### **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.

### Six Strategic Intents for the Business Operation in 2011

- 1. We intend to provide our customer with a superior experience by offering the best service and a total financial solution to their unique needs.
- 2. We intend to be the dominant market leader for Hire Purchase Business.
- 3. We intend to establish a reputable presence in the Housing Loan Business of Thailand's Banking Industry.
- 4. We intend to grow the loan portfolio (corporate and SME) higher than industry average.
- 5. We intend to increase the fee-based income proportion to be on par with industrial average.
- 6. We intend to enhance our service and support productivity with cost effectiveness.

### Financial Highlights

As at and for the year ended 31 December

Consolidated

	7010	2002	2000	7007	2000
Operating Results (Million Baht)					
Interest and dividend income	35,252	22,112	21,413	18,799	16,951
Interest expenses	10,084	6,892	9,506	9,707	10,042
Net interest and dividend income	25,168	15,220	11,907	9,092	606'9
Non-interest income	20,179	22,310	11,907	10,646	7,643
Total income <sup>(1)</sup>	45,347	37,530	23,814	19,738	14,552
Non-interest expenses	28,381	24,517	15,878	12,813	11,043
Bad debt and doubtful accounts <sup>(2)</sup>	1,820	2,849	3,594	2,051	924
Net income <sup>(3)</sup>	5,639	5,109	2,768	2,818	1,468
Operating Performance Ratio					
Basic earnings per share <sup>(3)</sup> (Baht)	4.41	3.99	2.08	2.11	1.10
Return on average assets (ROAA percent)	1.41	1.77	0.93	1.04	0.63
Return on average equity <sup>(3)</sup> (ROAE percent)	16.46	17.27	10.49	11.55	6.49
Interest spread <sup>(4)</sup> (percent)	3.46	3.62	3.15	2.82	2.74
Cost to income ratio <sup>(6)</sup> (percent)	62.59	65.33	89.99	64.92	75.89
Cost to income ratio net insurance / life insurance	53.53	47.94	55.90	54.67	71.25
expenses <sup>(6)</sup> (percent)					
Balance Sheets Information (Million Baht)					
Loans	979,609	289,113	278,566	238,467	208,332
Total assets	881,915	459,965	394,090	321,256	286,229
Deposits and short-term borrowings	668,701	340,799	316,382	254,014	216,987
-Deposits	532,382	265,871	269,730	188,166	198,527
-Short-term borrowings	136,319	74,928	46,652	65,848	18,460
Total liabilities	810,197	412,558	361,729	288,994	262,798
Shareholders' equity <sup>(3)</sup>	36,092	33,323	26,592	26,208	22,565

## Loans and Deposits and Short-term Borrowings Interest Spread

		3,46				2010
(Percent)	5.00	}	3.00	2.00	1.00	0.00
						(Years)
				266,802 786,815		5006
			\$1 2	. 238'46'		2007
			999 286,9	1,87S		5008
			811,9 667,048	82 83		5009
Đ	949,609		_			2010
(Million Baht)	800,000	000,000	400,000		200,000	0

Deposits and Short-term Borrowing Loans

interest bearing + rein investments - loans!
Cost of fund = Interest expenses/Average paying liabilities
(Dost of fund = Interest expenses/Average paying liabilities = I clast deposits + interbank and money market
Items from interest learning + clast profrowings
(Dost to income ratio = Non-interest expenses/Interbank or interest expenses = IN Non-interest expenses = Insurance and life insurance expenses)
(Total income - Insurance and lite insurance expenses)

As at and for the year ended 31 December

		O	Consolidated	ted	
	2010	2009	2008	2007	2006
Balance Sheets Quality					
Loans to deposits and short-term borrowings ratio (percent)	91.17	84.83	88.05	93.88	96.01
NPL-gross to total loans (percent)	5.98	3.52	3.86	4.70	5.18
NPL-net to total loans (percent)	2.69	0.95	1.24	1.79	2.48
Coverage ratio (percent)	69.92	86.64	81.10	74.75	75.06
Total allowance to the BOT's regulation (percent)	113.14	107.36	106.81	112.84	122.47
Non-performing loans (NPLs) (Million Baht)	39,557	12,046	12,265	11,260	10,842
Capital Measures <sup>(7)</sup>					
(Consolidated Supervision of the BOT)					
Tier I capital ratio (percent)	10.44	14.01	12.39	12.98	12.20
Total capital ratio (percent)	13.08	18.00	13.93	13.32	12.43
Risk weighted assets (Million Baht)	618,550	261,467	240,353	211,178	182,248
Common Share Information					
Share price <sup>(8)</sup> (Baht)					
- High	41.75	23.90	18.20	18.80	17.90
- Low	18.50	9.80	4.84	10.60	11.50
- Closing	36.00	22.10	7.05	14.60	14.00
Market capitalization (Million Baht)	47,993	29,462	6,399	19,464	18,664
Common Shares Outstanding (Million Shares)					
Average-basic	1,278	1,280	1,333	1,333	1,333
End of period	1,278	1,278	1,317	1,333	1,333
Book value (Baht)	28.24	26.08	20.19	19.66	16.93
Dividends per share <sup>(9)</sup> (Baht)	0.50	0.95	0.90	0.90	0.80
Other Information					
Employees	16,932	797,6	9,638	7,181	986'9



In Total income = Net interest and dividend income + Non-interest income | Non-B including loss on debt restructuring Excluding minority interest | March 2 | March 3 | March

<sup>(9)</sup> In 2010, the date was in accordance with Basel II standard (8) Local board/High and low share prices during the year (9). Dividends per share for 2010 is interim rate paid

Return on Average Assets (ROAA)

Return on Average Equity (ROAE)

# Message from the Board of Directors



### Dear shareholders,

In the past year, the Thai economy experienced a growth following the recovery of the global and regional economies in almost all facets, including production, export, tourism, consumption and private investment. Despite having been confronted with many negative factors, such as the political unrest, natural disasters of heavy flood and drought, the appreciation of the Thai beth and higher inflation rate, the Thai economy in 2010 still expanded 7.8 percent, a figure much higher than expected, which was deemed as a positive factor for Thai commercial bank operations in 2010. Yet there remained much pressure from competition in all aspects, including a rise in interest rate and the amendments no official supervision measures to elevate the Thai financial institutions to an international standard in the long term. Nonetheless, all Thai commercial banks in the system could be well-adjusted, achieving strong financial status and continued satisfactory performance from the year 2009;

2010 was the year of achievement for Thanachart group, with continuous profit growth. This was principally derived from profit contribution of Thanachart Bank, the major asset of Thanachart group, which achieved a high growth rate due to robust expansion of main business in retail banking business in particular, and the leap-frog growth of asset size stemmed from Thanachart Bank is successful acquisition of Siam City Bank. As a consequence, Thanachart Bank is able to advance from a mid-sized bank to one of the top five commercial banks in the country in terms of asset size according to the consolidated financial statements.

Following the Shareholders' approval for Thanachart Bank to acquire ordinary shares of Siam City Bank for a purpose of merging the two businesses, in 2010, Thanachart Bank proceeded to acquire Siam City Bank's shares in proportion of 99.55 percent out of total issued and paid-up shares. With joint consideration amongst the Company, Siam City Bank and Thanachart Bank pertaining to details of the Entire Business Transler Plan (EBT Plan) by means of

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transferring all Siam City Bank's business to than chard and the Bank of Thailand. In this regard, the Bank of Thailand. In this regard, the Bank of Thailand has already proclaimed its endorssement on the EBT Plan on March 10, 2011. The two Banks, under supports from the Bank of Nova Scotia and the Company, have collaboratively prepared for merging businesses to ensure that this merging could create power from synergy as expected. Crucial implementations are as follows:

 Having a single Board of Directors and team of Executives for supervising policy and management of the two Banks.  Organizing an Integration Team in connection with operation function, service standard, MIS system, buildings and properties, and asset transfer, with the experience and expertise of the Bank of Nova Scotia to ensure excellent and continuous service of the two Banks to customers.  Adjusting products and services of the two Banks to create common ones and initiating cross selling.  Formulating work plan and strategy for merging personnet of the two Banks, coupled with organizing job training and development and joint business operating activities to create a culture of unification in the organization.

In 2010, the progress on merging businesses was satisfactory, in which the transfer of Siam City Bank's business to Thanachart Bank was scheduled to be completed around 2011. The Board of Directors is confident that the Bank could see the successful merging.



