Revaluation surplus (deficit) on investments

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Revaluation surplus on investments				
Available-for-sale investments				
Debt instruments	257	220	9	-
Equity instruments	2,227	131	2,118	100
Held-to-maturity debt securities	22	30	-	-
Surplus recognised for an associated company - under equity method	152	-	-	-
Total	2,658	381	2,127	100
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(5)	(1)	(6)	-
Equity instruments	(301)	(1,329)	-	(544)
Held-to-maturity debt securities	(193)	(331)	-	-
Deficit recognised for an associated company - under equity method	-	(39)	-	-
Total	(499)	(1,700)	(6)	(544)
Revaluation surplus (deficit) on investments	2,159	(1,319)	2,121	(444)

## 24. Statutory reserve

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Company is required to set aside to 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 its registered share capital. The statutory reserve can not be used for dividend payment.

As at 31 December 2009, the Company allocated Baht 176,359,512 of net income for the year 2009 to the statutory reserve (2008: Baht 68,300,539).

## 25. Bad debt and doubtful accounts

Bad debt and doubtful accounts in the income statements for the years ended 31 December 2009 and 2008 consists of:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Bad debt and doubtful accounts (reversal of bad debt and doubtful accounts) from loans and interbank and money market items	2,816	3,585	(189)	(237)
Amortisation of revaluation allowance for debt restructuring during the year	(20)	(5)	-	-
Total bad debt and doubtful accounts (reversal)	2,796	3,580	(189)	(237)

## 26. Loss from debt restructuring

Loss from debt restructuring in the income statements for the years ended 31 December 2009 and 2008 consists of:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Loss from hair-cut	22	6	-	-
Increase in revaluation allowance for debt restructuring	31	8	-	-
Total loss from debt restructuring	53	14	-	-

## 27. Gain (loss) on investments

Gain (loss) on investments for the years ended 31 December 2009 and 2008 consists of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Unrealised gain on valuation adjustment	3	3	-	-
Reversal of allowance for impairment (allowance for impairment)	239	(253)	11	(11)
Loss on price adjustment for loan transferred to TAMC	-	(5)	-	-
Allowance for impairment of investment in receivables	(27)	(21)	(32)	(7)
Gain on debt settlement/disposal of debt/assets transferred from investments in receivables purchased	97	120	30	52
Realised gain (loss) on sales of investments				
Trading securities	16	(8)	-	-
Available-for-sale securities	(443)	(155)	27	16
Subsidiary and associated companies	2,834	-	3,038	27
Gain on the capital returned	3	17	2	-
Total	2,722	(302)	3,076	77

## 28. Gain (loss) on property foreclosed and other assets

Gain (loss) on property foreclosed and other assets for the years ended 31 December 2009 and 2008 consists of the following:

(Unit: Million Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Gains on sales	225	471	43	106
Reversal of allowance for impairment (additional set up allowance for impairment)	87	(222)	(12)	(176)
Total	312	249	31	(70)

## 29. Directors' remuneration

Directors' remuneration represents the benefits paid to the Company and a public subsidiary company's directors in accordance with Section 90 of the Public Company Limited Act, including the payment of director's remuneration amounting to approximately Baht 19 million to the directors of the Company and the subsidiary company which were approved by the Annual General Meeting of Shareholders (separate financial statements: Baht 12 million), exclusive of salaries and related benefits payable to directors who hold executive positions.

## 30. Corporate income tax

Corporate income tax was calculated on net income for the year, after adding back expenses and allowances which are disallowable for tax computation purposes and deducting income which is exempted for tax computation purposes.

Corporate income tax in the consolidated income statement for the year ended 31 December 2008 was presented after netting the Baht 102 million cash refund received from the Revenue Department. This was a result of a subsidiary company changing its accounting method for recognising property foreclosed - movable assets in 2007, from recording the cost of such assets at the book value of the receivables on the transfer date, to recording them at fair value with reference to the appraisal value less estimated selling expenses, but not exceed the book value of such receivables. In this regard, the subsidiary company restated the year 2006 financial statements to reflect these changes, of which the effect was to decrease the corporate income tax of the year 2006. The subsidiary company therefore resubmitted a tax return of 2006 to refund the overpaid amount.

## 31. Provident fund

The Company, certain of its subsidiaries and their employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees, at the rate of 5 percent of their basic salaries, and by the Company and its subsidiaries at the same rate, and will be paid to employees upon termination in accordance with the rules of the funds. During the year 2009, Baht 111 million has been contributed to the funds by the Company and its subsidiaries (separate financial statements: Baht 3 million).



### 32. Reconciliation of diluted earnings per share

Earnings per share as presented in the income statement is basic earnings per share, which is calculated by dividing net income attributable to the Company for the year by the weighted average number of ordinary shares outstanding during the year, netting of treasury stock held by the Company.

Diluted earnings per share is calculated by dividing net income attributable to the Company for the year by the total sum of the weighted average number of ordinary shares outstanding during the year, netting of treasury stocks held by the Company, plus the weighted average number of ordinary shares that would be required to be issued to convert all potential ordinary shares to ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

Consolidated financial statements						
For the years ended 31 December						
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2009	2008	2009	2008	2009	2008
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<b>Basic earnings per share</b>						
Net income attributable to the Company	5,109,006	2,768,411	1,279,901	1,332,511	3.99	2.08
<b>Effect of dilutive securities</b>						
Preference shares convertible to ordinary shares	-	-	16	16		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming conversion of dilutive securities	5,109,006	2,768,411	1,279,917	1,332,527	3.99	2.08

Separate financial statements						
For the years ended 31 December						
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2009	2008	2009	2008	2009	2008
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<b>Basic earnings per share</b>						
Net income attributable to the Company	3,527,190	1,366,011	1,279,901	1,332,511	2.76	1.03
<b>Effect of dilutive securities</b>						
Preference shares convertible to ordinary shares	-	-	16	16		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming conversion of dilutive securities	3,527,190	1,366,011	1,279,917	1,332,527	2.76	1.03

### 33. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with their related parties. These transactions, which have been concluded on the commercial terms and bases specified in the agreements between the Company and those companies, are summarised below.

(Unit: Million Baht)

	For the years ended 31 December				Pricing policies  (For the year 2009)
	Consolidated		Separate		
	financial statements		financial statements		
	2009	2008	2009	2008	
Subsidiary companies					
Purchase of investments in debt securities	-	-	22,347	28,443	At market price
Investments in ordinary shares of a subsidiary company	-	-	1,019	-	At par value
Purchase of assets	-	-	-	1	
Sales of investments in debt securities	-	-	50	-	At market price
Interest income from loans	-	-	69	39	At interest rate of 2.80 - 5.25 percent per annum
Interest income from cash at banks	-	-	66	70	At interest rate of 0.75 - 2.30 percent per annum
Interest income from investments in debt securities	-	-	187	186	At interest rate of 5.25 and 6.18 percent per annum
Dividend income	-	-	684	559	As declared
Rental and other service income	-	-	196	175	At the contracted rate
Fees and other income	-	-	-	6	
Interest expenses	-	-	26	292	At interest rate of 2.41 - 5.25 percent per annum
Rental and other service expenses	-	-	113	180	At the contracted rate
Insurance expenses	-	-	2	2	At insurance policy
Associated company					
Interest income	1	3	-	-	At interest rate of 1.75 - 2.85 percent per annum
Dividend income	-	-	80	75	As declared
Other income	1	3	1	-	
Interest expenses	30	5	-	-	At interest rate of 0.65 - 0.75 and 5.25 percent per annum
Dividend payment	50	-	-	-	As declared
Other expenses	55	53	31	29	

	For the years ended 31 December				
	Consolidated		Separate		Pricing policies  (For the year 2009)
	financial statements		financial statements		
	2009	2008	2009	2008	
Related companies					
Purchase of investments in debt securities	648	21,047	-	-	At market price
Sales of investments in debt securities	1,129	1,454	-	-	At market price and par value
(2009: gain by Baht 30 thousand 2008: gain by Baht 13 million)					
Sales of investments in subsidiary company	7,656	-	7,656	-	1.6 times of the net book value per share
(2009: gain by Baht 2,805 million in the consolidated financial statements and Baht 3,038 million in the separate financial statements)					
Purchase/Sales of forward exchange contracts	158,016	132,786	-	-	At market price
(2009: gain by Baht 2 million 2008: loss by Baht 36 million)					
Sales of property foreclosed	-	42	-	42	
(2008: gain by Baht 33 million)					
Interest income	101	303	-	-	At interest rate of 0.05 - 8.50 percent per annum
Dividend income	44	40	22	25	As declared
Other income	5	10	2	2	
Dividend payment	476	186	-	-	As declared
Interest expenses	31	61	-	-	At interest rate of 0.15 - 5.25 percent per annum
Project management expenses	65	59	29	29	At the contract price, calculated by reference to estimated usage time
Insurance/Life insurance expenses	185	8	-	-	At the contracted rate
Fee and service expenses	384	3	-	-	At the contracted rate
Other expenses	92	76	4	4	

The significant outstanding balances of the above transactions during the years ended 31 December 2009 and 2008 are below shown at the average month end balance.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
<u>Subsidiary companies</u>				
Interbank and money market items (Assets)	-	-	4,695	2,043
Loans	-	-	2,265	647
Interbank and money market items (Liabilities)	-	-	622	7,389
Borrowings	-	-	238	129
<u>Associated company</u>				
Loans	383	51	-	-
Deposits	207	57	-	-
Borrowings	1,200	25	-	-
<u>Related companies</u>				
Interbank and money market items (Assets)	3,497	4,473	20	37
Loans	933	812	-	-
Deposits	1,244	1,039	-	-
Interbank and money market items (Liabilities)	2,379	324	-	-
Borrowings	443	534	-	-

The significant outstanding balances with subsidiaries, associated company or related parties as at 31 December 2009 and 2008 are separately shown as follows:

(Unit: Million Baht)

	Consolidated financial statements									
	2009									
	Assets					Liabilities				
	Interbank and money market items	Investments in debt securities	Loans and accrued interest receivables	Other assets	Deposits	Interbank and money market items	Borrowings	Accrued interest payable	Other liabilities	Commitments
<u>Associated company</u>										
MBK Plc.	-	-	-	10	19	-	1,200	5	7	67
<u>Related companies</u>										
<u>Advanced Info</u>										
Service Plc.	-	319	44	7	2,123	-	300	2	3	17
<u>The Bank of Nova</u>										
Scotia	189	-	-	14	-	5,013	-	1	1	1,407
<u>The Stock Exchange of Thailand</u>										
	-	-	-	-	568	-	50	1	1	-
<u>Dhipaya Insurance Plc.</u>										
	-	-	-	500	-	-	-	-	15	-
Others	211	-	564	17	448	55	400	4	302	87
<b>Total</b>	<b>400</b>	<b>319</b>	<b>608</b>	<b>548</b>	<b>3,158</b>	<b>5,068</b>	<b>1,950</b>	<b>13</b>	<b>329</b>	<b>1,578</b>

(Unit: Million Baht)

Consolidated financial statements										
2008										
Assets					Liabilities					
Interbank and money market items	Investments in debt securities	Loans and accrued interest receivables	Other assets	Deposits	Interbank and money market items	Borrowings	Accrued interest payable	Other liabilities	Commitments	
Associated company										
MBK Plc.	-	-	-	10	65	-	-	-	6	64
Related companies										
Advanced Info										
Service Plc.	-	714	43	23	32	-	-	-	6	-
The Bank of Nova										
Scotia	7,754	-	-	3	-	8	-	-	4	1,229
Others	20	-	308	16	568	94	212	9	2	68
Total	7,774	714	351	52	665	102	212	9	18	1,361

(Unit: Million Baht)

Separate financial statements										
2009										
Assets					Liabilities					
Interbank and money market items	Investments in debt securities	Loans and accrued interest receivables	Other assets	Deposits	Interbank and money market items	Borrowings	Accrued interest payable	Other liabilities	Commitment	
Subsidiary companies										
Thanachart Bank Plc.	6,689	3,078	-	24	1	-	-	24	-	
Thanachart Securities Plc.	-	-	-	5	-	-	-	3	-	
National Leasing Co., Ltd.	-	-	-	-	-	-	-	22	-	
NFS Asset Management Co., Ltd.	-	-	2,400	-	-	-	-	1	-	
Thanachart Insurance Co., Ltd.	-	-	-	1	-	80	-	-	-	
Thanachart Life Assurance Co., Ltd.	-	-	-	-	-	137	1	-	-	
Associated company										
MBK Plc.	-	-	-	3	-	-	-	7	-	
Related companies										
Others	21	-	-	-	-	50	1	5	10	
Total	6,710	3,078	2,400	33	1	267	2	62	10	

(Unit: Million Baht)

	Separate financial statements								
	2008								
	Assets				Liabilities				
	Interbank and money market items		Loans and accrued interest receivables		Interbank and money market items		Accrued interest payable		Commitment
		Investments in debt securities		Other assets		Borrowings		Other liabilities	
<b>Subsidiary companies</b>									
Thanachart Bank Plc.	3,414	3,000	-	23	4,502	-	-	22	-
Thanachart Securities Plc.	-	-	-	2	-	-	-	9	-
National Leasing Co., Ltd.	-	-	112	-	-	-	-	9	-
NFS Asset Management Co., Ltd.	-	-	264	-	-	-	-	1	-
Thanachart Legal and Appraisal Co., Ltd.	-	-	10	-	-	-	-	-	-
Thanachart Insurance Co., Ltd.	-	-	-	1	-	123	1	-	-
Thanachart Life Assurance Co., Ltd.	-	-	-	-	-	137	1	-	-
<b>Associated company</b>									
MBK Plc.	-	-	-	3	-	-	-	5	-
<b>Related companies</b>									
Others	20	-	-	1	-	-	-	1	10
<b>Total</b>	<b>3,434</b>	<b>3,000</b>	<b>386</b>	<b>30</b>	<b>4,502</b>	<b>260</b>	<b>2</b>	<b>47</b>	<b>10</b>

As at 31 December 2009, the Company and its subsidiaries have investments amounting to approximately Baht 728 million (separate financial statements: Baht 363 million) in companies in which they are related by means of members of their management being shareholders and/or directors of those companies (2008: Baht 439 million in the consolidated financial statements and Baht 219 million in the separate financial statements).

The Company and its subsidiaries have related party transactions with executive employees of the Company and companies in Thanachart Group from department manager level up, including the related persons who together with these employees. The outstanding balances as at 31 December 2009 and 2008 are as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Loans	48	69	-	2
Deposits	554	496	-	-

## Remunerations to key management personnel

During the year ended 31 December 2009, the Company and its subsidiaries paid salaries, meeting allowance and gratuities to their key management personnel, including directors totaling Baht 297 million (separate financial statements: Baht 54 million) (2008: Baht 273 million in the consolidated financial statements and Baht 51 million in the separate financial statements).

## 34. Financial information by segment

Financial information presented in the consolidated financial statements as at 31 December 2009 and 2008 and for the years then ended, is presented below by segment.

(Unit: Million Baht)

	For the year ended 31 December 2009								Total
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,260	11,313	340	114	419	76	321	(1,472)	12,371
Share of income from investments accounted for under equity method	-	-	-	-	-	-	-	257	257
Non-interest income	3,798	2,814	496	1,479	11,646	2,695	515	(1,390)	22,053
Non-interest expenses	(542)	(9,125)	(133)	(1,074)	(11,935)	(2,453)	(424)	1,169	(24,517)
Corporate income tax	(989)	(1,493)	(193)	(134)	(10)	(90)	(80)	-	(2,989)
Net income	3,527	3,509	510	385	120	228	332	(1,436)	7,175

(Unit: Million Baht)

	For the year ended 31 December 2008								Total
	The Company	Banking business	Asset management business	Securities business	Life insurance business	Non-life insurance business	Other business	Eliminations	
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,544	6,921	215	112	348	96	189	(1,112)	8,313
Share of income from investments accounted for under equity method	-	-	-	-	-	-	-	335	335
Non-interest income	755	2,213	484	1,239	4,688	2,544	643	(994)	11,572
Non-interest expenses	(681)	(7,715)	(121)	(1,036)	(4,518)	(2,551)	(453)	1,197	(15,878)
Corporate income tax	(252)	(76)	(199)	(95)	(168)	(73)	(137)	-	(1,000)
Net income	1,366	1,343	379	220	350	16	242	(574)	3,342

(Unit: Million Baht)

As at 31 December 2009									
	The	Banking	Asset	Securities	Life	Non-life	Other		
	Company	business	management	business	insurance	insurance	business	Eliminations	Total
Interbank and money market items - net	6,740	64,028	345	768	1,602	410	415	(9,441)	64,867
Investments - net	33,131	64,643	1,256	835	14,827	2,730	856	(21,165)	97,113
Loans and accrued interest receivables - net	3,469	275,108	1,330	1,629	5	-	3,658	(5,618)	279,581
Land, premises and equipment - net	210	1,950	2	68	150	28	15	-	2,423
Other assets	2,461	8,149	3,327	563	956	492	281	(248)	15,981
<b>Total assets</b>	<b>46,011</b>	<b>413,878</b>	<b>6,260</b>	<b>3,863</b>	<b>17,540</b>	<b>3,660</b>	<b>5,225</b>	<b>(36,472)</b>	<b>459,965</b>

(Unit: Million Baht)

As at 31 December 2008									
	The	Banking	Asset	Securities	Life	Non-life	Other		
	Company	business	management	business	insurance	insurance	business	Eliminations	Total
Interbank and money market items - net	3,478	63,691	270	626	2,838	477	467	(6,057)	65,790
Investments - net	26,124	26,586	2,147	701	5,787	2,037	841	(24,838)	39,385
Loans and accrued interest receivables - net	7,325	266,843	1,993	1,810	2	-	5,269	(13,476)	269,766
Land, premises and equipment - net	209	2,015	2	107	139	34	16	-	2,522
Other assets	2,788	9,118	3,372	175	285	663	479	(253)	16,627
<b>Total assets</b>	<b>39,924</b>	<b>368,253</b>	<b>7,784</b>	<b>3,419</b>	<b>9,051</b>	<b>3,211</b>	<b>7,072</b>	<b>(44,624)</b>	<b>394,090</b>

### 35. Commitments and contingent liabilities

As at 31 December 2009 and 2008, the significant commitments and contingent liabilities consisted of the following:



## 35.1

(Unit: Million Baht)

Consolidated financial statements						
	2009			2008		
	Foreign			Foreign		
	Baht	currencies	Total	Baht	currencies	Total
Avals to bills and guarantees of loans	304	2	306	128	-	128
Liabilities under unmatured import bills	-	87	87	69	374	443
Letters of credit	9	1,001	1,010	1	663	664
Other commitments						
Interest rate swap contracts						
Bought contracts	23,870	334	24,204	16,270	-	16,270
Sold contracts	23,870	334	24,204	16,270	-	16,270
Forward foreign exchange contracts						
Bought contracts	-	9,086	9,086	-	8,519	8,519
Sold contracts	-	20,524	20,524	-	36,161	36,161
Cross currency and interest rate swap contracts						
Bought contracts	-	4,937	4,937	-	5,169	5,169
Sold contracts	-	7,785	7,785	-	4,846	4,846
Committed but not drawn down overdraft	4,861	-	4,861	4,164	-	4,164
Others	4,224	57	4,281	3,083	34	3,117
Total	57,138	44,147	101,285	39,985	55,766	95,751

(Unit: Million Baht)

Separate financial statements						
	2009			2008		
	Foreign			Foreign		
	Baht	currencies	Total	Baht	currencies	Total
Guarantees of loans	10	-	10	10	-	10
Other commitments						
Interest rate swap contracts						
Bough contracts	4,000	-	4,000	4,000	-	4,000
Sold contracts	4,000	-	4,000	4,000	-	4,000
Others	1	-	1	1	-	1
Total	8,011	-	8,011	8,011	-	8,011

35.2 During the years 2001 to 2003, the Company and its subsidiaries entered into agreements to sell loans with transfer prices totaling approximately Baht 3,409 million to the Thai Asset Management Corporation ("TAMC") (separate financial statements: Baht 584 million). The Company and its subsidiaries are still jointly entitled to/liable for a share of the gains or losses arising from TAMC's management of these non-performing assets, which is to be calculated at the end of fifth and tenth years, counting from 1 July 2001. In case of losses, the

Company and its subsidiaries are liable for all initial losses up to 20 percent of the transfer price, with the next 20 percent of such losses are to be shared equally between the Company or its subsidiaries and TAMC. TAMC is liable for all remaining losses. Such gains or losses will be determined based on the cumulative value of the collections made on the assets as at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the receivables. The gain or loss cannot be reliably estimated by the Company and its subsidiaries at this stage. However, as at 31 December 2009, the Company and its subsidiaries have estimated their share of the losses which may arise from the management of non-performing assets at approximately Baht 557 million (separate financial statements: Baht 183 million). This is presented as a part of the allowance for impairment of investment in promissory notes (2008: Baht 557 million and Baht 183 million, respectively).

- 35.3 The Company and a subsidiary company have entered into agreements to sell housing loans/transfer rights of claim in housing debts to the Secondary Mortgage Corporation, under which they are committed to compensate the Corporation for losses from uncollected debts up to a maximum of 20 percent of the selling price of the said receivables. As at 31 December 2009, the maximum commitment is approximately Baht 4 million in the consolidated financial statements and Baht 2 million in the separate financial statements.

- 35.4 As at 31 December 2009, the Company and its subsidiaries have obligations to pay service fees related to property foreclosed and other services including long-term rental and office services agreements, as follows:

(Unit: Million Baht)

Year	Consolidated financial statements	Separate financial statements	
	Other companies	Other companies	Subsidiaries
2010	557	12	6
2011	279	5	5
2012 onward	416	26	16

The Company also has commitments under support service agreement with a subsidiary company which the contract had expired on 31 December 2009. However, subsequent to the present, the Company still to be received such services and in the process of drawing up a new service agreement. Moreover, the Company has an obligation to pay an administrative service fee to another subsidiary company at actual cost plus margin based on the period in the agreement.

- 35.5 As at 31 December 2009, a subsidiary company has commitments under a research support and distribution services agreement made with an overseas company, whereby it must pay service charges on quarterly basis at the rate specified in the agreement. The agreement will expire in September 2010.
- 35.6 Under the agreements among the Company, the Bank and the Bank of Nova Scotia Asia Limited ("BNSAL") (on 11 January 2008, BNSAL transferred rights and obligations under the agreements to the Bank of Nova Scotia ("BNS"), the Company and the Bank have to disclose information relating to business, business performance, operations and legal compliance of the Bank and the Bank's subsidiaries, and certify the

correctness of the disclosed information, to assist in deciding whether to purchase shares in the Bank. In the event that the Bank or its subsidiaries have to pay any damages, compensation or penalties to any other parties as a result of events or information which the Company and the Bank failed to disclose to BNS before it purchases shares, the Company and the Bank will jointly compensate BNS for its losses in accordance with the principles stipulated in the agreements, but not beyond the prescribed period stipulated by Thai laws for each damages claim.

In addition, under the Shareholders' Agreement between the Company and BNS, there are mutual agreements whereby the Company and its subsidiaries and BNS have certain stipulated rights and obligations per the conditions therein, with no expiry date on such obligations. However, the management of the Company and the Bank believe that the Company, the Bank and the Bank's subsidiaries operate their businesses under adequate supervision and therefore no material losses will result which would significantly affect the Company, the Bank and its subsidiaries financial positions.

### **36. Litigation**

As at 31 December 2009, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 1,395 million as a result of litigation (separate financial statements: Baht 848 million). The cases are not yet finalised. However, the Company and its subsidiaries' management believe that no losses will result and therefore no liabilities are currently recorded.

### **37. Bank guarantee**

As at 31 December 2009, there are outstanding bank guarantees of approximately Baht 6 million (separate financial statements: Baht 6 million) issued by banks on behalf of the Company and its subsidiaries as guarantees for the use of electricity and the rental of land.

### **38. Financial instrument**

Financial instruments are any contracts which give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

#### **38.1 Credit risk**

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Company and its subsidiaries. The maximum exposure to credit risk is the carrying amount of financial assets less provision for losses as stated in the balance sheet and the amount of the off-balance sheet transactions i.e. avals, guarantees of loans, other guarantees and derivative contracts.

The Company and its subsidiaries manage credit risk by means of careful consideration during the credit approval process, with analysis of risk factors and of the customers' ability to service debt, and a credit review process which examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future.

## 38.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Company and its subsidiaries' foreign currency position and investment status. As such, market risk consists of interest rate risk, foreign exchange risk and equity position risk.

### a) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate as a result of changes in market interest rates.

The Company and its subsidiaries manage the changes in interest rate risk by means of an appropriate structuring of holdings in assets and liabilities with different repricing dates, taking into account the direction of market interest rates, in order to generate a suitable yield while maintaining risk at acceptable levels. Such management is under the supervision of the Asset and Liability Management Committee.

As at 31 December 2009 and 2008, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Consolidated financial statements								
Outstanding balances of financial instruments								
2009					2008			
Floating interest rate	Fixed interest rate	Non-interest bearing	Total		Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<b>Financial assets</b>								
Cash	-	-	3,665	3,665	-	-	4,018	4,018
Interbank and money market items	590	60,143	4,097	64,830	322	60,876	4,441	65,639
Investments	2,062	87,636	5,861	95,559	2,318	33,214	6,238	41,770
Receivables from clearing house	-	-	429	429	-	-	50	50
Loans (include intercompany gain on loan transferred) <sup>(1)</sup>	45,975	242,140	1,923	290,038	41,831	235,826	2,038	279,695
<b>Financial liabilities</b>								
Deposits	86,110	179,170	591	265,871	76,102	193,065	563	269,730
Interbank and money market items	8,673	11,826	440	20,939	5,332	1,347	614	7,293
Payables from clearing house	-	-	96	96	-	-	295	295
Securities business payable	-	-	1,036	1,036	-	-	855	855
Liabilities payable on demand	-	-	2,112	2,112	-	-	1,317	1,317
Borrowings	-	97,305	-	97,305	-	65,463	-	65,463

<sup>(1)</sup> The outstanding balances of loans which have floating interest rates or fixed interest rate included loans on which interest recognition under accrual basis has been discontinued.

(Unit: Million Baht)

Separate financial statements								
Outstanding balances of financial instruments								
2009					2008			
Floating interest rate	Fixed interest rate	Non-interest bearing	Total		Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<b>Financial assets</b>								
Interbank and money								
market items	109	6,550	68	6,727	116	3,250	111	3,477
Investments	1,118	14,679	15,623	31,420	1,227	6,417	19,312	26,956
Loans <sup>(1)</sup>	128	3,871	58	4,057	136	8,413	79	8,628
<b>Financial liabilities</b>								
Interbank and money								
market items	1	-	-	1	2	4,500	-	4,502
Borrowings	-	17,000	-	17,000	-	10,944	-	10,944

<sup>(1)</sup> The outstanding balances of loans which have floating interest rates or fixed interest rate included loans on which interest recognition under accrual basis has been discontinued.