Concerning Thanachart group's operation in the past year, it experienced substantial growth due to the consolidation of financial statements of Staw Griy Bank and companies in Siam City Bank's group. As a result, the Company and its subsidiaries had total assets amounting to 881,1915 million bahk, an increase of 421,50 million bahk or 92 percent from the and of 2019. The net profit was 5,639 million bahk, up 530 million baht

or 10 percent from the end of 2009. Also in 2009, the Company gained extraordinary profit from disposing Thanachart Bank's ordinary shares to the Bank of Nova Scotia in total consideration of 1,902 million baht lafter tax deduction). If excluding this item, the net profit of the Company and its subsidiaries in 2010 grew by 76 percent from 2009.

as well as support from the Bank of Nova Scotia will further enhance a variety of financial services in Amid the continual challenging economic and business conditions, it is expected to have a decelerating and fluctuating economic growth in 2011 and an interest rate will be on upward trend in accordance with inflation condition. Moreover, customers' demand for financial the Company believes that the main strategy for business any circumstance, the unified strength and personnel of response to customers' demand, together with convenience through increasing branches and service channels all over the country. Besides, the Company adheres to be an organization with good corporate services will become more complicated. Nevertheless, operation of Thanachart group, which is flexible to cater the two Banks under the principle of "Oneness Strength" governance which places importance on all stakeholders' ights for sustainable growth along with Thai society. The Board of Directors realizes that such successful business operation of Thanachart group was attributable not only to trustworthiness of peasance and mass but also supports from business altiances and mass media as well, as the full dedication and cooperation of all employees and executives of Thanachart group and Siam City Bank both in respect of normal business operation and the EBT Plan implementation. The Board of Directors would like to take this occasion to offer our sincere appreciation to each and every one of you and future.



Mr. Banterng Tantivit

Thanachart Capital Public Company Limited

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MR. BANTERNG TANTIVIT Chairman of the Board of Directors

MS. SUVARNAPHA SUVARNAPRATHIP Vice Chairperson of the Executive Committee

MR. SUPHADEJ POONPIPAT Vice Chairman, Chairman of the Executive Committee and Chief Executive Officer

MR. SOMJATE MOOSIRILERT Member of the Executive Committee and Senior Executive Vice President

MRS. SIRIPEN SITASUWAN Chairperson of the Audit Committee, Member of the Nomination Committee, and Member of the Remuneration Committee

MR. SOMKIAT SUKDHEVA
Chairman of the Nomination Committee,
Chairman of the Remuneration Committee,
and Member of the Audit Committee

MR. PHIMOL RATTAPAT Director

MR. TAWEESAK SAKSIRILARP Member of the Executive Committee and Executive Vice President

MRS. PUNTIP SURATHIN Member of the Audit Committee, Member of the Nomination Committee, and Member of the Remuneration Committee

### Thai Economic Condition in 2010 and the Outlook for 2011\*

### The Thai Economy in 2010 Recovered with a 7.8 percent **Expansion and Economic Stability.**

The Thai economy had undergone a full year of global economic crisis in 2009. Although, the world economic situation was expected to recover in 2010, there was high uncertain. Thus, the Thai economy was forecasted to pick up moderately by 3.5 - 4.5 percent.

At the beginning of 2010 when the global financial crisis signaled a better-than-expected recovery, Thai exports, as well as other countries in the region, had increased sharply in tandem with the global economic expansion and the replenishment of inventories in the United States after they were reduced to a very low level in many industries during the econome downturn.

In the first quarter of 2010, many economies in the region achieved a high growth rate such as Singapore, Taiwan, China, and Malaysia which experienced an expansion of 16.6, 13.7, 11.9, and 10.1 percent respectively. However, the fragility of the world economy was apparent. The crisis which had affected the financial condition of many countries was still proving to be problematic for many such as the PIIG Nations (Portugal, Ireland, Italy, and Greece) as well as other European countries which still had very high level of public debts. Eventually, Greece went into the economic crisis, reducing the prospect of strong global economic recovery and causing concerns that when the impact of the economic stimulus measures to the financial sector in the United States expired, the global economy would decelerate or enter into a recession again by the end of the year.

During the first quarter, the Thai economy expanded by 12.0 percent as a result of the expansion in export sector and related industries such as the automotive industry, computer components, and electronics which were closely linked to the world market and gained a direct benefit from the world economic recovery, pushing the Thai economy to the steep growth. The private sector started to regain their confidence regarding the positive economy trend and expanding their investment to cope with increasing orders, especially in large scale export-oriented industries. At the same time, consumer confidence and high commodity prices led to more consumption spending, especially in durable goods which had experienced a decline since the economic recession.

However, the Thai economy was confronted with many unforeseeable internal negative factors such as political unrest which continued to intensify and reached the breaking point in April, resulting in much loss of lives and property before it was resolved. The situation severely affected the country's peaceful image and tourists' security. The private sector expressed immense concern regarding the possible decrease of tourists to only 12-13 million people in 2010 which would affect the related sectors such as hotel, restaurant, wholesale and retail, and transportation1.

In the first half of the year, the agricultural sector faced natural disaster as it was stricken by the most severe drought in 5-year-round. In the latter half of the year, the drought turned into heavy flood, causing much damage to properties and agricultural production. There was a forecast of agro-production loss of around 14 billion baht<sup>2</sup>.

In investment, there was a protest based on environmental concern in Map Ta Phut industrial area and the delay in setting up legal process to authorize investments that may affect social and environmental conditions as per the 2007 Constitution of Thailand. This might cause a slowdown in the recovery of private investments going forward and an uncertainty for future investments in the Map Tha Phut area as the related projects are large industries which play important roles in country's economy such as the petrochemical industry.

<sup>\*</sup> Dr.Porametee Vimolsiri, Deputy Secretary General, NESDB, 28 February 2011.

<sup>1</sup> At that time, NESDB predicted the political unrest would decrease the number of tourist travelling to Thailand by 1.0 – 1.6 million people or 6.5 – 10.0 percent from the 2010 goal (16 million people) or a decline in the income from tourism of about 39 - 60 billion baht.

<sup>&</sup>lt;sup>2</sup> The assessment by the Office of Agricultural Economics.

In the middle of the year, concerns on the economic condition were apparent. However, by the end of the year, the Thai economy demonstrated continuous expansion although the expansion rate slightly declined in line with the world economic condition. For the whole year of 2010, the Thai economy expanded by 7.8 percent, as shown in almost all sectors as follows:

### Production:

The agricultural sector was affected by drought in the beginning of the year and flood in the second half which resulted in 2.2 percent contraction while other sectors gained positive expansion. The industrial sector recorded a growth of 13.9 percent; including the tourism-related production sector such as hotels and restaurants whose expansion was 8.4 percent. At the same time, the construction and financial sectors expanded by 6.8 and 7.9 percent respectively.

### Export:

Export sector reported the export value of 193,663 million US dollars, an increase of 28.5 percent. The main export markets that expanded significantly included ASEAN, China, Japan, and the United States, representing the export proportion to total export of 22.7, 11.0, 10.5, and 10.3 percent respectively.

### • Tourism:

Tourism gained a rapid recovery within 2 months after the violence from political unrest subsided. Airlines added more direct flights to tourist destinations such as Phuket and Koh Samui. In 2010, a total of 15.8 million foreign tourists were reported; the figure grew by 12.0 percent compared to 14.1 million tourists in 2009.

### Consumption:

Consumer confidence in the economy and the agro-product prices which stimulated farmers' income to increase by 24.0 percent despite the decrease in production led to the increase in household expenditure of 4.8 percent.

### Private investment:

In the last quarter of the year, the private investment increased by 13.8 percent. The production capacity was strained in many industries (more than 80 percent of production capacity occupied) such as plastic resin production (98.5 percent), rubber production (89.2 percent), and automotive production (84.7 percent).

As economic recovery was rapid in the region while the United States still had high unemployment rates and

the European economy was increasingly in trouble, more capital flew to this region. In Thailand, the net capital inflow was recorded at 15.2 billion baht. In 2010, foreign investment in the bond market recorded at 323.7 billion US dollars while foreign investment in the stock exchange was 81.7 billion US dollar. In this connection, the SET Index increased by 40.6 percent from 734.54 points at the beginning of the year to 1,032.76 points at the end of the year. Meanwhile, baht appreciated by 7.74 percent, an increase from the yearly average of 34.32 baht per US dollar to 31.67 baht per US dollar.