With respect to financial instruments that carry fixed interest rates, the periods from the balance sheet date to the repricing or maturity date (whichever is the earlier) are presented below.

(Unit: Million Baht)

Consolidated financial statements							
2009							
Repricing or maturity date							Weighted
							average
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	interest rates
							Percentage
<b>Financial assets</b>							
Interbank and money market items	107	58,561	1,475	-	-	60,143	1.19 - 1.70
Investments	-	9,702	30,878	37,766	9,290	87,636	1.57 - 2.81
Loans (include intercompany gain on loan transferred)	1,809	6,629	15,420	183,668	34,614	242,140	7.27 - 9.44
<b>Financial liabilities</b>							
Deposits	-	60,744	73,994	44,432	-	179,170	1.76
Interbank and money market items	-	10,054	1,467	305	-	11,826	0.86
Borrowings	-	58,109	16,819	22,377	-	97,305	2.46 - 4.53

(Unit: Million Baht)

Consolidated financial statements							
2008							
Transactions	At call	Repricing or maturity date				Total	Weighted
		0 - 3	3 - 12	1 - 5	Over 5		average
		months	months	years	years		interest rates
Percentage							
<u>Financial assets</u>							
Interbank and money market items	129	60,547	200	-	-	60,876	2.59 - 3.89
Investments	-	8,797	8,932	13,887	1,598	33,214	2.23 - 4.59
Loans (include intercompany gain on loan transferred)	1,677	6,667	14,663	170,655	42,164	235,826	6.61 - 9.99
<u>Financial liabilities</u>							
Deposits	4	107,599	85,420	42	-	193,065	3.49
Interbank and money market items	50	1,060	237	-	-	1,347	3.56
Borrowings	2	37,456	9,194	18,811	-	65,463	3.71 - 4.03

(Unit: Million Baht)

Separate financial statements							
2009							
Transactions	At call	Repricing or maturity date				Total	Weighted
		0 - 3	3 - 12	1 - 5	Over 5		average
		months	months	years	years		interest rates
Percentage							
<u>Financial assets</u>							
Interbank and money market items	-	4,050	2,500	-	-	6,550	1.36
Investments	-	994	10,097	3,588	-	14,679	2.53
Loans	2,681	22	657	511	-	3,871	4.50
<u>Financial liabilities</u>							
Borrowings	-	4,000	2,500	10,500	-	17,000	4.52

(Unit: Million Baht)

Separate financial statements							
2008							
Transactions	At call	Repricing or maturity date				Total	Weighted
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		average
interest rates							
Percentage							
<u>Financial assets</u>							
Interbank and money market items	-	3,250	-	-	-	3,250	2.13
Investments	-	3,417	-	3,000	-	6,417	4.08
Loans	1,184	337	2,424	4,468	-	8,413	6.61
<u>Financial liabilities</u>							
Interbank and money market items	4,500	-	-	-	-	4,500	4.06
Borrowings	-	2,426	518	8,000	-	10,944	4.03

In addition, the Company and its subsidiaries have interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Company and its subsidiaries for the years ended 31 December 2009 and 2008, and the average rate of interest income and expense, can be summarised as follows:

(Unit: Million Baht)

Consolidated financial statements						
	2009			2008		
	Average balances	Interest and dividend	Average rate	Average balances	Interest and dividend	Average rate
<b>Interest bearings financial assets</b>						
Interbank and money market items	59,983	1,064	1.77	40,815	1,539	3.77
Securities purchased under resale agreements	-	-	-	962	31	3.24
Investments	49,229	1,661	3.37	30,283	1,314	4.34
Loans/hire purchase and finance lease	267,253	19,387	7.25	268,670	18,529	6.90
<b>Interest bearings financial liabilities</b>						
Deposits	262,506	4,863	1.85	228,417	6,999	3.06
Interbank and money market items	14,644	120	0.82	6,882	184	2.67
Borrowings	60,904	1,909	3.13	62,037	2,323	3.74

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	Average balances	Interest and dividend	Average rate	Average balances	Interest and dividend	Average rate
<u>Interest bearings financial assets</u>						
Interbank and money market items	5,874	82	1.41	2,233	80	3.57
Investments	23,677	1,095	4.62	24,263	907	3.74
Loans/hire purchase and finance lease	5,849	332	5.67	14,261	1,003	7.04
<u>Interest bearings financial liabilities</u>						
Interbank and money market items	623	16	2.48	7,390	287	3.89
Borrowings	10,469	423	4.04	11,169	396	3.54

b) Foreign exchange risk

Foreign exchange risk is the risk that changes in exchange rate will result in changes in the values of financial instruments or fluctuations in revenues or in the values of financial assets or financial liabilities.

Because the subsidiary company has transactions in foreign currency, it is exposure to foreign exchange risk. However, the subsidiary company has a policy to hedge its foreign currency risk by means of managing net foreign currency under the risk management approved by the Board of Directors of the subsidiary company which strictly comply with the BOT's regulation.

The status of the subsidiaries' foreign currency balances in the consolidated financial statements as at 31 December 2009 and 2008 are as follows:



	Consolidated financial statements							
	Outstanding balances of financial instruments							
	2009				2008			
	US dollar	Euro	Yen	Others	US dollar	Euro	Yen	Others
<b>Foreign currency - in balance sheets</b>								
Cash	109	41	4	48	50	98	88	36
Interbank and money market items	7,772	55	15	61	20,658	98	65	47
Investments	5,740	-	170	4,283	699	-	-	4,148
Loans	2,317	4	-	-	955	68	-	-
Other assets	53	-	-	13	8	-	-	12
<b>Total assets</b>	<b>15,991</b>	<b>100</b>	<b>189</b>	<b>4,405</b>	<b>22,370</b>	<b>264</b>	<b>153</b>	<b>4,243</b>
Deposits	50	2	-	38	65	-	-	5
Interbank and money market items	6,071	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>6,121</b>	<b>2</b>	<b>-</b>	<b>38</b>	<b>65</b>	<b>-</b>	<b>-</b>	<b>5</b>
<b>Net foreign currency in balance sheets</b>	<b>9,870</b>	<b>98</b>	<b>189</b>	<b>4,367</b>	<b>22,305</b>	<b>264</b>	<b>153</b>	<b>4,238</b>
<b>Foreign currency - off balance sheets</b>								
Liabilities under unmaturing import bills	9	-	78	-	291	-	83	-
Letters of credit	807	188	-	6	472	165	-	26
Interest rate swap contracts								
- Bought contracts	334	-	-	-	-	-	-	-
- Sold contracts	334	-	-	-	-	-	-	-
Foreign exchange contracts								
- Bought contracts	8,356	604	-	126	8,393	10	27	89
- Sold contracts	19,185	732	252	355	35,239	398	281	243
Cross currency interest rate swap contracts								
- Bought contracts	4,937	-	-	-	5,169	-	-	-
- Sold contracts	3,503	-	-	4,282	699	-	-	4,147
<b>Others</b>	<b>57</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>-</b>

c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities will result in fluctuations in revenues and in the values of financial assets.

### 38.3 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 incurrence of a financial loss.

The Company and its subsidiaries manage liquidity risk by mean of appropriate structuring of short-term and long-term sources of capital. In addition, a subsidiary company engaged in commercial banking business has a policy to maintain liquidity to ensure that it has sufficient liquidity to meet both present and future requirements.

Counting from the balance sheet date, the periods to maturity of financial instruments held as at 31 December 2009 and 2008 are as follows:

(Unit: Million Baht)

Consolidated financial statements										
Transactions	2009					2008				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b>Financial assets</b>										
Cash	3,665	-	-	-	3,665	4,018	-	-	-	4,018
Interbank and money market items <sup>(1)</sup>	4,773	60,037	20	-	64,830	5,172	60,447	20	-	65,639
Investments	2,062	34,885	52,907	5,705	95,559	2,318	11,778	21,476	6,198	41,770
Receivables to clearing house	-	429	-	-	429	-	50	-	-	50
Loans <sup>(2)</sup>	15,032	91,676	183,330	-	290,038	15,951	83,090	180,654	-	279,695
<b>Financial liabilities</b>										
Deposits	82,110	138,469	45,292	-	265,871	73,475	194,841	1,414	-	269,730
Interbank and money market items	9,113	11,521	305	-	20,939	5,996	1,297	-	-	7,293
Payables to clearing house	-	96	-	-	96	-	295	-	-	295
Securities business payable	-	1,036	-	-	1,036	-	855	-	-	855
Liabilities payable on demand	2,112	-	-	-	2,112	1,317	-	-	-	1,317
Borrowings	-	74,928	22,377	-	97,305	2	46,650	18,811	-	65,463
<b>Off-balance sheet items</b>										
Avals to bills and guarantee of loans	18	133	155	-	306	10	106	12	-	128
Liability under unmatured import bills	-	87	-	-	87	-	360	83	-	443
Letters of credit	54	887	69	-	1,010	48	616	-	-	664
Other commitments	5,013	62,885	29,898	2,086	99,882	4,311	51,611	37,533	1,061	94,516

<sup>(1)</sup> The outstanding balance of interbank and money market items at call included the item on which default on repayment.

<sup>(2)</sup> The outstanding balance of loans included intercompany gain on loan transferred. Call loans included loans on which interest recognition under accrual basis has been discontinued.

(Unit: Million Baht)

Separate financial statements										
Transactions	2009					2008				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b>Financial assets</b>										
Interbank and money market items	157	6,550	20	-	6,727	207	3,250	20	-	3,477
Investments	1,118	10,760	3,919	15,623	31,420	1,227	2,999	3,418	19,312	26,956
Loans <sup>(1)</sup>	2,931	996	130	-	4,057	1,693	5,573	1,362	-	8,628
<b>Financial liabilities</b>										
Interbank and money market items	1	-	-	-	1	4,502	-	-	-	4,502
Borrowings	-	6,500	10,500	-	17,000	-	2,944	8,000	-	10,944
<b>Off-balance sheet items</b>										
Avals to bills and guarantee of loans	10	-	-	-	10	10	-	-	-	10
Other commitments	1	8,000	-	-	8,001	1	-	8,000	-	8,001

<sup>(1)</sup> Call loans included loans on which interest recognition under accrual basis has been discontinued.

#### 38.4 Fair value

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable and 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, including cash, interbank and money market items, receivables from clearing house, loans and investments in receivables are considered to approximate their respective carrying values since the financial instruments are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions and which are traded on an active and liquid market, such as investments, have their fair values determined based on the quoted market price.

##### b) Financial liabilities

The fair values of financial liabilities, including deposits, interbank and money market items, payable to clearing house, securities business payable, borrowings and liabilities payable on demand, are considered to approximate their respective carrying values for the same reason as described above.

As at 31 December 2009 and 2008, there are no material differences between the book values of financial instruments and their fair values.

#### 38.5 Financial derivatives

The Company and its subsidiaries engage in financial derivatives activities as required in the normal course of their business to manage risk. The subsidiaries are engaged in other financial derivatives activities to meet their clients' needs. These financial derivatives include forward foreign currency contracts, cross currency contracts and interest rate swap contracts.

The Company and its subsidiaries have a policy to hedge the risk limits by which they 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, so that the Company and its subsidiaries are able to maintain risk at acceptable levels.

As at 31 December 2009 and 2008, financial derivatives to which the Company and its subsidiaries are a party can be classified by periods to maturity as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2009			2008		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought contracts	9,086	-	9,086	8,519	-	8,519
- Sold contracts	20,524	-	20,524	36,161	-	36,161
Cross currency interest rate swap contracts						
- Bought contracts	4,937	-	4,937	-	5,169	5,169
- Sold contracts	4,449	3,336	7,785	524	4,322	4,846
Interest rate swap contracts						
- Fixed interest rate payment	11,070	12,334	23,404	950	13,070	14,020
- Floating interest rate payment	-	800	800	1,450	800	2,250
- Fixed interest rate receipt	-	800	800	1,450	800	2,250
- Floating interest rate receipt	11,070	12,334	23,404	950	13,070	14,020

(Unit: Million Baht)

	Separate financial statements					
	2009			2008		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Interest rate swap contracts						
- Fixed interest rate payment	4,000	-	4,000	-	4,000	4,000
- Floating interest rate receipt	4,000	-	4,000	-	4,000	4,000

### 39. Capital management

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 businesses as going concerns. Moreover, the subsidiaries have legal requirements specific to their areas of business regarding maintenance of capital funds, liquidity and other matters.

### 40. Subsequent events

On 24 February 2010, the Board of Directors of the Company passed a resolution to propose the payment of a dividend of Baht 0.60 per share to the ordinary shareholders and preference shareholders in respect of the operating results for the second half-year 2009, a total of Baht 767 million, to the Annual General Meeting of Shareholders. Such dividend will be paid and recorded after it is approved by the Annual General Meeting of the Company's shareholders.

### 41. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2010.

## REMUNERATION FOR THE AUDITOR

Ernst & Young Office Limited was the audit firm of TCAP and its subsidiaries with Ms. Ratana Jala, Certified Public Accountant No. 3734, having been assigned to audit the Company's accounts.