The baht appreciation against the US dollar was somewhat stronger compared to other currencies in the region, therefore the real effective exchange rate was slightly in appreciation (1.85 percent). However, the country's export competitiveness was still strong as witnessed from an intensive growth of export volume in the midst of the baht appreciation. Only some products, that relied on pricing as the main factor to compete, suffered as competitors' currency depreciated such as rice exporting which was affected from Vietnamese dong depreciation. Total export revenue in terms of baht increased by 18.7 percent.

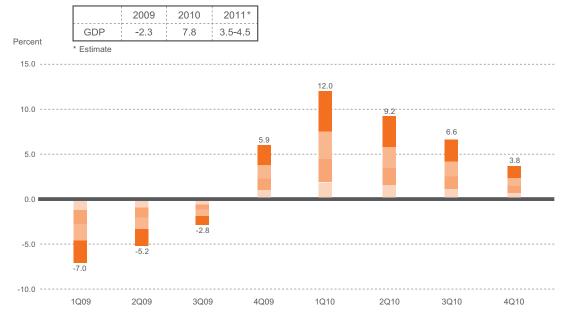
As the global demand for products and services increased, prices of oil and other products rose, and Thailand's inflation rate increased as well. Inflation was at 3.3 percent comparing to (-0.9) percent in 2009. The food and beverage price index increased by 5.4 percent while that of non-food and beverage increased by 2.0 percent. As a result, the Monetary Policy Committee (MPC) switched the monetary policy stance away from low interest rate which was used to stimulate economic recovery in the first half of the year. The MPC increased policy interest rate several times which brought the rate up from 1.25 percent per annum to 2.25 percent as of January 2011 in order to relieve pressure from inflation that intensified by continuous domestic and foreign demand expansion and the rising oil and commodity prices. The Bank of Thailand also adjusted credit extension criteria of financial institution for housing loans in order to prevent speculation which may lead to an economic bubble during the recovery.

Apart from the higher inflation rate, other economic stability indicators clearly pointed out that the Thai economic stability was high. Foreign reserve at the end of 2010 amounted to 172.13 billion US dollars³ and excess liquidity in the banking system was valued at 1.24 trillion baht. Non-Performing Loan in the banking system was equal to 1.90 percent of total loans. Public Debt decreased to 41.4 percent of GDP (as of the end of November 2010). The country's average unemployment rate was 1.0 percent or 403,000 persons which indicated the tight labor market situation.

 $<sup>^{\</sup>rm 3}$  Not including the forward of 19.596 billion US dollar. If included, the total is 191.72 billion US dollar.

### The Thai Economy in 2011 is Forecasted to have Continuous Expansion at 3.5-4.5 percent with Increasing Inflationary Pressure.

In 2011, the Thai economy is forecasted to expand by 3.5 to 4.5 percent under the the important assumption that the expected growth of global economy is 4.0 percent, compared to 5.0 percent in 2010. However, the global economy remains in high risk. The United States have decided to implement the second Quantitative Easing measures (QE II) with a financial amount of 600 billion US dollars, aiming to reduce the high unemployment rate which remains around 9 percent, while other large economies are still weak and risky.



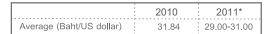
Source: Office of the National Economic and Social Development Board

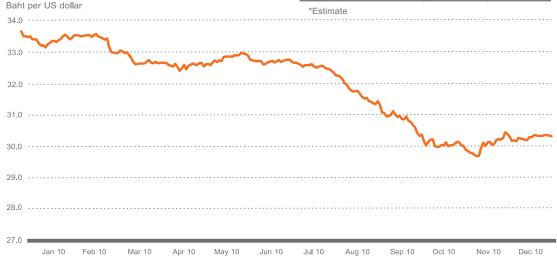
The Chinese economy grew by 10.3 percent in 2010 and has overtaken Japan as the world's second largest economy. China faced increasing pressure from inflation and started its stricter monetary policy measures through both interest rate increase and bank credit regulation. The Indian economy confronted 9.4 percent inflation and raised policy interest rate 8 times. The Japanese economy was weak and faced the pressure from deflation again. Many countries in the Middle East had political protests to overthrow the Government. Vietnam faced a current account deficit, high inflation, and currency devaluation, making it one of the countries with high risk of economic crisis.

The QE II of the United States aiming at job creation led to important changes including the improved short term economic prospect, incresing economic confidence, more investment inflow to the US, and the appreciation of the US dollar. As the US economic situation is looking brighter than in 2010, other countries' currencies depreciate in comparison to the US dollar and the bond markets and stock markets slow down. In addition, an increase volume of the US dollar also results in price rise

of various products in global market which pressure developing countries to necessarily carry out anti-inflation measures by bringing up the interest rate and allowing the currency to appreciate which are in a favorable direction for the United States.

These global economic changes will remain for a period of time, but the problems of unemployment and the effects of crisis in the US financial sector will take an extended amount of time to solve and the global rebalancing which needs developing countries to consume and invest more is still prominent. Therefore in the latter half of the year, if the effect of QE II decelerates and investors gain more confidence in the developing countries' capability to control inflation and their potential to grow in comparison with other nations, capital will flow back to invest in this region and the pressure for currency appreciation in the long term will occur again. Therefore, exchange rate in 2011 is foreseen to slightly depreciate from the end of 2010 to 29-31 baht per US dollar with a depreciation expected in the beginning and the appreciation returned by the end of year.



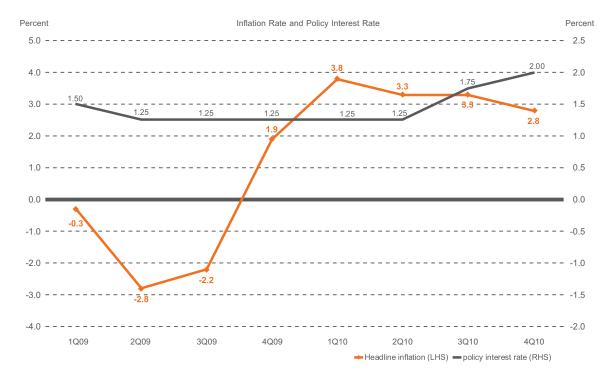


Source: Average exchange rate, the Bank of Thailand.

The significant economic changes in 2011 will include price adjustments. The United States' economic recovery and economic stimulus packages will cause prices of products and services in the global market to rise, in addition to various other factors, such as the unrest in the Middle East which leads to rises in oil price. The average price of the Dubai crude oil is forecasted to be between 85-95 US dollars per barrel which will exceed 100 US dollars per barrel in the beginning and decline later in the year. Other product prices such as gold and agricultural products will also increase and it will be another fine year for farm income. The inflation rate in Thailand will increase due to many factors such as the increase in oil and food prices and the wage and salary adjustment. Hence, the inflation rate is forecasted to be at 3.0-4.0 percent.

Interest rate in 2011 will be in an increasing trend and the MPC is likely to consider four main factors, in order of importance, which are (1) Real deposit interest rate (interest rate after adjusted for inflation) was negative for a long period in order to stimulate the economy. After economic recovery, monetary policy will need the positive

real interest rate in order to discourage careless consumption and speculative investment. By the end of 2010, the real deposit interest rate still stood in a negative figure at (-1.9) percent. (2) Inflation rate has increased, although not yet at alarming rate. (3) Other countries have brought up their interest rates, one after the other, for inflation prevention and for adjustment to normally positive interest rate. If policy interest rate does not rise, this may lead to more attractive investments in other countries as well as causing a negative image on central bank in not undergoing a strict measure againts inflation. (4) The economy is strong enough to bear the burden of higher interest. Therefore, in 2011, the forecast states high possibility regarding the increase of policy interest rate to 3.0-3.25 percent which monetary policy transmission would slow down inflation through slower consumption and investment, and the currency appreciation. Hence, producers will have opportunities to raise product and service prices while, on the other hand, they will confront a cost increase. However, confronting cost increase pressure is better than the lack of demand for products and services as experienced during the global economic recession.