TCAP and its subsidiaries made use of the audit services and other services of Ernst & Young Office Limited which charged the following fees for its services:

### 1. AUDIT FEE (THAT TCAP AND ITS SUBSIDIARIES PAID IN 2009)

- The payment worth THB 1,650,000 was made to the Company's auditor. Other expenses related to the audit amounted to THB 37,012.

- The total payment worth THB 14,200,000 was made to the audit firm that the Company's auditor belonged to, and to the persons or businesses related to the Company's auditor and the audit firm. Other expenses related to the audit amounted to THB 213,937.

- In addition, in 2009 one of Thanachart Capital's subsidiaries which was in the process of liquidation paid an audit fee worth THB 10,000 to DIA Audit Company Limited.

### 2. NON-AUDIT FEE

The subsidiaries made payments to the following parties for other services including the performance of a special audit in line with the notification issued by the Bank of Thailand (BOT), the audit of the internal control systems submitted to the Office of Insurance Commission (OIC), the advisory fee of the project IAS 39, and fee paid to instructor for the training program "Purchase Price Allocation Exercise":

- The payment worth THB 2,796,406 were made to Ms. Ratana Jala, auditor of subsidiaries of the Company's in the 2009 fiscal year. While during 2009, the amount of THB 535,000 has already been paid and the amount of THB 2,261,406 is the future payment.

- The payment worth THB 1,700,000 were made to the audit firm which the Company's auditor belonged to, and to persons or businesses related to the Company's auditor and the audit firm, in the 2009 fiscal year. While during 2009, the amount of THB 700,000 has already been paid and the amount of THB 1,000,000 is the future payment.

## THANACHART CSR



### Saving Festival

*Thanachart Bank acted as an intermediary to communicate and encourage the public to participate in social contribution and share their social responsibility through activities that were well-targeted to serve the needs of the society and underprivileged communities.*

## RELATED PARTY TRANSACTIONS

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

party transactions are in page 201.)

During 2009, TCAP and its subsidiaries executed a number of key transactions with their related parties. These parties included associated companies or parties that had significant influence on the Company and its subsidiaries, as well as key executives, directors or staff of the Company and its subsidiaries, who had authority in developing plans and managing the business operations of the Company and its subsidiaries. The related party transactions are disclosed in the notes to the consolidated financial statements for the years ended 31 December 2009 and 31 December 2008 under item 33 and item 34 on related party transactions, respectively.

Key related party transactions that might result in a conflict of interest in line with the criteria established by the Office of the Securities and Exchange Commission “SEC” are as follows:

### TRANSACTIONS BETWEEN TCAP AND NFS ASSET MANAGEMENT COMPANY LIMITED “NFS AMC” AND TRANSACTIONS BETWEEN THANACHART BANK PUBLIC COMPANY LIMITED “TBANK” AND ITS SUBSIDIARIES.

#### 1. LENDING FROM TCAP TO NFS AMC

RELATED COMPANIES/ RELATIONSHIP WITH THE COMPANY	TYPE OF TRANSACTION/ CONTRACT TERMS	INTEREST RATE	TRANSACTION VALUE (OUTSTANDING BALANCE)	RATIONALE OF THE TRANSACTION AND PRICING POLICY
<u>Subsidiaries</u>				
NFS Asset Management Co., Ltd.	Promissory	Fixed at 2.80	<u>2008</u>	This was a transaction resulting from Thanachart Group’s financial business restructuring plan in line with the One Presence Policy under the Financial Sector Master Plan Phase I that requires Thanachart
<u>Shareholding</u>	notes at call	percent	THB 264	
- TCAP held 100 percent shares		per annum	million	
<u>Related Directors</u>			<u>2009</u>	
- Mr. Taweesak Saksirilarp			THB 2,400 million	

RELATED COMPANIES/ RELATIONSHIP WITH THE COMPANY	TYPE OF TRANSACTION/ CONTRACT TERMS	INTEREST RATE	TRANSACTION VALUE (OUTSTANDING BALANCE)	RATIONALE OF THE TRANSACTION AND PRICING POLICY
<p><u>Relationship</u></p> <ul style="list-style-type: none"> <li>- Mr. Taweesak Saksirilarp was a director and executive of TCAP and Chairman of the Board of Directors of NFS AMC.</li> <li>- Did not hold shares in NFS AMC.</li> </ul>				<p>Bank to be the only financial institution in the Group.</p> <p>Loans given to member companies of Thanachart Group were for normal business operations of each member company. The Company's Board of Directors was responsible for approving the transactions with the agreement from the Credit Committee and the Executive Committee. Those having a conflict of interest in the transactions were not allowed to participate in the consideration and approval of the transactions. Applicable interest rate and terms were the same as those applied to general customers with prices comparable to general customers with the same level of risk. The approval of credit was within the limit imposed by the Bank of Thailand (BOT).</p>

2. LENDING FROM TBANK TO THANACHART GROUP LEASING CO., LTD. "TGL", T LEASING CO., LTD. "TLEASING", NATIONAL LEASING CO., LTD. "NATIONAL LEASING" AND THANACHART LEGAL AND APPRAISAL CO., LTD. "TLA".

RELATED COMPANIES/ RELATIONSHIP WITH THE COMPANY	TYPE OF TRANSACTION/ CONTRACT TERMS	INTEREST RATE	TRANSACTION VALUE (OUTSTANDING BALANCE)	RATIONALE OF THE TRANSACTION AND PRICING POLICY
<p><u>Subsidiaries</u></p> <p>Thanachart Bank Plc.</p> <p><u>Shareholding</u></p> <ul style="list-style-type: none"> <li>- TCAP held 50.92 percent shares.</li> </ul> <p><u>Related Directors</u></p> <ol style="list-style-type: none"> <li>1. Mr. Banterng Tantivit</li> <li>2. Mr. Suphadej Poonpipat</li> <li>3. Ms. Suvarnapha Suvarnaprathip</li> <li>4. Mr. Somjate Moosirilert</li> </ol> <p><u>Relationship</u></p> <ul style="list-style-type: none"> <li>- Mr. Banterng Tantivit was a Signatory Director of TBANK.</li> <li>- Mr. Suphadej Poonpipat was an executive and a Signatory Director of TBANK.</li> <li>- Ms. Suvarnapha Suvarnaprathip was an Executive Director and a Signatory Director of TBANK.</li> <li>- Mr. Somjate Moosirilert was an Executive Director and Director of TBANK.</li> <li>- All four directors did not hold shares in TBANK.</li> </ul>				<p>This was a transaction resulting from Thanachart Group's financial business restructuring plan in line with the One Presence Policy under the Financial Sector Master Plan Phase I that requires Thanachart Bank to be the only financial institution in the Group.</p> <p>Loans given to member companies of Thanachart Group were for normal business operations of each member company. TBANK Board of Directors was responsible for approving the transactions with the agreement from the Credit Committee and the Executive Committee. Those having a conflict of interest in the transactions were not allowed to participate in the consideration and approval of the transactions. Applicable interest rate and terms were the same as those applied to general customers with prices comparable to general customers with the same level of risk. The approval of credit was within the limit imposed by the Bank of Thailand (BOT).</p>
<p>Thanachart Group Leasing Co., Ltd.</p> <p><u>Shareholding</u></p> <ul style="list-style-type: none"> <li>- TBANK held 100 percent shares</li> </ul> <p><u>Related Directors</u></p> <ol style="list-style-type: none"> <li>1. Mr. Anuchart Deeprasert</li> <li>2. Mr. Pompetch Rasanon</li> <li>3. Mr. Songwuth Chaowalit</li> <li>4. Mr. Somkuan Chaicharoen</li> <li>5. Mr. Seth Martin Cechetto</li> </ol> <p><u>Relationship</u></p> <ul style="list-style-type: none"> <li>- Executives of TBANK.</li> <li>- Control or influence over TGL.</li> <li>- No shares holding in TGL.</li> </ul>	<p>Promissory notes at call</p>	<p>In line with Thanachart Bank's cost of fund plus a fixed percentage per annum</p>	<p><u>2008</u> THB 3,645 million <u>2009</u> THB 2,168 million</p>	



RELATED COMPANIES/ RELATIONSHIP WITH THE COMPANY	TYPE OF TRANSACTION/ CONTRACT TERMS	INTEREST RATE	TRANSACTION VALUE (OUTSTANDING BALANCE)	RATIONALE OF THE TRANSACTION AND PRICING POLICY
<p>T Leasing Co., Ltd.</p> <p><u>Shareholding</u></p> <p>- TBANK held 99.99 percent shares.</p> <p><u>Related Directors</u></p> <p>1. Mr. Nophadon Ruengchinda</p> <p>2. Mr. Anuchart Deeprasert</p> <p>3. Mr. Thanes Ratanakorn</p> <p>4. Mr. Wichak Praditavanij</p> <p>5. Mr. Chatchai Kaivalkul</p> <p>6. Mr. Kriangkrai Phurivitvattana</p> <p>7. Mr. Sanong Khumnuch</p> <p>8. Mr. Seth Martin Cechetto</p> <p><u>Relationship</u></p> <p>- Executives of TBANK.</p> <p>- Control or influence over TLEASING.</p> <p>- No share holding in TLEASING.</p>	Promissory notes at call	In line with Thanachart Bank's cost of fund plus a fixed percentage per annum.	<p><u>2008</u></p> <p>THB 824 million</p> <p><u>2009</u></p> <p>THB 634 million</p>	<p>This was a transaction resulting from Thanachart Group's financial business restructuring plan in line with the One Presence Policy under the Financial Sector Master Plan Phase I that requires Thanachart Bank to be the only financial institution in the Group.</p> <p>Loans given to member companies of Thanachart Group were for normal business operations of each member company. TBANK Board of Directors was responsible for approving the transactions with the agreement from the Credit Committee and the Executive Committee. Those having a conflict of interest in the transactions were not allowed to participate in the consideration and approval of the transactions. Applicable interest rate and terms were the same as those applied to general customers with prices comparable to general customers with the same level of risk. The approval of credit was within the limit imposed by the BOT.</p>
<p>National Leasing Co., Ltd.</p> <p><u>Shareholding</u></p> <p>- TBANK held 100 percent shares.</p> <p><u>Related Directors</u></p> <p>1. Mr. Thanes Ratanakorn</p> <p>2. Mr. Naris Saifuk</p> <p>3. Mr. Anuchart Deeprasert</p> <p><u>Relationship</u></p> <p>- Executives of TBANK.</p> <p>- Control or influence over National Leasing.</p> <p>- No shares holding in National Leasing.</p>	Promissory notes at call	In line with Thanachart Bank's cost of fund plus a fixed percentage per annum.	<p><u>2008</u></p> <p>- None -</p> <p><u>2009</u></p> <p>THB 77 million</p>	
<p>Thanachart Legal and Appraisal Co., Ltd.</p> <p><u>Shareholding</u></p> <p>- TBANK held 100 percent shares.</p> <p><u>Related Directors</u></p> <p>- Mr. Sanong Khumnuch</p> <p><u>Relationship</u></p> <p>- Executive of TBANK.</p> <p>- Control of influence over TLA.</p> <p>- No shares holding in TLA.</p>	Promissory notes at call	In line with Thanachart Bank's cost of fund plus a fixed percentage per annum.	<p><u>2008</u></p> <p>- None -</p> <p><u>2009</u></p> <p>THB 10 million</p>	

## TRANSACTIONS BETWEEN MEMBER COMPANIES OF THANACHART GROUP AND ITS SUBSIDIARIES AND RELATED PARTIES.

### MBK PUBLIC COMPANY LIMITED

1. Office space rental agreement between TBANK (tenant) and member companies of MBK Group including MBK Plc. (MBK), Glas Haus Building Co., Ltd. (GHB), and Siam Piwat Co., Ltd. (SPW) (landlord).

#### 1.1 Details of contracting parties

COMPANY	RELATIONSHIP	DIRECTORS WITH STAKEHOLDING
1. Thanachart Bank Plc. (TBANK)	A subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK*.	1. Mr. Banterng Tantivit 2. Mr. Suphadej Poonpipat
2. MBK Plc. (MBK)	Member of companies in Thanachart Group all together held 19.90 percent shares in MBK.	
3. Glas Haus Building Co., Ltd. (GHB)	An indirect subsidiary of MBK with MBK holding 99.99 percent shares in GHB via a subsidiary.	
4. Siam Piwat Co., Ltd. (SPW)	A subsidiary of MBK with MBK holding 30.72 percent shares in SPW.	

**Note:** \* On 3 February 2009, TCAP sold TBANK shares to Scotiabank, resulting in a 50.92 percent current shares of TBANK held by the Company.

#### 1.2 Details of rental contract and key items in the contract

##### • MBK Tower

The office space rental agreement between TCAP or TBANK (tenant) with member companies of MBK Group (landlord) to use as headquarters, was a transaction resulting from a transfer of rental rights from Patumwan Real Estate Company Limited (former tenant) to the Company during a period beginning 30 June 2000 to 12 August 2010 (total of 12 years 1 month and 12 days). As of 2009, the contract was valued at THB 5 million.

##### Necessities and rationals of transaction

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

##### • Other buildings

The total value of renting office space for headquarters, branches of TBANK, Booth Exchange and ATM installation spaces in 2009 was THB 9.47 million.

#### Necessities and rationals of transaction

Rent was calculated, based on market rental charges of other buildings in the same area. Such transactions were therefore, justified.

1.3 Total value of transactions for 2008 and 2009 were THB 18.76 million and THB 14.47 million, respectively.

2. Credit lines between TBANK (lender) and MBK and its subsidiaries (borrower).

2.1 Details of contracting parties

COMPANY	RELATIONSHIP	DIRECTORS WITH STAKEHOLDING
1. Thanachart Bank Plc. (TBANK)	A subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK*.	1. Mr. Banterng Tantivit 2. Mr. Suphadej Poonpipat
2. MBK Plc. (MBK)	Member of companies in Thanachart Group all together held 19.90 percent shares in MBK.	
3. MBK Resort Plc. (MBK-R)	An indirect subsidiary of MBK with MBK holding 69.88 percent shares in MBK-R via a subsidiary.	
4. Sapsin Thani Co., Ltd. (SSTN)	A subsidiary of MBK with MBK holding 100 percent shares in SSTN.	
5. MBK Hotel and Resort Co., Ltd. (MBK-HR)	A subsidiary of MBK with MBK holding 100 percent shares in MBK-HR.	
6. Plan Estate Co., Ltd. (PST)	An indirect subsidiary of MBK with MBK holding 69.88 percent shares in PST via a subsidiary.	
7. Glas Haus Building Co., Ltd. (GHB)	An indirect subsidiary of MBK with MBK holding 99.99 percent shares in GHB via a subsidiary.	
8. Patum Rice Mill and Granary Plc. (PRG)	An indirect subsidiary of MBK with MBK holding 74.52 percent shares in PRG via a subsidiary.	
9. Seri Center Management Co., Ltd. (SCM)*	A subsidiary of MBK with MBK directly and indirectly holding 65.36 percent shares in SCM.	
10. Royal Orchid Hotel (Thailand) Plc. (ROH)	A subsidiary of MBK with MBK holding 29.77 percent shares in ROH.	
11. Lan Bangna Co., Ltd. (LAN)	An indirect subsidiary of MBK with MBK holding 69.88 percent shares in LAN via a subsidiary.	
12. Apple Auto Auction (Thailand) Co., Ltd. (AAA)	A subsidiary of MBK with MBK holding 49.99 percent shares in AAA.	

**Note:** \* SCM has registered to change name to Paradise Park Co., Ltd. on 1 October 2009.

2.2 Types and values of transaction

Loans and guarantees between TBANK and member companies of Thanachart Group were transactions relating to normal business operations of TBANK.

• In 2008, TBANK extended loans and guarantees to member companies of MBK Group, including MBK, MBK-R, SSTN, MBK-HR, PST, GHB, PRG, ROH, and LAN with total outstanding balances of THB 136.38 million and THB 53.94 million for loans and guarantees, respectively.

- In 2009, Thanachart Bank extended loans and guarantees to member companies of MBK Group, including MBK, GHB, SSTN, PRG, PST, ROH, MBK-R, MBK-HR, LAN, AAA, and SCM, with total outstanding balances of THB 111.49 million, THB 51.50 million, and THB 0.18 million for loans, guarantees, and FX lines, respectively.

### 2.3 Necessities and rationals of transaction

Loans and guarantees from TBANK to MBK and its member companies were transactions relating to normal business operations of TBANK and member companies of MBK Group. Terms and conditions as well as fees and interest rates were in line with those applicable to general customers. Such transactions were therefore, justified.

3. Insurance contracts between Thanachart Insurance Co., Ltd. "TNI" (insurer) and MBK Plc. and its member companies including MBK Entertainment Co., Ltd., MBK Resort Plc., Sapsin Thani Co., Ltd., MBK Hotel and Resort Co., Ltd., Prommin Co., Ltd., Apple Auto Auction (Thailand) Co., Ltd., Glas Haus Building Co., Ltd., Plan Estate Co., Ltd., Lan Bangna Co., Ltd., Plan Properties Co., Ltd., MBK Leisure Co., Ltd., Absolute Travel Co., Ltd., Crystal Lake Properties Co., Ltd., Plan Appraisal Co., Ltd., and Seri Center Management Co., Ltd. (insured).

### 3.1 Details of contracting parties

COMPANY	RELATIONSHIP	DIRECTORS WITH STAKEHOLDING
1. Thanachart Insurance Co., Ltd. (TNI)	An indirect subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK and TBANK holding 100 percent shares in TNI.	1. Mr. Banterng Tantivit 2. Mr. Suphadej Poonpipat
2. MBK Plc. (MBK)	Member of companies in Thanachart Group all together held 19.90 percent shares in MBK.	
3. MBK Entertainment Co., Ltd. (MBK-E)	An indirect subsidiary of MBK with MBK holding 81.23 percent shares in MBK-E via a subsidiary.	
4. MBK Resort Plc. (MBK-R)	An indirect subsidiary of MBK with MBK holding 69.88 percent shares in MBK-R via a subsidiary.	
5. Sapsin Thani Co., Ltd. (SSTN)	A subsidiary of MBK with MBK holding 100 percent shares in SSTN.	
6. MBK Hotel and Resort Co., Ltd. (MBK-HR)	A subsidiary of MBK with MBK holding 100 percent shares in MBK-HR.	
7. Prommin Co., Ltd. (PPM)	An indirect subsidiary of MBK with MBK holding 99.98 percent shares in PPM via a subsidiary.	
8. Apple Auto Auction (Thailand) Co., Ltd. (AAA)	A joint venture between MBK and Apple Auto Auction Group with MBK holding 49.99 percent shares in AAA.	
9. Glas Haus Building Co., Ltd. (GHB)	An indirect subsidiary of MBK with MBK holding 99.99 percent shares in GHB via a subsidiary.	

COMPANY	RELATIONSHIP	DIRECTORS WITH STAKEHOLDING
10. Plan Estate Co., Ltd. (PST)	An indirect subsidiary of MBK with MBK holding 69.88 percent shares in PST via a subsidiary.	
11. Lan Bangna Co., Ltd. (LAN)	An indirect subsidiary of MBK with MBK holding 69.88 percent shares in LAN via a subsidiary.	
12. Plan Properties Co., Ltd. (PPC)	A subsidiary of MBK with MBK holding 99.99 percent shares in PPC.	
13. MBK Leisure Co., Ltd. (MBK-LS)	An indirect subsidiary of MBK with MBK holding 49 percent shares in MBK-LS via a subsidiary.	
14. Absolute Travel Co., Ltd. (ALT)	An indirect subsidiary of MBK with MBK holding 99.99 percent shares in ALT via a subsidiary.	
15. Crystal Lake Properties Co., Ltd. (CLP)	An indirect subsidiary of MBK with MBK holding 69.88 percent shares in CLP.	
16. Plan Appraisal Co., Ltd. (PAS)	An indirect subsidiary of MBK with MBK holding 69.88 percent shares in PAS via a subsidiary.	
17. Seri Center Management Co., Ltd. (SCM)*	A subsidiary of MBK with MBK directly and indirectly holding 65.36 percent shares in SCM.	

**Note:** \* SCM has registered to change name to Paradise Park Co., Ltd. on 1 October 2009.

### 3.2 Types and values of transaction

These transactions related to business insurance policies issued by TNI for MBK Plc. and its member companies for properties, vehicles, terrorism and liabilities of directors and officers. The contracting parties included MBK Plc. and its aforementioned member companies. Total insurance premiums for 2008 and 2009 were THB 15.30 million, and THB 22.57 million, respectively.

### 3.3 Necessities and rationals of transaction

These transactions related to normal business operations of TNI. Terms and conditions as well as

premiums were in line with those applicable to general customers. Such transactions were therefore, justified.

4. Group health insurance, life insurance, accident insurance, handicap insurance, health insurance by Thanachart Life Assurance Co., Ltd. "TLIFE" (insurer) to employees of MBK Plc. and its member companies including Thep Thai Business Co., Ltd., MBK Entertainment Co., Ltd., MBK Leisure Co., Ltd., Absolute Travel Co., Ltd., MBK Center Co., Ltd., and Apple Auto Auction (Thailand) Co., Ltd. (insured).

#### 4.1 Details of contracting parties

COMPANY	RELATIONSHIP	DIRECTORS WITH STAKEHOLDING
1. Thanachart Life Assurance Co., Ltd. (TLIFE)	An indirect subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK and TBANK holding 100 percent shares in TLIFE.	1. Mr. Banterngrasame Tantavit 2. Mr. Suphadej Poonpipat
2. MBK Plc. (MBK)	Member companies in Thanachart Group all together held 19.90 percent shares in MBK.	
3. MBK Entertainment Co., Ltd. (MBK-E)	An indirect subsidiary of MBK with MBK holding 81.23 percent shares in MBK-E via a subsidiary.	
4. Thep Thai Business Co., Ltd. (TTB)	A subsidiary of MBK with MBK holding 99.93 percent shares in TTB.	
5. Absolute Travel Co., Ltd. (ALT)	An indirect subsidiary of MBK with MBK holding 99.99 percent shares in ALT via a subsidiary.	
6. MBK Leisure Co., Ltd. (MBK-LS)	An indirect subsidiary of MBK with MBK holding 49 percent shares in MBK-LS via a subsidiary.	
7. MBK Center Co., Ltd. (MBK-C)	An indirect subsidiary of MBK with MBK holding 99.93 percent shares in MBK-C via a subsidiary.	
8. Apple Auto Auction (Thailand) Co., Ltd. (AAA)	A joint venture between MBK and Apple Auto Auction Group with MBK holding 49.99 percent shares in AAA.	

#### 4.2 Value of transactions

In 2008 and 2009, total value of transactions amounted to THB 2.54 million, and 2.55 million, respectively.

#### 4.3 Necessities and rationals of transaction

Insurance policies issued by TLIFE for life, health, and accident to employees of MBK Group were justified based on the fact that the premiums charged for policies on properties, health, accident and life for these employees were in line with those applicable to general customers of TLIFE.

#### 5. Management fee paid by TCAP, TBANK,

NFS AMC, MAX Asset Management Co., Ltd. "MAX AMC", and Thanachart Fund Management Co., Ltd. "TFUND", to PST for management and sale of non-performing assets.

### 5.1 Details of contracting parties

COMPANY	RELATIONSHIP	DIRECTORS WITH STAKEHOLDING
1. Plan Estate Co., Ltd. (PST)	A subsidiary of MBK with MBK holding 69.88 percent shares in PPC.	1. Mr. Banterng Tantivit 2. Mr. Suphadej Poonpipat
2. MBK Plc. (MBK)	Member companies in Thanachart Group all together held 19.90 percent shares in MBK.	
3. Thanachart Bank Plc. (TBANK)	A subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK.	
4. NFS Asset Management Co., Ltd. (NFS AMC)	A subsidiary of TCAP with TCAP holding 100 percent shares in NFS Asset Management.	
5. Max Asset Management Co., Ltd. (MAX AMC)	A subsidiary TCAP with TCAP holding 83.44 percent shares in MAX AMC.	
6. Thanachart Fund Management Co.,Ltd. (TFUND)	An indirect subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK and TBANK holding 75 percent shares in TFUND.	

### 5.2 Value of transactions

(Unit: Million Baht)

COMPANY	2009	2008
1. TCAP	16.59	15.60
2. TBANK	2.79	4.14
3. NFS AMC	22.22	21.22
4. MAX AMC	9,133.00	3,521.68
5. TFUND	3.93	-

### 5.3 Necessities and rationals of transaction

These transactions were justified given that member companies in Thanachart Group contracted PST to manage and sell their non-performing assets whereby fees were calculated, based on cost of fund plus profit, which were considered normal rates applicable to general customers in management of similar projects.

6. Other expenses that NFS AMC, MAX AMC and TFUND paid to Plan Estate Management Co., Ltd. to award sale of non-performing assets.

## 6.1 Details of contracting parties

COMPANY	RELATIONSHIP	DIRECTORS WITH STAKEHOLDING
1. Plan Estate Co., Ltd. (PST)	A subsidiary of MBK with MBK holding 69.88 percent shares in PST.	1. Mr. Banterngr Tantivit 2. Mr. Suphadej Poonpipat
2. MBK Plc. (MBK)	Member companies in Thanachart Group all together held 19.90 percent shares in MBK.	
3. Thanachart Bank Plc. (TBANK)	A subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK.	
4. Thanachart Fund Management Co., Ltd. (TFUND)	An indirect subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK and TBANK holding 75 percent shares in TFUND.	
5. Max Asset Management Co., Ltd. (MAX AMC)	A subsidiary of TCAP with TCAP holding 83.44 percent shares in MAX AMC.	

## 6.2 Value of transactions

(Unit: Million Baht)

COMPANY	2009	2008
1. TCAP	4.72	3.67
2. TBANK	0.87	-
3. NFS AMC	1.77	4.06
4. MAX AMC	2.88	-
5. TFUND	0.27	-

## 6.3 Necessities and rationals of transaction

These transactions related to awards for sale of non-performing assets are calculated, based on publicly announced rates and conditions in finding buyers for the Company's non-performing assets. Such rates were computed as a percentage of sale price.

## THANACHART INSURANCE COMPANY LIMITED

1. Vehicles of TCAP, TBANK, Thanachart Legal and Appraisal Co., Ltd, Thanachart Securities Plc., Thanachart Insurance Co., Ltd., NFS Asset Management Co., Ltd, and MAX Asset Management Co., Ltd. were insured with Thanachart Insurance Co., Ltd.