Source: The Bank of Thailand and Ministry of Commerce

Besides the problems related to the global economic climate, the Thai economy also has weather risk. After the flood in the second half of 2010, there is a signal of drought in the beginning of 2011. Furthermore, as an election will be held in 2011, some investors may delay their investment decisions in order to see that the orderly election is completed and there is a capable government to run the country. However, this may not a main concren for those investors who are already familiar with investment and business in Thailand because the cabinet change would rarely affect the country's main policy and direction in a significant way, unlike some countries where competing political parties have distinctly different policy agenda. In conclusion, 2011 will be a year of continuous economic expansion, although at a slower rate of growth than the previous year. Also, there should not be drastic problems and obstacles as were in 2010; which should be regarded as good news.

### 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**

The year 2010 was an important year to the growth of Thanachart Group as Thanachart Bank Public Company Limited (TBANK), the subsiadiary of TCAP, successfully took over Siam City Bank Public Company Limited (SCIB) from Financial Institutions Development Fund and arranged tender offers to all minority shareholders. This brought TBANK to hold 99.95% of issued and paid-up shares of SCIB. As a parent company of TBANK, TCAP had significant assets growth by 91.74 percent, an increase from 459,965 million baht to 881,915 million baht. The loans increased by 110.87 percent which extended to be more proper as the former loans mainly distributed among hire purchase segment. The deposits also expanded by more than 100 percent; an increase from 265,871 million baht to 532,382 million baht.

Consolidated net income for the year 2010 amounted to 5,639 million baht, an increase of 10.37 percent which included performance of SCIB and subsidiaries according to proportion of shareholding. In 2009, if extraordinary items were not included, profits from selling common shares of TBANK to Scotiabank amounted to 1,902 million baht (after income tax), the Company and its subsidiaries would record the net income growth of 75.83 percent in 2010.

The main factors supporting net income of the Company and its subsidiaries was the efficient management of nonperforming assets resulted in a significant decrease in the expenses on bad debt and doubtful accounts in 2010. The provision to loans ratio decreased from 0.97 percent to 0.28 percent. Although, by the end of the year, the Company confronted negative effects from flood and the interest rate increment, but the Company and its subsidiaries were able to keep interest spread close to the previous year at 3.46 percent. However, the continuous growth of capital market led to an increase of brokerage fees from securities business by more than 50 percent and an increase of fees income by 65.60 percent which resulted in a rise of non-interest income ratio to 44.50 percent. The Company could control operating expenses which decreased cost to income ratio from 65.33 percent in 2009 to 62.59 percent in 2010. If the insurance/life insurance expenses were excluded, the cost to income ratio net insurance/life insurance expenses would record at 53.53 percent. As a result of aforementioned reasons, the Company acquired return on average assets (ROAA) and return on average equity (ROAE) at 1.41 percent and 16.46 percent respectively.

(Unit: Million Baht)

Consolidated Income Statement	For the	Year	Chang	es
Sollsotidated medine Statement	2010	2009	Increase/(Decrease)	Percent
Interest and dividend income	35,252	22,112	13,140	59.42
Interest expenses	10,084	6,892	3,192	46.31
Net interest and dividend income	25,168	15,220	9,948	65.36
Non-interest income	20,179	22,310	(2,131)	(9.55)
Non-interest expenses	28,381	24,517	3,864	15.76
Income before expenses on bad debt and				
doubtful accounts	16,966	13,013	3,953	30.38
Bad debt and doubtful accounts	(1,689)	(2,796)	1,107	(39.59)
Loss on debt restructuring	(131)	(53)	(78)	147.17
Income before corporate income tax	15,146	10,164	4,982	49.02
Corporate income tax	(4,844)	(2,989)	(1,855)	62.06
Minority interests of the subsidiaries - net	(4,663)	(2,066)	(2,597)	125.70
Net income	5,639	5,109	530	10.37

### Net Interest and Dividend Income

In 2010, net interest and dividend income of TCAP and its subsidiaries amounted to 25,168 million baht, an increase of 9,948 million baht or 65.36 percent from the previous year. Interest and dividend income amounted to 35,252 million baht, an increase of 13,140 million baht or 59.42 percent from the last year. Interest expenses accounted for 10,084 million baht, an increase of 3,192 million baht or 46.31 percent contributed from the proper cost of fund management. Although, the interest rate was increasing, cost of fund was at 1.63 percent which decreased from 2.04 percent of the last year stemming from the proper restructuring of deposits. Interest spread recorded at 3.46 percent which was close to last year figure of 3.62 percent.

(Unit: Million Baht)

Consolidated Income Statement	For the	Year	Chang	es
Consolidated income statement	2010	2009	Increase/(Decrease)	Percent
Interest and Dividend Income				
Loans	14,684	4,146	10,538	254.17
Interbank and money market items	1,057	1,064	(7)	(0.66)
Hire purchase and financial leases	15,262	15,241	21	0.14
Investments	4,249	1,661	2,588	155.81
Total interest and dividend income	35,252	22,112	13,140	59.42
Interest Expenses				
Deposits	5,953	4,863	1,090	22.41
Interbank and money market items	512	120	392	326.67
Short-term borrowings	1,504	1,107	397	35.86
Long-term borrowings	2,115	802	1,313	163.72
Total Interest Expenses	10,084	6,892	3,192	46.31
Net interest and dividend income	25,168	15,220	9,948	65.36

(Unit: Million Baht)

	Interest Spread	For the Year	
	merest spread	2010	2009
Yield [1]		5.09	5.66
Cost of Fund (2)		1.63	2.04
Interest Spread		3.46	3.62

Note: (1) Yield

- = Interest and dividend income/(average interbank and money market items with interest bearing + average net
- (2) Cost of Fund = Interest expenses/(average deposits + average interbank and money market items with interest bearing + average borrowings)

### Non-Interest Income

In 2010, non-interest income of TCAP and its subsidiaries amounted to 20,179 million baht, a decrease of 2,131 million baht or 9.55 percent. This was mainly due to the extra profit from the sale of TBANK common shares to Scotiabank in the amount of 2,805 million baht (profit after income tax was 1,902 million baht). Without an inclusive of the aforementioned transaction, non-interest income only decreased by 3.46 percent which was due to the decline in the insurance premium/life insurance premium income

amounting of 3,280 million baht or 22.68 percent as a result of the maturity of some products. At the same time, fees and service income increased by 1,436 million baht or 65.60 percent which was attributable to the synergy within Thanachart Group. Non-interest income acquired continuous growth from the increment of the cross-selling via TBANK and SCIB branch networks as well as an increase in brokerage fees from securities business in accordance with the positive environment of capital market.

(Unit: Million Baht)

Non-Interest Income	For t	he Year	Chan	iges
Non-interest income	2010	2009	Increase/(Decrease)	Percent
Brokerage fees from securities business	1,329	885	444	50.17
Profit from investment	895	2,722	(1,827)	(67.12)
Share of income from investments in associated				
company accounted for under the equity method	369	257	112	43.58
Fees and service income	3,625	2,189	1,436	65.60
Gain on exchange and financial derivatives	376	148	228	154.05
Gain on property foreclosed and other assets	680	312	368	117.95
Gain on debt settlement/disposal	299	326	(27)	(8.28)
Insurance premium/life insurance premium income	11,185	14,465	(3,280)	(22.68)
Other income	1,421	1,006	415	41.25
Total non-interest income	20,179	22,310	(2,131)	(9.55)

### **Non-Interest Expenses**

In 2010, non-interest expenses accounted for 28,381 million baht, an increase of 3,864 million baht or 15.76 percent. This was mainly due to the inclusive of SCIB operating expenses resulting in an increase of personnel expenses and premises and equipment expenses by 93.39 percent and 88.08 percent respectively. At the same time, insurance/life insurance expenses decreased by 3,699

million or 29.51 percent. However, with an efficient cost management, it contributed to a decrease of cost to income ratio to 62.59 percent. Without an inclusive of insurance/life insurance expenses, the cost to income ratio net insurance/ life insurance expenses would record at 53.53 percent.

(Unit: Million Baht)

Non-Interest Expenses	For t	he Year	Chan	jes
Non-interest Expenses	2010	2009	Increase/(Decrease)	Percent
Personnel expenses	8,577	4,435	4,142	93.39
Premises and equipment expenses	3,346	1,779	1,567	88.08
Taxes and duties	635	234	401	171.37
Fees and service expenses	239	790	(551)	(69.75)
Directors' remuneration	66	42	24	57.14
Fund contributed to the Financial Institution				
Development Fund/Deposit Protection Agency	1,915	1,072	843	78.64
Insurance/life insurance expenses	8,834	12,533	(3,699)	(29.51)
Other expenses	4,769	3,632	1,137	31.31
Total non-interest expenses	28,381	24,517	3,864	15.76

### **Bad Debt and Doubtful Accounts**

In 2010, bad debt and doubtful accounts amounted to 1,689 million baht, a decrease of 1,107 million baht or 39.59 percent. Due to an effective management of non-performing loans by the adjustment of strategies and policies in debt collection, provision to loans ratio decreased to 0.28 percent from 0.97 percent in the previous year.