## THANACHART CSR



### The Kidney Foundation of Thailand

*Donated funds to alleviate burdens and difficulties of the patients with kidney disease country wide, together with regular visits to support the patients as well as the Foundation.*



## 1.1 Details of contracting parties

COMPANY	RELATIONSHIP	DIRECTORS WITH STAKEHOLDING
1. Thanachart Insurance Co., Ltd. (TNI)	An indirect subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK and TBANK holding 100 percent shares in TNI.	1. Mr. Banterng Tantivit 2. Mr. Suphadej Poonpipat 3. Mr. Chartchai Parasuk, Ph. D. 4. Mr. Nophadon Ruengchinda
2. Thanachart Bank Plc. (TBANK)	A subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK.	
3. Thanachart Legal and Appraisal Co., Ltd. (TLA)	An indirect subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK and TBANK holding 100 percent shares in TLA.	
4. Thanachart Securities Plc. (TNS)	An indirect subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK and TBANK holding 100 percent shares in TNS.	
5. Thanachart Life Assurance Co., Ltd. (TLIFE)	An indirect subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK and TBANK holding 100 percent shares in TLIFE.	
6. NFS Asset Management Co., Ltd. (NFS AMC)	A subsidiary of TCAP with TCAP holding 100 percent shares in NFS AMC.	
7. Max Asset Management Co., Ltd. (MAX AMC)	A subsidiary of TCAP with TCAP holding 83.44 percent shares in MAX AMC.	

## 1.2 Type and value of transactions

These transactions related to vehicle insurance policies whereby in 2008 and 2009 their premiums amounted to THB 0.29 million and THB 3.18 million, respectively.

companies of Thanachart Group to TNI were normal rates applicable to general customers.

## 2. Directors and officers liability insurance of the Company and its subsidiaries with TNI.

## 1.3 Necessities and rationales of transaction

Member companies of Thanachart Group insured their vehicles with TNI to alleviate impact arising from risk of accidents to Thanachart Group's vehicles. Insurance premiums paid by member

## 2.1 Details of contracting parties

COMPANY	RELATIONSHIP	DIRECTORS WITH STAKEHOLDING
Thanachart Insurance Co., Ltd. (TNI)	An indirect subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK and TBANK holding 100 percent shares in TNI.	1. Mr. Banterng Tantivit 2. Mr. Suphadej Poonpipat

## 2.2 Type and value of transactions

These transactions related to directors and officers liability insurance policies with coverage over directors and officers of TCAP and all its subsidiaries. In 2008 and 2009, their premiums amounted to THB 5.21 million and THB 4.7 million, respectively.

capacity and responsibility required for their respective roles, from possible liabilities. Such practice was common in the industry. Premiums paid to TNI were normal rates applicable to general customers.

### THANACHART LIFE ASSURANCE CO., LTD.

Group health insurance, life insurance, and group accident insurance for employees of TCAP, NFS AMC, MAX AMC (insured) with TLIFE (insurer).

## 2.3 Necessities and rationals of transaction

TCAP and its subsidiaries insured their directors and officers with TNI to protect those directors and officers who performed their duties to the level of

## 1. Details of contracting parties

COMPANY	RELATIONSHIP	DIRECTORS WITH STAKEHOLDING
1. Thanachart Life Assurance Co., Ltd. (TLIFE)	An indirect subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK and TBANK holding 100 percent shares in TLIFE.	1. Mr. Banterng Tantivit 2. Mr. Suphadej Poonpipat 3. Ms. Suvarnapa Suvarnaprathip
2. NFS Asset Management Co., Ltd. (NFS AMC)	A subsidiary of TCAP with TCAP holding 100 percent shares in NFS AMC	
3. MAX Asset Management Co., Ltd. (MAX AMC)	A subsidiary of TCAP with TCAP holding 83.44 percent shares in MAX AMC	

## 2. Type and value of transactions

These transactions related to group health insurance, life insurance and group accident insurance for employees. In 2008 and 2009, their premiums amounted to THB 0.17 million and THB 8.58 million, respectively.

for such transactions was to offer health, life and accident insurance coverage for employees of TCAP and its subsidiaries. This type of benefit for TCAP's employees was considered beneficial for all employees.

### THANACHART BANK PLC.

Transactions between TBANK and executives of member companies in Thanachart Group.

## 3. Necessities and rationals of transaction

TCAP and its subsidiaries purchased group health insurance and life insurance from TLIFE and group accident insurance from TNI under similar terms and conditions as other insurers. Thus, these transactions were considered appropriate market transactions. The rationale

## 1. Details of contracting parties

TBANK and executives of member companies in Thanachart Group.

2. Type and value of transactions

(Unit: Million Baht)

COMPANY	31 DECEMBER 2009	31 DECEMBER 2008
Loans	48	67
Deposits	554	496

3. Necessities and rationals of transaction

These transactions related to financial services offered by TBANK under its normal business operations

and were conducted under the same terms and conditions as well as interest rates applicable to general customers.

## TRANSACTIONS WITH TCAP'S RELATED COMPANIES AND MEMBER COMPANIES OF THANACHART GROUP

### ADVANCE INFO SERVICE PLC. (AIS)

1. Details of contracting parties

COMPANY	RELATIONSHIP	DIRECTORS WITH STAKEHOLDING
1. Advance Info Service Plc. (AIS)	Chairman of the Executive Committee was also a Non-Signatory Director of AIS.	Mr. Suphadej Poonpipat
2. Thanachart Bank Plc. (TBANK)	A subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK.	

2. Type and value of transactions

Loans and guarantees between TBANK and AIS were considered normal business operations of TBANK.

- In 2008, TBANK gave loans and guarantees to AIS with a total outstanding balance of THB 43 million for loans and zero for guarantees.

- In 2009, TBANK gave loans and guarantees to AIS with total outstanding balances of THB

59.24 million and THB 36.29 million for loans and guarantees, respectively.

3. Necessities and rationals of transaction

Loans and guarantees given by TBANK to AIS were considered normal business operations of the Bank under the same terms and conditions, fees and interest rates applicable to general customers. Such transactions were therefore, justified.

### IRPC PUBLIC COMPANY LIMITED. (IRPC)

1. Details of contracting parties

COMPANY	RELATIONSHIP	DIRECTORS WITH STAKEHOLDING
1. IRPC Plc. (IRPC)	Director and Member of the Audit Committee were also Non-Signatory Director and Member of the Audit Committee of IRPC.	Mrs. Puntip Surathin
2. Thanachart Bank Plc. (TBANK)	A subsidiary of TCAP with TCAP holding 50.92 percent shares in TBANK.	

## 2. Type and value of transactions

Loans and guarantees between TBANK and IRPC were considered normal business operations of TBANK.

- 2008, no item.
- 2009, TBANK gave loans to IRPC with outstanding balances of THB 1 billion, THB 50 million for loans and FX lines, respectively.

## 3. Necessities and rationals of transaction

Loans and guarantees given by TBANK to IRPC were considered normal business operations of the Bank under the same terms and conditions, fees and interest rates applicable to general customers. Such transactions were therefore, justified.

## MEASURES OR PROCEDURES FOR APPROVING RELATED PARTY TRANSACTIONS

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

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

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

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

## POLICY AND TRENDS ON RELATED PARTY TRANSACTIONS

Related party transactions between TCAP and member companies of Thanachart Group or related persons will be normal business transactions, including those resulting from implementation of the Company's financial business restructuring plan in compliance with the Financial Sector Master Plan Phase I under One Presence policy and Consolidated Supervision. Related party transactions also cover supporting services given between member companies of Thanachart Group in line with the Group's policy. TCAP has no policy encouraging parties who have a conflict of interest to execute related party transactions.

## GENERAL INFORMATION

### INVESTMENT OF THANACHART CAPITAL PUBLIC COMPANY LIMITED IN OTHER COMPANIES INFORMATION AS AT 31 DECEMBER 2009

The Company had investments 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
<b>Thanachart Bank Public Company Limited</b> 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	19,346,192,720	1,934,619,272	985,170,229	50.92
<b>NFS Asset Management Company Limited</b> 444 MBK Tower, 17 <sup>th</sup> Floor Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2217 8199 Fax: +66 (0) 2217 8289	Non-performing Asset Management	Ordinary	1,000,000,000	1,000,000,000	100,000,000	99,999,993	100.00
<b>MAX Asset Management Company Limited</b> 444 MBK Tower, 17 <sup>th</sup> Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2611 9533-44 Fax: +66 (0) 2611 9494	Non-performing Asset Management	Ordinary	572,000,000	572,000,000	57,200,000	47,727,674	83.44
<b>Thiravanit Company Limited</b> 444 MBK Tower, 10 <sup>th</sup> (Zone 4) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2611 6606 Fax: +66 (0) 2611 9516	Being Liquidated	Ordinary	6,250,000	6,250,000	1,000,000	998,993	99.90

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
<b>Bangkok Home Company Limited</b> 444 MBK Tower, 10 <sup>th</sup> Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2217 8000 Fax: +66 (0) 2611 9486	Being Liquidated	Ordinary	15,000,000	15,000,000	1,000,000	998,679	99.87
<b>Sinkahakan Company Limited</b> 444 MBK Tower, 10 <sup>th</sup> Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2613 6000 Fax: +66 (0) 2611 9516	Being Liquidated	Ordinary Preferred	5,000,000 20,000,000	5,000,000 20,000,000	1,000,000 4,000,000	755,938 4,000,000	95.12
<b>HTR Corporation Limited</b> 32/46, 18 <sup>th</sup> Floor, Shino-Thai Tower, 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
<b>Thanachart SPV 01 Company Limited</b> 444 MBK Tower, 11 <sup>th</sup> (Zone D) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 217 8160	Securitization	Ordinary	1,700,000	1,700,000	170,000	169,993	100.00

**Note:** Percentages of Shareholding shown above included shareholding held by related parties.

## THANACHART CAPITAL PUBLIC COMPANY LIMITED REFERENCES

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

## OTHER REFERENCES

Securities	:	Ordinary Shares and Preferred Shares
Securities Registrar	:	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel: +66 (0) 2229 2800 Fax: +66 (0) 2359 1259 Call Center: +66 (0) 2229 2888 Website: www.tsd.co.th
Securities	:	Debenture Holders TCAP103A
Representatives of Debenture Registrar	:	TMB Bank Public Company Limited 393 Silom Branch, Soi 7, Silom Road, Bangrak, Bangkok 10500, THAILAND Tel: +66 (0) 2230 6301, 2230 5883 Fax: +66 (0) 2230 6200 Website: www.tmbbank.com
Securities	:	Debenture Holders TCAP105A
Securities Registrar	:	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel: +66 (0) 2229 2800 Fax: +66 (0) 2359 1259 Call Center: +66 (0) 2229 2888 Website: www.tsd.co.th
Representatives of Debenture Holders	:	Citibank, N.A. Bangkok 82, 16 <sup>th</sup> Floor, North Sathon Road, Silom, Bangrak, Bangkok 10500, THAILAND Tel: +66 (0) 2232 2665, 2232 2679 Fax: +66 (0) 2639 2594 Website: www.citibank.co.th

Securities	:	Debenture Holders TCAP14NA and Debenture Holders TCAP131A
Representatives of Debenture Registrar	:	CIMB Thai Bank Public Company Limited 44 Langsuan Road, Lumpini, Pathumwan, Bangkok 10330, THAILAND Tel: +66 (0) 2626 7503-4, 2626 7218 Fax: +66 (0) 2626 7587, 2626 7542 Website: www.cimbthai.com
Auditor	:	Ernst & Young Office Limited 193/136-137 Lake Ratchada Building, 33 <sup>rd</sup> Floor, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel: +66 (0) 2264 0777 Fax: +66 (0) 2264 0789-90
Auditor's Name	:	Ms. Rattana Jala, Certified Public Accountant No. 3734
Legal Advisor	:	Thanachart Legal and Appraisal Company Limited 128/20-21 Payathai Plaza Building, 3 <sup>rd</sup> Floor, Phayathai Road, Thung Phayathai, Ratchathewi, Bangkok 10400, THAILAND Tel: +66 (0) 2216 6677 Fax: +66 (0) 2216 6558
Financial Advisor	:	None
Advisor or Management Under Management Contract	:	None

## THANACHART CSR



### **EARTH HOUR 2009 “Let the world rest; reduce unnecessary electricity usage”**

*Thanachart Bank in corporation with World Wildlife Fund (WWF), authorities and various businesses in Bangkok joined the campaign in turning off light switch for one hour in order to promote energy saving and alleviate the global warming condition.*



## STRUCTURE OF MAJOR SHAREHOLDERS

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 15 October 2009 (which was the most recent closure date of the register book).

NO.	NAME OF SHAREHOLDERS/ GROUP OF SHAREHOLDERS	ORDINARY SHARES	PREFERRED SHARES	TOTAL	PERCENTAGE
1.	MBK Public Company Limited	129,914,400	-	129,914,400	9.74
2.	Thai NVDR Company Limited	101,692,477	-	101,692,477	7.63
3.	Com-Link Company Limited	101,548,200	-	101,548,200	7.62
4.	Chase Nominees Limited 42	57,670,100	-	57,670,100	4.33
5.	Mr. Bhanapot Damapong	57,000,000	-	57,000,000	4.28
6.	Thanachart Capital Public Company Limited	55,324,300	-	55,324,300	4.15
7.	State Street Bank and Trust Company	45,827,342	-	45,827,342	3.44
8.	Daiwa Securities SMBC Co., Ltd. - Clients Account	42,000,000	-	42,000,000	3.15
9.	Nortrust Nominees Ltd.	31,354,500	-	31,354,500	2.35
10.	Mellon Bank, N.A.	22,978,000	-	22,978,000	1.72
11.	Other Shareholders	687,828,828	15,856	687,844,684	51.59
Issued and Paid-up Capital		1,333,138,147	15,856	1,333,154,003	100.00
Thai Shareholders		849,234,867	15,796	849,250,663	63.70
Foreign Shareholders		483,903,280	60	483,903,340	36.30

Source: Report of the Company's Major Shareholders as at 15 October 2009, which was prepared by Thailand Securities Depository Company Limited (TSD).

## COMPANY'S ORDINARY SHARES AND PREFERRED SHARES

As at 31 December 2009, the Company had registered capital and paid-up capital as follows :

Registered Capital	:	THB 13,331,540,030
Paid-up Capital	:	THB 13,331,540,030
Ordinary Shares	:	1,333,138,147 shares, per share value of THB 10
Preferred Shares	:	15,856 shares, per share value of THB 10

(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 15<sup>th</sup> 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 of the shareholders. 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 adequate 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 2009 are as follows:

- At the Board of Directors' Meeting No. 10/2009 held on 29 September 2009, the Board adopted a resolution approving payments of an interim dividend of THB 0.35 per share to shareholders on 28 October 2009 for the performance of the first half of the year from 1 January 2009 to 30 June 2009. The payments were paid to both ordinary shareholders and preferred shareholders at the same rate. The total payments amounted to THB 447,240,396.05 with 1,277,829,703\* shares receiving the dividend.

**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.

- At the Annual General Meeting of Shareholders for the year 2009 held on 29 April 2009, the shareholders adopted a resolution approving the final dividend payment for the second half year performance from 1 July 2008 to 31 December 2008 to both ordinary and preferred shareholders at the same rate of THB 0.60 per share. The dividend was made on 28 May 2009, and paid

to 1,277,829,703 shares in the total amount of THB 766,697,821.80. Taking into consideration the interim dividend payment of THB 0.30 per share or THB 399,946,200.90 in total, which was made on 24 October 2008, for the period from 1 January 2008 to 30 June 2008 of which the resolution was adopted at the Board of Directors' Meeting No. 9/2008 on 25 September 2008, the total dividend paid for the performance of 2008 amounted to THB 1,166,644,022.70 or THB 0.90 per share.

### DIVIDEND POLICY OF THE SUBSIDIARY COMPANIES

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

MAX Asset Management Co., Ltd. and NFS Asset Management Co., Ltd. have dividend payment policy by paying dividend when they have profits. In order to make payments, they have to take the excessive cash from business operation and legal reserve into consideration. Their Boards of Directors may pay interim dividend to shareholders occasionally when they consider that they have adequate profits to make the payment. The Boards of Directors are required to report the interim dividend payment to the shareholders at their next meeting.

### MAJOR SHAREHOLDERS WHOSE BEHAVIOR IS TO SIGNIFICANTLY CONTROL OVER MANAGEMENT POLICY SETTING

- None -

## COMPANIES IN THANACHART GROUP

### THANACHART CAPITAL PUBLIC COMPANY LIMITED

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

Tel: +66 (0) 2217 8444, 2217 8000, 2611 9111

Fax: +66 (0) 2217 8312

Registration No. 0107536000510

[www.thanachart.co.th](http://www.thanachart.co.th)

### THANACHART FUND MANAGEMENT COMPANY LIMITED

898 Ploenchit Tower, 15<sup>th</sup> and 18<sup>th</sup> Floor,  
Ploenchit Road, Lumpini, Pathumwan,  
Bangkok 10330, THAILAND

Tel: +66 (0) 2126 8300

Fax: +66 (0) 2263 0811

Registration No. 0105535049696

[www.thanachartfund.com](http://www.thanachartfund.com)

### 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](http://www.thanachartbank.co.th)

### THANACHART INSURANCE COMPANY LIMITED

1 Glas Haus Building, 10<sup>th</sup> Floor, Sukhumvit 25 Road,  
North Klongtoey, Wattana, Bangkok 10110, THAILAND

Tel: +66 (0) 2661 7999

Fax: +66 (0) 2204 6904

Registration No. 0105540060091

[www.thanachartinsurance.co.th](http://www.thanachartinsurance.co.th)

### THANACHART SECURITIES PUBLIC COMPANY LIMITED

444 MBK Tower, 14<sup>th</sup>, 18<sup>th</sup> and 19<sup>th</sup> 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](http://www.tnsitrade.com)

### THANACHART LIFE ASSURANCE COMPANY LIMITED

231 Thanachart Life Assurance Building,  
Ratchadamri Road, Lumpini, Pathumwan,  
Bangkok 10330, THAILAND

Tel: +66 (0) 2207 4200

Fax: +66 (0) 2253 8484

Registration No. 0105540057090

[www.thanachartlife.co.th](http://www.thanachartlife.co.th)

### THANACHART CONTACT CENTER 1770

## GENERAL INFORMATION

### INVESTMENT OF THANACHART CAPITAL PUBLIC COMPANY LIMITED IN OTHER COMPANIES INFORMATION AS AT 31 DECEMBER 2009

The Company had investments 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
<b>Thanachart Bank Public Company Limited</b> 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	19,346,192,720	1,934,619,272	985,170,229	50.92
<b>NFS Asset Management Company Limited</b> 444 MBK Tower, 17 <sup>th</sup> Floor Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2217 8199 Fax: +66 (0) 2217 8289	Non-performing Asset Management	Ordinary	1,000,000,000	1,000,000,000	100,000,000	99,999,993	100.00
<b>MAX Asset Management Company Limited</b> 444 MBK Tower, 17 <sup>th</sup> Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2611 9533-44 Fax: +66 (0) 2611 9494	Non-performing Asset Management	Ordinary	572,000,000	572,000,000	57,200,000	47,727,674	83.44
<b>Thiravanit Company Limited</b> 444 MBK Tower, 10 <sup>th</sup> (Zone 4) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2611 6606 Fax: +66 (0) 2611 9516	Being Liquidated	Ordinary	6,250,000	6,250,000	1,000,000	998,993	99.90

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
<b>Bangkok Home Company Limited</b> 444 MBK Tower, 10 <sup>th</sup> Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2217 8000 Fax: +66 (0) 2611 9486	Being Liquidated	Ordinary	15,000,000	15,000,000	1,000,000	998,679	99.87
<b>Sinkahakan Company Limited</b> 444 MBK Tower, 10 <sup>th</sup> Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2613 6000 Fax: +66 (0) 2611 9516	Being Liquidated	Ordinary Preferred	5,000,000 20,000,000	5,000,000 20,000,000	1,000,000 4,000,000	755,938 4,000,000	95.12
<b>HTR Corporation Limited</b> 32/46, 18 <sup>th</sup> Floor, Shino-Thai Tower, 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
<b>Thanachart SPV 01 Company Limited</b> 444 MBK Tower, 11 <sup>th</sup> (Zone D) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 217 8160	Securitization	Ordinary	1,700,000	1,700,000	170,000	169,993	100.00

**Note:** Percentages of Shareholding shown above included shareholding held by related parties.

## THANACHART CAPITAL PUBLIC COMPANY LIMITED REFERENCES

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

## OTHER REFERENCES

Securities	:	Ordinary Shares and Preferred Shares
Securities Registrar	:	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel: +66 (0) 2229 2800 Fax: +66 (0) 2359 1259 Call Center: +66 (0) 2229 2888 Website: www.tsd.co.th
Securities	:	Debenture Holders TCAP103A
Representatives of Debenture Registrar	:	TMB Bank Public Company Limited 393 Silom Branch, Soi 7, Silom Road, Bangrak, Bangkok 10500, THAILAND Tel: +66 (0) 2230 6301, 2230 5883 Fax: +66 (0) 2230 6200 Website: www.tmbbank.com
Securities	:	Debenture Holders TCAP105A
Securities Registrar	:	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel: +66 (0) 2229 2800 Fax: +66 (0) 2359 1259 Call Center: +66 (0) 2229 2888 Website: www.tsd.co.th
Representatives of Debenture Holders	:	Citibank, N.A. Bangkok 82, 16 <sup>th</sup> Floor, North Sathon Road, Silom, Bangrak, Bangkok 10500, THAILAND Tel: +66 (0) 2232 2665, 2232 2679 Fax: +66 (0) 2639 2594 Website: www.citibank.co.th

Securities	:	Debenture Holders TCAP14NA and Debenture Holders TCAP131A
Representatives of Debenture Registrar	:	CIMB Thai Bank Public Company Limited 44 Langsuan Road, Lumpini, Pathumwan, Bangkok 10330, THAILAND Tel: +66 (0) 2626 7503-4, 2626 7218 Fax: +66 (0) 2626 7587, 2626 7542 Website: www.cimbthai.com
Auditor	:	Ernst & Young Office Limited 193/136-137 Lake Ratchada Building, 33 <sup>rd</sup> Floor, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel: +66 (0) 2264 0777 Fax: +66 (0) 2264 0789-90
Auditor's Name	:	Ms. Rattana Jala, Certified Public Accountant No. 3734
Legal Advisor	:	Thanachart Legal and Appraisal Company Limited 128/20-21 Payathai Plaza Building, 3 <sup>rd</sup> Floor, Phayathai Road, Thung Phayathai, Ratchathewi, Bangkok 10400, THAILAND Tel: +66 (0) 2216 6677 Fax: +66 (0) 2216 6558
Financial Advisor	:	None
Advisor or Management Under Management Contract	:	None

## THANACHART CSR



### **EARTH HOUR 2009 “Let the world rest; reduce unnecessary electricity usage”**

*Thanachart Bank in corporation with World Wildlife Fund (WWF), authorities and various businesses in Bangkok joined the campaign in turning off light switch for one hour in order to promote energy saving and alleviate the global warming condition.*

## STRUCTURE OF MAJOR SHAREHOLDERS

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 15 October 2009 (which was the most recent closure date of the register book).

NO.	NAME OF SHAREHOLDERS/ GROUP OF SHAREHOLDERS	ORDINARY SHARES	PREFERRED SHARES	TOTAL	PERCENTAGE
1.	MBK Public Company Limited	129,914,400	-	129,914,400	9.74
2.	Thai NVDR Company Limited	101,692,477	-	101,692,477	7.63
3.	Com-Link Company Limited	101,548,200	-	101,548,200	7.62
4.	Chase Nominees Limited 42	57,670,100	-	57,670,100	4.33
5.	Mr. Bhanapot Damapong	57,000,000	-	57,000,000	4.28
6.	Thanachart Capital Public Company Limited	55,324,300	-	55,324,300	4.15
7.	State Street Bank and Trust Company	45,827,342	-	45,827,342	3.44
8.	Daiwa Securities SMBC Co., Ltd. - Clients Account	42,000,000	-	42,000,000	3.15
9.	Nortrust Nominees Ltd.	31,354,500	-	31,354,500	2.35
10.	Mellon Bank, N.A.	22,978,000	-	22,978,000	1.72
11.	Other Shareholders	687,828,828	15,856	687,844,684	51.59
Issued and Paid-up Capital		1,333,138,147	15,856	1,333,154,003	100.00
Thai Shareholders		849,234,867	15,796	849,250,663	63.70
Foreign Shareholders		483,903,280	60	483,903,340	36.30

Source: Report of the Company's Major Shareholders as at 15 October 2009, which was prepared by Thailand Securities Depository Company Limited (TSD).

## COMPANY'S ORDINARY SHARES AND PREFERRED SHARES

As at 31 December 2009, the Company had registered capital and paid-up capital as follows :

Registered Capital	:	THB 13,331,540,030
Paid-up Capital	:	THB 13,331,540,030
Ordinary Shares	:	1,333,138,147 shares, per share value of THB 10
Preferred Shares	:	15,856 shares, per share value of THB 10

(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 15<sup>th</sup> 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 of the shareholders. 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 adequate 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 2009 are as follows:

- At the Board of Directors' Meeting No. 10/2009 held on 29 September 2009, the Board adopted a resolution approving payments of an interim dividend of THB 0.35 per share to shareholders on 28 October 2009 for the performance of the first half of the year from 1 January 2009 to 30 June 2009. The payments were paid to both ordinary shareholders and preferred shareholders at the same rate. The total payments amounted to THB 447,240,396.05 with 1,277,829,703\* shares receiving the dividend.

**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.

- At the Annual General Meeting of Shareholders for the year 2009 held on 29 April 2009, the shareholders adopted a resolution approving the final dividend payment for the second half year performance from 1 July 2008 to 31 December 2008 to both ordinary and preferred shareholders at the same rate of THB 0.60 per share. The dividend was made on 28 May 2009, and paid

to 1,277,829,703 shares in the total amount of THB 766,697,821.80. Taking into consideration the interim dividend payment of THB 0.30 per share or THB 399,946,200.90 in total, which was made on 24 October 2008, for the period from 1 January 2008 to 30 June 2008 of which the resolution was adopted at the Board of Directors' Meeting No. 9/2008 on 25 September 2008, the total dividend paid for the performance of 2008 amounted to THB 1,166,644,022.70 or THB 0.90 per share.

### DIVIDEND POLICY OF THE SUBSIDIARY COMPANIES

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

MAX Asset Management Co., Ltd. and NFS Asset Management Co., Ltd. have dividend payment policy by paying dividend when they have profits. In order to make payments, they have to take the excessive cash from business operation and legal reserve into consideration. Their Boards of Directors may pay interim dividend to shareholders occasionally when they consider that they have adequate profits to make the payment. The Boards of Directors are required to report the interim dividend payment to the shareholders at their next meeting.