### **Financial Position**

### Assets

Total assets of the Company and its subsidiaries increased significantly. As of 31 December 2010, total assets amounted to 881,915 million baht, an increase from the end of 2009 of 421,950 million baht or 91.74 percent. Total liabilities amounted to 810,197 million baht, an increase of 397,639 million baht or 96.38 percent. The consolidated balance sheets as of 31 December 2010 were as follows:

(Unit: Million Baht)

Consolidated Balance Sheets	As of 31 De	ecember	Change fro	m 2009
Consolidated Batance Sheets	2010	2009	Increase/(Decrease)	Percent
Assets				
Cash	15,298	3,720	11,578	311.24
Interbank and money market items - net	85,105	64,867	20,238	31.20
Investments - net	145,168	97,113	48,055	49.48
Loans and accrued interest receivables	610,602	289,423	321,179	110.97
Allowance for doubtful accounts and				
revaluation allowance for debt restructuring	(27,959)	(10,534)	(17,425)	165.42
Other assets - net	53,701	15,376	38,325	249.25
Total assets	881,915	459,965	421,950	91.74
Liabilities and shareholders' equity				
Deposits	532,382	265,871	266,511	100.24
Interbank and money market items	40,545	20,939	19,606	93.63
Short-term borrowings	136,319	74,928	61,391	81.93
Long-term borrowings	48,398	22,377	26,021	116.28
Other liabilities	52,553	28,443	24,110	84.77
Total liabilities	810,197	412,558	397,639	96.38
Total shareholders' equity before treasury				
stock and minority interest	36,479	33,710	2,769	8.21
<u>Less</u> Treasury stock	(387)	(387)	-	-
Equity attributable to the Company's				
shareholders	36,092	33,323	2,769	8.31
Minority interest - equity attributable to				
minority shareholders of subsidiaries	35,626	14,084	21,542	152.95
Total shareholders' equity	71,718	47,407	24,311	51.28
Total liabilities and shareholders' equity	881,915	459,965	421,950	91.74

Items on assets side with significant changes during the period were as follows:

### Interbank and Money Market Items (Assets)

As of 31 December 2010, the Company and its subsidiaries had interbank and money market items-net amounted to 85,105 million baht, an increase from 2009 by 20,238 million baht or 31.20 percent.

### Investments

As of 31 December 2010, net investments totaled to 145,168 million baht, an increase of 48,055 million baht or 49.48 percent. The details of investments classified by type were as follows:

(Unit: Million Baht)

Investment Classified by Tyre	31 Decen	nber 2010	31 Deceml	per 2009
Investment Classified by Type	Amount	Percent	Amount	Percent
Debt securities	129,227	89.02	87,096	89.69
Government and state enterprise securities				
<ul> <li>Trading securities</li> </ul>	325	0.22	917	0.95
<ul> <li>Available-for-sale securities</li> </ul>	52,604	36.24	45,417	46.77
<ul> <li>Held-to-maturity securities</li> </ul>	38,719	26.67	19,534	20.11
Private debt securities				
<ul> <li>Trading securities</li> </ul>	31	0.02	759	0.78
<ul> <li>Available-for-sale securities</li> </ul>	10,017	6.90	8,609	8.87
<ul> <li>Held-to-maturity securities</li> </ul>	5,884	4.06	1,407	1.45
Foreign debt securities				
<ul> <li>Trading securities</li> </ul>	3,023	2.08	-	-
<ul> <li>Available-for-sale securities</li> </ul>	12,920	8.90	6,003	6.18
<ul> <li>Held-to-maturity securities</li> </ul>	5,704	3.93	4,450	4.58
Equity securities	15,941	10.98	10,017	10.31
Trading securities	87	0.06	6	0.01
<ul> <li>Available-for-sale securities</li> </ul>	9,137	6.29	5,907	6.08
<ul> <li>General investments</li> </ul>	4,478	3.09	2,403	2.47
• Investments in associated companies	2,239	1.54	1,701	1.75
Total investments-net	145,168	100.00	97,113	100.00

### Loans and accrued interest receiveables

As of 31 December 2010, the Company and its subsidiaries' loans and accrued interest receiveables registered at 610,602 million baht, an increase from the end of 2009 by 321,179 million baht or 110.97 percent. After the purchase of SCIB common shares, the Company and its subsidiaries gained better loans distribution. The proportion

of retail loans to corporate and SME loans reported at  $57\,$ percent to 43 percent while the 2009 proportion was 79 percent to 21 percent.

Loans and accrued interest receiveables classified by business type were as follows:

(Unit: Million Baht)

	31 December 2010	Percent	31 December 2009	Percent
Manufacturing and commercial	98,014	16.05	16,772	5.79
2. Real estate and construction	53,048	8.69	16,289	5.63
3. Public utilities and services	66,576	10.90	16,184	5.59
4. Personal consuming				
4.1 Hire purchase	239,943	39.30	211,564	73.10
4.2 Housing loans	77,902	12.76	7,241	2.50
4.3 Securities business	2,683	0.44	1,252	0.43
4.4 Others	51,420	8.42	8,206	2.84
5. Others	21,191	3.47	12,115	4.19
Total loans and accrued interest receivables	610,777	100.03	289,623	100.07
<u>Less</u> Intercompany profits from loan				
transferred	(175)	(0.03)	(200)	(0.07)
Total loans and accrued interest receivables	610,602	100.00	289,423	100.00

Loans and accrued interest receiveables of the Company and its subsidiaries as of 31 December 2010 classified by the remaining maturity were mostly loans with maturity more than 1 year which amounted to 482,647 million baht. The second highest was loans with maturity less than 1 year which recorded at 88,773 million baht followed by the call loans of 39,357 million baht.

### **Classified Loans**

The Company and its financial institution subsidiaries (TBANK and Asset Management Companies) had classified loans (including loans to financial institutions which were recorded in interbank and money market items) and prvision in accordance with the BOT's guidelines as follows:

(Unit: Million Baht)

	(loans an	Debt balance/book value (loans and accrued interest receiveables including interbank and money market items)				vance for d	oubtful acco	unts
	31 Dec 10	Percent	31 Dec 09	Percent	31 Dec 10	Percent	31 Dec 09	Percent
Normal	582,386	88.62	307,188	91.21	2,341	8.97	909	9.30
Special mention	36,532	5.56	17,970	5.33	2,249	8.61	190	1.94
Substandard	6,919	1.05	1,713	0.51	3,071	11.76	1,237	12.65
Doubtful	13,072	1.99	2,180	0.65	8,283	31.73	1,345	13.76
Doubtful of loss	18,253	2.78	7,737	2.30	9,455	36.22	5,709	58.39
Total	657,162	100.00	336,788	100.00	25,399	97.29	9,390	96.04
General provision					707	2.71	387	3.96
Total provision					26,106	100.00	9,777	100.00

Note:

- Specified only the Company and its subsidiaries that were under the supervision of the BOT.
- Debt balance of normal and special mention excluded accrued interest receiveables.

### Non-performing Loans (NPLs)

Non-performing loans as at the end of 2010 amounted to 39,557 million baht, the ratio of non-performing loans to total laons (NPL-gross) was 5.98 percent, an increase from 3.52 percent at the end of 2009. The non-performing loans after deducting allowance for doubtful accounts (NPL-net) amounted to 17,214 million baht which was equal to 2.69 percent.

(Unit: Million Baht)

	31 December 2010	31 December 2009
Non-performing loans (NPLs)	39,557	12,046
NPLs to total loans (percent)	5.98	3.52
NPL-net	17,214	3,148
Ratio of NPL-net (percent)	2.69	0.95
Total allowance for doubtful accounts	27,657	10,436
Allowance for doubtful accounts to NPLs	69.92	86.64
(Coverage Ratio) (percent)		

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

### Allowance for Doubtful Accounts

As of 31 December 2010, the Company and its subsidiaries recorded the allowance for doubtful accounts of 27,657 million baht, an increase of 17,221 million baht or 165.02 percent from the previous year. The ratio of allowance for doubtful accounts to NPLs (Coverage ratio) reported at 69.92 percent or accounted for 113.14 percent of the allowance for doubtful accounts in accordance with the BOT's guidelines.

### **Troubled Debt Restructuring**

As of 31 December 2010, the Company and its subsidiaries had 1,317,039 debtors, of which 20,534 debtors were under the debt restructuring process at the outstanding amount of 29,756 million baht. Out of this outstanding amount, the value of collaterals was at 12,459 million baht. During the year, TCAP and its subsidiaries has entered into the troubled debt restructuring agreements with 6,007 debtors, equivalent to the outstanding book value before restructuring of 11,268 million baht.

### **Property Foreclosed**

As of 31December 2010, the property foreclosed at cost basis of the Company and its subdiaries stood at 15,753 million baht, a 1.79 percent of total assets. A total of 3,783 million baht was set aside as the allowance for impairment of these property foreclosed assets which accounted for 24.01 of total value based on cost basis.

### Capital Expenditure

In 2010, the Company and its subsidiaries invested 892 million baht in land, premises, and equipments as well as intangible assets. The investments was mainly for furniture and fixtures, land, buildings, and other improvements.

### Liquidity

At the end of 2010, cash of the Company and its subsidiaries amounted to 15,298 million baht. Net cash flows received from various activities could be listed as follows:

- Net cash flows from operating activities were a result of important changes in operating assets and liabilities consisting of; a decline of 42,724 million baht in interbank and money market items (assets), an increase of 48,944 million baht in loans, a decrease of 5,424 million baht in property foreclosed, an increase of 709 million baht in receivables from purchase and sale securities and derivatives, a decrease of 41,792 million baht in deposits and 22,029 million baht in interbank and money market items (liabilities), an increase of 2,298 million baht of payable to clearing house and 120 million baht in liability payable on demand, and a decrease of 80 million baht in payable from purchase and sale securities and derivatives.
- Net cash flows from investing activities amounted to 20,449 million baht. Of this amount, cash paid for the purchase of long-term investments was 28,637 million baht, cash received from disposal of investments in subsidiary and associated companies was 213 million baht, cash received from interest and dividend was 7,003 million bah, cash paid for purchase of investments in subsidiary companies was 55,880 million baht, and cash paid for purchase of land and equipment/intangible assets was 892 million baht.
- Net cash flows from financing activities amounted to 72,860 million baht. Of this amount, cash paid for borrowing amounted to 462,821 million baht, cash paid for interest expenses on borrowings amounted to 5,196 million baht, dividend payment amounted to 1,500 million baht. At

the same time, cash received from borrowings amounted to 525,431 million baht and cash received from minority interest for shares capital issuance of subsidiary company amounted to 17,542 million baht.

### **Sources of Funds**

### **Capital Structure**

The Company and its subsidiaries' sources of funds came from 2 sources which were liabilities and shareholders' equity. As of 31 December 2010, the Company and its subdiaries recorded funds from liabilities and shareholders' equity of 810,197 million baht and 71,718 million baht which accounted for 91.87 percent and 8.13 percent of total capital funds respectively. Debt to equity ratio was at 11.30 times or in another words, debt accounted for 11.30 times of operating capital. The important components of funds from liabilities consisted of public deposits which accounted for 65.71 percent of funds from liabilities while interbank and money market items and borrowings accounted for 5 percent and 22.80 percent respectively.

### Liabilities

Total liabilities of the Company and its subsidiaries as of 31 December 2010 amounted to 810,197 million baht, an increase of 397,639 million baht from the end of 2009. The major items were listed as follows:

- Deposits registered at 532,382 million baht, an increase of 266,511 million baht or 100.24 percent. Of the total deposits, savings deposits accounted for 34.00 percent, fixed deposits accounted for 64.60 percent, and current deposits acconted for 1.40 percent.
- Interbank and money market items amounted to 40,545 million baht, an increase of 19,606 million baht or 93.63 percent from the end of 2009.
- Short-term borrowings were 136,319 million baht, an increase of 61,391 million baht or 81.93 percent.
- Long-term borrowings registered at 48,398 million baht, an increase of 26,021 million baht or 116.28 percent. During the year 2010, the Company issued debentures in the amount of 3,000 million baht and TBANK issued Lower Tier 2 with name registered, subordinated, unsecured, and unconvertible in the amount of 6,000 million baht as well as Hybrid Tier 1 with perpetual, name registered, noncumulative, and subordinated in the amount of 7,130 million baht.

(Unit: Million Baht)

Total Liabilities	31 December 2010		31 December 2009	
iotat Liabitities	Amount	Percent	Amount	Percent
Deposits	532,382	65.71	265,871	64.44
Interbank and money market items	40,545	5.00	20,939	5.08
Borrowings				
- Short-term	136,319	16.83	74,928	18.16
- Long-term	48,398	5.97	22,377	5.43
Other liabilities	52,553	6.49	28,443	6.89
Total liabilities	810,197	100.00	412,558	100.00

### Shareholders' Equity

As of 31 December 2010, shareholders' equity of the Company and its subsidiaries amounted to 71,718 million baht, an increase of 24,311 million baht or 51.28 percent from 47,407 million baht at the end of 2009. The major items included the following:

- Unappropriated retained earnings amounted to 17,878 million baht, an increase of 4,092 million baht from the end of 2009. This was mainly due to an increase in annual net profit of the Company and its subsidiaries in the amount of 5,639 million baht, netting 1,405 million baht and 141 million baht from dividend payment and setting aside as legal reserve respectively.
- Revaluation surplus on investments amounted to 694 million baht, a decrease of 1,465 million baht from the end of 2009.
- During 2010, the Company announced Treasury Stock Project for financial management during 15 June - 14 December 2010 of which the Company did not repurchase any of its shares within the time period. For the Treasury shares repurchased in 2009, TCAP did not sell the repurchased shares during the period. However, TCAP is

required to dispose these repurchased shares within 3 years counting from the repurchase date (within June 2012).

• Minority interest-equity attributable to minority shareholders of subsidiaries increased by 21,542 million baht from the end of 2009 due to the purchase of TBANK shares for capital increase by Scotiabank during 2010 in accordance with their shareholding proportion in TBANK at 49.00 percent.

### **Obligations**

As of 31 December 2010, the off-balance-sheet obligations of the Company and its subsidiaries amounted to 205,004 million baht, an increase of 102.40 percent from the end of 2009. These included 38,678 million baht worth of interest rate swap agreements; 57,711 million baht from forward contracts on foreign exchange; 34,537 million baht from cross-currency and interest-rate swap; 45,740 million baht in committed but not draw down overdrafts; 1,076 million baht in avals to bills and guarantees of loans; 2,456 million baht in letter of credit; 571 million baht in obligation under unmatured import bills; and other guarantees worth of 24.235 million baht.

### Percentage of Shareholding and Performance of Significant Subsidiaries based on Their Respective Financial Statements were as follws:

(Unit: Million Baht)

Subsidiaries	Percentage of Shareholding	Net Pro	fit
Substituties	Direct/Indirect (Percent)	2010	2009
Thanachart Bank Public Company Limited			
Separate Financial Statements	50.96	5,719	3,547
Thanachart Securities Public Company Limited	50.96	391	274
Thanachart Fund Management Company Limited	38.22	131	111
Thanachart Insurance Company Limited	50.96	356	225
Thanachart Life Assurance Company Limited	50.96	688	120
Siam City Bank Public Company Limited			
Separate Financial Statements	50.93	4,333	3,956
Siam City Life Assurance Company Limited	50.93	156	137
Siam City Securities Company Limited	50.82	[19]	20
Siam City Asset Management Company Limited	30.56	(3)	8
NFS Asset Management Company Limited	100.00	461	395
MAX Asset Management Company Limited	83.44	108	115

### **Financial Position and Performance** of Subsidiary Companies

### Thanachart Bank Public Company Limited

Management Discussion and Analysis of Financial Position and Performance (Consolidated Balance Sheets)

On 9 April 2010, TBANK entered into a share purchase in order to buy ordinary shares of SCIB in the amount of 1,005,330,950 shares, accounting for 47.58

percent of total registered and paid-up capital of SCIB from the Financial Institutions Development Fund (FIDF). Also, as a result from the tender offer to all minority shareholders of SCIB in June and November 2010 at 32.50 baht per share (the same price that TBANK bought from FIDF). TBANK finally held 99.95 percent of total registered and paid-up capital of SCIB.