### MAJOR SHAREHOLDERS WHOSE BEHAVIOR IS TO SIGNIFICANTLY CONTROL OVER MANAGEMENT POLICY SETTING

- None -

## COMPANIES IN THANACHART GROUP

### THANACHART CAPITAL PUBLIC COMPANY LIMITED

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

Tel: +66 (0) 2217 8444, 2217 8000, 2611 9111

Fax: +66 (0) 2217 8312

Registration No. 0107536000510

[www.thanachart.co.th](http://www.thanachart.co.th)

### THANACHART FUND MANAGEMENT COMPANY LIMITED

898 Ploenchit Tower, 15<sup>th</sup> and 18<sup>th</sup> Floor,  
Ploenchit Road, Lumpini, Pathumwan,  
Bangkok 10330, THAILAND

Tel: +66 (0) 2126 8300

Fax: +66 (0) 2263 0811

Registration No. 0105535049696

[www.thanachartfund.com](http://www.thanachartfund.com)

### 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](http://www.thanachartbank.co.th)

### THANACHART INSURANCE COMPANY LIMITED

1 Glas Haus Building, 10<sup>th</sup> Floor, Sukhumvit 25 Road,  
North Klongtoey, Wattana, Bangkok 10110, THAILAND

Tel: +66 (0) 2661 7999

Fax: +66 (0) 2204 6904

Registration No. 0105540060091

[www.thanachartinsurance.co.th](http://www.thanachartinsurance.co.th)

### THANACHART SECURITIES PUBLIC COMPANY LIMITED

444 MBK Tower, 14<sup>th</sup>, 18<sup>th</sup> and 19<sup>th</sup> 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](http://www.tnsitrade.com)

### THANACHART LIFE ASSURANCE COMPANY LIMITED

231 Thanachart Life Assurance Building,  
Ratchadamri Road, Lumpini, Pathumwan,  
Bangkok 10330, THAILAND

Tel: +66 (0) 2207 4200

Fax: +66 (0) 2253 8484

Registration No. 0105540057090

[www.thanachartlife.co.th](http://www.thanachartlife.co.th)

### THANACHART CONTACT CENTER 1770

## CORPORATE SOCIAL RESPONSIBILITY

Throughout its 30 years of business operations, Thanachart Group has taken a responsible attitude towards society. The Group believes that conducting its business affairs which are underpinned by a sense of social responsibility, will lead to the long-term sustainability of the business. Although there is no compulsory requirement for such activities, the Group has taken on the responsibility voluntarily. The top 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 or help local communities and society in a long term manner with understanding and sincerity.

In this regard, Thanachart Group's socially responsible activities can be divided into two main categories as follows:

### 1. Socially Responsible Business

The conduct of its business affairs with social responsibility is based on the principles of CSR that focus on "sustainable growth with moral righteousness". Throughout its 30 years of business operations, the Group has strictly adhered to the principle of rejecting any business that is ethically questionable or socially harmful. Its mainstream business practices that reflect a sense of social responsibility include the following:

1.1 The conduct of business affairs of all member companies of Thanachart Group does not support any business or organization that is illegal or immoral. Nor do the companies involve themselves in such businesses or organizations. Staff at all levels of the Group shall also strictly adhere to ethical and moral principles.

1.2 In selling or offering any product or service, full information about its limitations or terms and conditions has to be clearly and completely disclosed to customers from the outset.

1.3 Private information of customers has to be protected and remains confidential. As well, all the member companies strictly comply with the legal requirements relating to the private information of customers.

1.4 Offices and work environment have to be safe and supportive of the well being of the staff members.

1.5 The Group promotes energy conservation, environmental protection and a reduction of the excessive use of paper and the use of toxic materials that cause air pollution or are harmful to health.

### 2. CSR Activities

The Group may initiate socially beneficial activities on its own or invite experts to help organize such activities. To achieve the objectives efficiently, it may have to establish relationships with stakeholders that can help implement the activities. In addition, it may also invite other groups of stakeholders to participate in the socially beneficial activities in order to achieve a broader impact. Furthermore, for the benefits to be gained by the beneficiaries, the Group has designed activities to primarily focusing around the beneficiaries. The CSR activities can be divided into two sub-categories as follows:

#### 2.1 Activities that encourages well-doings for society

TBANK has taken the representative role to promote organization or business units for their charitable activities to the society without any returning deeds through the "Ri Rerm..Term Tem" (Initiate and Fulfill) program. The program reports to general public the updates on missions for social activities, position of the organization or charities that are socially responsible, for instance, Foundation for Slum Child Care, Foundation for the Better Life of Children, Foundation for Balance Growth of Rural Community - Plamkhai, Chaiyapruk Foundation, the Thai Scout Unit, and Satabun Saeng Sawang Foundation. These are charitable organizations to support the underprivileged in various areas including educationally disadvantaged persons, disabled persons, as well as the elderly. This program was broadcasted as a 1.30-minute scoop of "Khon Khon Khon" (variety/talk show) Program on Channel 9 (Modern Nine TV).

Apart from taking a role of an intermediary between beneficiaries and donors, TBANK also organized the event called "Thanachart Ri Rerm..Term Tem: Saving Merit Festival" whereby 12 charities and social units were provided the opportunity to promote their socially charitable activities as well as to raise funds to support their organizations. The event has proven successful from good responses from the public to support funding on the operating capital of participating organizations. Moreover, TBANK has also initiated the project "Donating via ATM with TBANK" by which the TBANK's ATM card holders can donate to the participated charities at every TBANK's ATM and branches countrywide without any fee as another channel to encourage the social responsible activities.

#### 2.2 TBANK's in-house social activities

The program has been initiated from the cooperation of all entities in Thanachart Group around the

1	2	 
3	4	
<p>1. TBANK gave bicycles to students in A. Fang, Chiang Mai province in "Thanachart Ri Rerm..Term Tem" program under the Bicycle for young children project.</p> <p>2. TBANK gave safety helmets to children in "Thanachart Ri Rerm..Term Tem" program under the TBANK cares children wear safety helmet project.</p> <p>3. Mr. Suphadej Poonpipat, Chief Executive Officer donated supporting fund to Foundation for Slum Child care.</p> <p>4. Executives of Thanachart Group invited customers of MBK Center to jointly save merit in "Thanachart Ri Rerm..Term Tem" fair under the Saving Merit Festival.</p>		 

country. The scope of TBANK's social responsibility activities has been determined by the relevance of such activities to the business and the real need of the community. The activities can be categorized according to the operating guideline into four major groups: (1) Education or child development; (2) Opportunity for the underprivileged in the society; (3) Road and traffic safety; and (4) Environmental preservation. The objective of the program is to provide the opportunity for TBANK to be an integral part of the local community where TBANK has business liability. Therefore, the activities undertaken by each hub are different according to the observed demand or local cultures in each community, which will be proposed to the program's committee for approval. The activities will be undertaken by each hub with the support from headquarters, for example:

- "TBANK cares children wear safety helmet"

#### Peoject

The project launched a campaign encouraging to wear safety helmets to reduce traffic accidents of the kindergarten to elementary school students who commute to school on the back of their parent's motorcycles. 3,000 helmets were provided to students of the school located in Songkhla, Pattani, Phitsanulok, and Nakhon Pathom Provinces. Moreover, the project provided the lecture to the parents on how to drive safely by traffic police as well.

- "Bicycle for young children" Project  
A total of 200 bicycles were given to rural

schools located in Amphur Fang, Chiang Mai Province, so that students who live in the distant area can spend less commuting time as they can borrow the bicycle to travel between their home and school. The project also helped schools to maintain good condition of the bicycles for the good use. Furthermore, the donation of coats, blankets, and learning equipments to these schools were also made by Thanachart Group as well as its customers, executives, and staff members.

- "Ride bicycles to reduce pollutions and global warming" Project

This continual project built parking spaces for bicycles in various locations around Bang Bua Thong Municipality in Nonthaburi Province in order to allow greater conveniences to the members of community who use bicycle to commute and at the same time encourage people to switch to bicycle commuting to fight the global warming condition.

- "Blood donation for Mother of the Nation and Blood donation for Father of the Nation" Project on the auspicious occasion of Her Majesty the Queen's and His Majesty the King's Birthday with the support from the Thai Red Cross. The project has been regularly organized and is currently in its 7<sup>th</sup> year. In addition, TBANK provided blood donors with free physical medical checkups, blood checks, as well as personal finance checkups. The blood donors were also given seedlings, from which they could grow to conserve the global environment.

## THANACHART CSR



### TBANK cares children wear safety helmet

With Hat Yai, Phitsanulok and Nakhon Pathom Hubs, Thanachart Bank and the municipal as well as provincial schools initiated social responsibility activities to raise awareness of the guardians and the riders on the safety precautions in riding bicycles and the importance of the safety helmets especially for the children.

## GATHERING MOMENTUM



### MR. SUPHADEJ POONPIPAT

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

Thanachart Group *is still moving forward in developing capabilities to achieve customer centricity* through creating new products, developing and setting up infrastructure and increasing service channels in order to expand business and increase service quality. This is done to *create financial opportunities for customers to succeed and grow together stably and continuously, which are the basis for operations that can achieve the goals of being a leading medium-size bank in the country*

*with strong and excellent growth.* In 2009, Thanachart Group conducted businesses according to the following nine strategic intents:

1. Intention to meet all strategic financial targets,
2. Intention to maintain market leader in hire purchase business,
3. Intention to increase in customer accessibility,
4. Intention to diversify business loan portfolio,
5. Intention to develop drastic improvement in cross-selling,
6. Intention to grow by increasing fee-based income proportion,
7. Intention to enhance our productivity and cost effectiveness,
8. Intention to achieve Best-in-Class in customer servicing, and
9. Intention to build-up our brand strengthening.

Scotiabank formed a business alliance with Thanachart Group in 2007 and showed confidence in Thanachart Group by increasing its shareholding in TBANK from 24.98 percent to 48.99 percent at the beginning of 2009. As a result of the joint development of Thanachart Group and Scotiabank in accordance to the business policies and under the supervision of the Board of Directors, the determination to achieve the 9 strategic intents mentioned, and the commitment from the executives and employees, Thanachart Group has achieved satisfactory financial results. TCAP and its subsidiaries achieved a net profit for 2009 of THB 5,109 million, an increase of THB 2,341 million or 84.57 percent from the previous year. Net interest and dividend income increased by 27.82 percent, due to the business expansion and the increase in the loan spread from 3.99 percent in 2008 to 4.91 percent. At the same time, interest

spread from earning assets increased to 3.44 percent from 3.15 percent in the previous year. As well, the non-interest income continued to grow by 87.37 percent as a result of the strong growth of banking business, securities business, fund management business, life and non-life insurance business. Moreover, from the effective debt management and debt collection, expenses on bad debt and doubtful accounts decreased compared to that of the previous year. Also, TCAP and its subsidiaries were able to efficiently manage non-interest expenses, resulted in the cost to income ratio net insurance premium income stood at 47.94 percent, a decrease from 55.90 percent.

In order for the executives and employees of Thanachart Group to move forward in the same direction in 2010, Thanachart Bank has set the following four strategic intents:

1. Intention to grow by doubling the size of Corporate Loan Portfolio while diversifying overall assets,
2. Intention to grow by maintaining hire purchase market leader,
3. Intention to grow by increasing fee-based income proportion, and
4. Intention to grow by increasing services and supports productivity.

Because of the direction of the Board of Directors that places great importance in making TBANK and its subsidiaries to be the organizations of good governance, the Board of Directors has set policies to continuously develop human resources of Thanachart Group in the areas of good governance. In 2009, Thanachart Group, together with the Continuing Education Center of Chulalongkorn University, continued to organize training and seminars for the executives and the employees, including disseminating knowledge and understanding of the topics through Thanachart Group's E-learning to provide knowledge and understanding of good corporate governance and promote conscious awareness of good corporate governance. This is done to solidify the foundation of being organizations of good governance

that operate with transparency, adhere to the principles of good governance, and create long term benefits for investors. Furthermore, TBANK and its subsidiaries continued the Corporate Social Responsibility Projects through hubs and the projects are the cooperation of the organization, the employees, the customers and the community to help underprivileged communities that have varying needs for each region. This is in line with the concept of "Ri Rerm.. Term Tem" (Initiate and Fulfill), which is to initiate projects that are appropriate and coherent with the true needs of communities in each region in order to unite and truly create fulfillment for the communities. In 2009, TBANK introduced the project "Donating via ATMs with TBANK" (Make merits through ATMs with Thanachart Bank) that allows those who hold Thanachart Bank's ATM cards to make monetary donations through the Bank's ATM and counters at branches nationwide for charitable foundations without service fees. This is another channel that supports doing good for the community.

TBANK's win of the bidding for Siam City Bank's stocks from Financial Institutions Development Fund (FIDF) and the signing of Share Purchase Agreement to purchase the Siam City Bank's stocks on 11 March 2010 had the objective of purchasing the stocks to acquire the businesses of Siam City Bank, with the approval of the Bank of Thailand. Once the acquisition is completed, TBANK will be a financial institution of greater stability and a commercial bank with the 5<sup>th</sup> highest ranking assets among Thai commercial banks. This will promote the stability of Thai financial institutions in line with the Financial Sector Master Plan Phase II.

*The continuous joint development between Thanachart Group and Scotiabank that fulfill all financial services under good corporate governance with utmost regards to customers, shareholders, employees and all stakeholders, and the reasonable social and environmental contributions will make Thanachart Bank grow stably and continuously together with all stakeholders.*

Suphadej Poonpipat

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