The aforementioned shareholding resulted in the incorporation of financial statements of SCIB and its subsidiaries in consolidated financial statements of TBANK and its subsidiaries. All items in the balance sheet were incorporated in the full amount, while the items in the income statements were partially recognized in proportion to the shareholding percentage counting from the date that the controlled authority was gained. As a result, consolidated financial statements of TBANK were included the performance of the following subsidiaries:

- Companies that operate financial business consist of; 1) Thanachart Securities Public Company Limited, 2) Thanachart Fund Management Company Limited, 3) Thanachart Insurance Company Limited, 4) Thanachart Life Assurance Company Limited, 5) Thanachart Group Leasing Company Limited, 6) National Leasing Company Limited, and 7) Thanachart Broker Company Limited

- Companies that operate supporting business consist of; 1) Thanachart Legal and Appraisal Company Limited and 2) Thanachart Management and Services Company Limited
- Companies that operate business outside financial business are Siam City Bank Public Company Limited and its subsidiaries

### Overview of Operating Results (Including Operating Results of Siam City Bank Public Company Limited and its Subsidiaries proportionately from Shareholding)

(Unit: Million Baht)

Income Statements	2010	2009	Changes fro	Changes from 2009	
income Statements	2010	2007	Increase/(Decrease)	Percent	
Interest and dividend income	34,974	21,470	13,504	62.90	
Interest expenses	9,650	6,736	2,915	43.27	
Net interest and dividend income	25,324	14,734	10,589	71.87	
Bad debt and doubtful accounts and loss (gain)					
from debt restructuring	2,148	3,107	(959)	(30.85)	
Net Interest and dividend income less bad debt	23,176	11,627	11,548	99.32	
Non-interest income	18,676	18,403	274	1.49	
Non-interest expenses	28,151	24,177	3,974	16.44	
Income before corporate income tax	13,701	5,853	7,848	134.11	
Corporate income tax (including refund)	4,548	1,769	2,780	157.16	
Minority interest	376	28	348	1,252.21	
Net income for the year	8,777	4,056	4,721	116.39	
Earning per share (Baht)	1.92	2.19			
Weighted average number of ordinary					
shares (Shares)	4,562,521,270	1,853,523,390			

Net income attributable to TBANK and its subsidiaries (including operating results of SCIB and its subsidiaries) for the year 2010 amouted to 8,777 million baht, an increase of 4,721 million baht or 116.39 percent compared to the previous year. The main factors of continuous expansion in net profit were as follows:

- Management of non-performing loans: Provision to total loans decreased to 0.35 percent from 1.06 percent although TBANK was affected by flood during the last quarter of the year.
- Maintenance of interest spread: Interest spread was maintained at 3.63 percent although the cost of fund was affected from the interest rate increase in the second half of 2010. At the same time, the adjustment of fixed rate and floating rate loans to be better balanced helped reduce the interest rate fluctuation.
- The expansion of non-interest income: Non-interest income net insurance/life insurance expenses increased by 67.69 percent from cross-selling as well as the increase in the brokerage fees in line with the improvement in capital market.
- The effective control and management of noninterest expenses: Cost to income ratio was at 63.43 percent while cost to income ratio net insurance/life insurance expenses was at 54.05 percent.

### Interest and dividend income

In 2010, interest and dividend income of TBANK and its subsidiaries amounted to 34,974 million baht, an increase of 13,504 million baht or 62.90 percent from the previous year. This was mainly due to an increase in interest and dividend income from loans in line with the expansion of

loans outstanding as well as an increase in interest and dividend income from investments.

### Interest expenses

Interest expenses were reported at 9,650 million baht, an increase of 43.27 percent in line with the increase in deposits. However, TBANK adjusted deposits structure to be in line with the interest rate rising trend. In 2010, cost of fund of TBANK and its subsidiaries stood at 1.51 percent, a decrease from 2.00 percent of the previous year.

### Bad debt and doubtful accounts

In 2010, expenses on bad debt and doubtful accounts of TBANK and its subsidiaries amounted to 2,148 million baht, a decrease of 959 million baht or 30.85 percent. This was from the continuous improvement in debt management and collection although TBANK was affected by flood during the last quarter of the year.

### Non-interest Income

TBANK and its subsidiaries had non-interest income in the amount of 18,676 million baht, an increase of 274 million baht or 1.4 percent. This was mainly due to an increase in fees and service income from cross-selling though over 670 branch networks nationwide of TBANK and SCIB. However, insurance/life insurance premium income decreased by 3,280 million baht or 22.67 percent from the expiration of some products.

### Non-interest income

Non-interest income of TBANK and its subsidiaries amounted to 28,151 million baht, representing an increase of 3,974 million baht or 16.44 percent. The increase was mainly attributable to the incorporation of non-interest income from SCIB, resulting in an increase in personnel expenses, premises and equipment expenses, as well as other expenses.

### Financial Position of Thanachart Bank and its Subsidiaries

(Unit: Million Baht)

Balance Sheets	2010	2009	Changes fro	om 2009 Percent
Assets				
Cash	15,298	3,720	11,578	311.21
Interbank and money market items (interest bearing)	78,598	60,706	17,891	29.47
Investments-net	140,046	78,602	61,444	78.17
Loans and accrued interest receivables-net	581,525	276,704	304,822	110.16
Property foreclosed-net	6,964	912	6,052	663.56
Land, premises and equipment-net	8,986	2,211	6,775	306.36
Other assets	41,237	10,115	31,122	307.73
Total assets	872,654	432,970	439,684	101.55

As at 31 December 2010, total assets of TBANK and its subsidiaries amounted to 872,654 million baht, an increase from the end of 2009 by 439,684 million baht or 101.55 percent. Most of the increase was attributed by an increase in loans and accrued interest receivables. In this connection, hire purchase loans, corporate and SME

loans, mortgage loans, and other personal loans continuously expanded. The proportion of retail loans to corporate and SME loans reported at 57 percent to 43 percent while the 2009 proportion was 79 percent to 21 percent.

(Unit: Million Baht)

Balance sheets	2010	2009	Change fro	m 2009
Datance Sileets	2010	2007	Increase/(Decrease)	Percent
Liabilities and shareholders' equity				
Deposits	532,656	266,296	266,360	100.02
Interbank and money market items	38,573	20,499	18,074	88.17
(interest bearing)				
Payable from purchase and sale securities				
and derivatives	4,054	1,346	2,708	201.22
Liabilities payable on demand	3,127	2,112	1,015	48.07
Borrowings	174,949	90,200	84,749	93.96
Accrued interest payable	1,852	1,020	833	81.65
Life premium reserve	26,348	15,286	11,062	72.37
Other liabilities	18,703	8,339	10,364	124.29
Total liabilities	800,262	405,098	395,165	97.55
Equity attributable to the Bank's shareholders	72,182	27,811	44,371	159.54
Minority interest	210	61	149	245.70
Total liabilities and shareholders' equity	872,654	432,970	439,684	101.55

Total liabilities of TBANK and its subsidiaries as of 31 December 2010 amounted to 800,262 million baht, an increase from the end of 2009 by 395,165 million baht or 97.55 percent. The increase was mainly due to an increase in deposits which increased by 100.02 percent. Of the total deposits, current and savings deposits accounted for 35 percent while fixed deposits accounted for 65 percent.

Shareholders' equity of TBANK and its subsidiaries as of 31 December 2010 amounted to 72,182 million baht, an increase from the end of 2009 by 44,371 million baht or 159.54 percent. The increase was the result of the net income during the year 2010 and the capital increase in the amount of 35,790 million baht.

### Management Discussion and Analysis of Financial Position and Performance (Financial Statements of the Bank only)

Overview of Performance **Summary of Income Statements** 

(Unit: Million Baht)

Income Statements	2010	2009	Change fro	Change from 2009	
income statements	2010		Increase/(Decrease)	Percent	
Interest and dividend income	21,973	20,934	1,040	4.97	
Interest expenses	6,334	6,791	(457)	(6.72)	
Net interest and dividend income	15,639	14,143	1,496	10.58	
Bad debt and doubtful accounts and loss (gain)					
from debt restructuring	1,280	2,830	(1,550)	(54.78)	
Net interest and dividend income after bad debt	14,359	11,313	3,047	26.93	
Non-interest income	3,494	2,815	679	24.13	
Non-interest expenses	9,841	9,125	716	7.85	
Income before corporate income tax	8,012	5,003	3,009	60.16	
Corporate income tax (including refund)	2,293	1,456	838	57.61	
Net income for the year	5,719	3,547	2,171	61.20	
Earning per share (Baht) Weighted average number of ordinary	1.25	1.91			
shares (Shares)	4,562,521,270	1,853,523,390			

In 2010, net income of TBANK amounted to 5,719 million baht, an increase of 2,171 million baht or 61.20 percent from the previous year. The increase was contributed by efficient management of non-performing assets due to the adjustment in strategies and policies in debt collection as well as the improvement in debt collection and credit risk management. As a result, expenses on bad debt and doubtful accounts decreased by 1,550 million baht in which the provision to total loans decreased from 0.97 percent in 2009 to 0.39 percent. Loan spread increased from 4.74 percent to 4.80 percent. Furthermore, TBANK continued to rapidly generate noninterest income which increased by 24.13 percent. Simultaneously, effectively management of expenses resulted in a decrease in cost to income ratio net insurance/life insurance expenses from 53.15 percent in the previous year to 51.31 percent.

### Interest and dividend income

In 2010, TBANK's interest and dividend income stood at 21,973 million baht, an increase of 1,040 million baht or 4.97 percent compared to the previous year. Most of the increase was a result of an increase in interest and dividend income from hire purchase and interest and dividend income from loans in line with the expansion of loans as well as an increase in interest and dividend income from investments.

(Unit: Million Baht)

Interest and dividend income	2010	2009	Change fro	m 2009 Percent
1. Loans	4,336	3,950	385	9.75
2. Interbank and money market items	403	1,022	(619)	(60.55)
3. Hire purchase and financial leases	14,937	14,354	583	4.06
4. Investments	2,297	1,607	690	42.97
Total interest and dividend income	21,973	20,933	1,040	4.97

### Interest expenses

Interest expenses amounted to 6,334 million baht, a decrease of 457 million baht or 6.72 percent compared to the previous year. This was mainly due to the appropriate deposits restructuring which resulted in the decrease in TBANK's cost of fund from 2.02 percent in 2009 to 1.68 percent.

### Bad debt and doubtful accounts

TBANK's expenses on bad debt and doubtful accounts for 2010 amounted to 1,280 million baht, a decrease of 1,550 million baht or 54.78 percent from the

previous year. This was due to the adjustment in work process for better debts management and collection in an efficient manner.

### Non-interest income

For the year 2010, TBANK's non-interest income amounted to 3,494 million baht, an increase of 679 million baht or 24.13 percent compared to the previous year. The increase was mainly due to an increase in fees and service income and gain on investments as capital market improved.

(Unit: Million Baht)

Non-interest income	2010	Change from		m 2009
Non-interest income	2010		Increase/(Decrease)	Percent
1. Gain on investments	160	(57)	216	381.43
2. Fees and service income				
<ul> <li>Acceptances, aval and guarantees</li> </ul>	46	41	5	13.64
• Others	1,984	1,778	207	11.63
3. Gain on exchanges and financial derivatives	132	148	[16]	(10.73)
4. Gain on property foreclosed and other assets	48	127	(80)	(62.58)
5. Income on supporting business	278	232	46	19.62
6. Other income	846	546	301	55.13
Total non-interest income	3,494	2,815	679	24.13

### Non-interest expenses

For the year 2010, non-interest expenses of TBANK totaled to 9,841 million baht, an increase of 716 million baht or 7.85 percent compared to the previous year. The increase was mainly due to an increase in personnel

expenses of 528 million baht, premises and equipment expenses of 91 million baht, and other expenses of 139 million baht which was mainly from advertisement and sale promotion expenses.

### **Financial Position**

(Unit: Million Baht)

Assets items	2010	2009	Change fro	m 2009
Assets Items	2010	2007	Increase/(Decrease)	Percent
Assets				
Cash	3,733	3,720	14	0.37
Interbank and money market items (interest bearing)	24,696	60,120	(35,424)	(58.92)
Investment-net	122,791	64,643	58,148	89.95
Loans and accrued interest receivables-net	319,352	275,108	44,244	16.08
Property foreclosed-net	640	895	(255)	(28.53)
Land, premises and equipment-net	1,690	1,950	(260)	[13.33]
Other assets	9,072	7,442	1,630	21.91
Total assets	481,974	413,878	68,096	16.45

### Assets

Total assets of TBANK as at 31 December 2010 amounted to 481,974 million baht, an increase from the end of 2009 by 68,096 million baht or 16.45 percent, which stemmed from an increase in net investments of 58,148 million baht and an increase in net loans and accrued interest receivables of 44,244 million baht.

Investments of TBANK registered at 122,791 million baht, an increase of 58,148 million baht or 89.95 percent. This was due to the purchase of SCIB's ordinary shares of 2,111,678,557 shares resulting in total TBANK shareholding in SCIB equaled 99.95 percent of total registered and paid-up capital.

Net loans and accrued interest receivables of TBANK amounted to 319,352 million baht, an increase of 44,244 million baht or 16.08 percent from the end of 2009. The main reason of the increase was from the expansion of hire purchase loans of 31,550 million baht and corporate loans of 13,801 million baht.

### Liabilities

- Total deposits recorded at 242,791 million baht, a decrease from the end of previous year by 23,936 million baht or 8.97 percent. The proportion of current and savings deposits to fixed deposits was 37 percent to 63 percent while the 2009 proportion was 31 percent to 69
- Interbank and money market items registered at 29,706 million baht, an increase of 7,541 million baht or

- 34.02 percent from the end of 2009. Out of this increase, 6,374 million baht was from domestic items while 1,167 million baht was from foreign items.
- Borrowings amounted to 132,092 million baht, consisting of short-term borrowings of 105,470 million baht and long-term borrowings of 26,622 million baht. Short-term borrowings increased by 29,534 million baht or 38.89 percent from the end of previous year while long-term borrowings increased by 11,622 million baht or 77.48 percent from the end of previous year. The increase was due to that during April 2010, TBANK issued subordinated debentures in the amount of 13,130 million baht for supporting the share purchase of SCIB and the Entire Business Transfer. The details of subordinated debentures were as follows:
- Subordinated debentures (Lower Tier 2) with name registered, unsecured, unconvertible, and 10 years maturity offered to general public amounting to 6,000 million baht. The interest rate was fixed at 5.00 percent for year 1-5 and 5.50 percent for year 6-10.
- Perpetual subordinated debentures (Hybrid Tier 1) with non-cumulative interest and no interest payment when the Bank has no profit. The debentures were offered to specific investors; TBANK's 2 major shareholders namely TCAP and Scotiabank in the amount of 7,130 million baht. The corresponding interest rate of each period was equal to TBANK's highest 6-month fixed deposit rate in that period plus an additional of 6.00 percent.

### Shareholders' equity

As of 31 December 2010, shareholders' equity amounted to 66,737 million baht, an increase of 40,381 million baht or 153.22 percent from the end of 2009. The increase was mainly due to the capital increase of 35,790

million baht as well as the operation profit of TBANK and its subsidiaries.

### Debt to equity ratio

TBANK's debt to equity ratio decreased from 14.70 times in 2009 to 6.22 times in 2010 due to the capital increase in 2010.

### Liabilities and shareholders' equity

(Unit: Million Baht)

Polomos Chasta	2010	2009	Change fro	m 2009
Balance Sheets	2010		Increase/(Decrease)	Percent
Liabilities and shareholders' equity				
Deposits	242,791	266,727	(23,936)	(8.97)
Interbank and money market items				
(interest bearing)	28,999	21,678	7,321	33.77
Liabilities payable on demand	2,326	2,112	215	10.16
Borrowings	132,092	90,936	41,156	45.26
Accrued interest payable	1,084	1,029	55	5.32
Other liabilities	7,945	5,041	2,905	57.63
Total liabilities	415,237	387,523	27,715	7.15
Equity attributable to the Bank's shareholders	66,737	26,355	40,381	153.22
Total Liabilities and shareholders' equity	481,974	413,878	68,096	16.45

### Maintenance of Capital Adequacy Ratio

As of 31 December 2010, TBANK's total capital registered at 89,898 million baht of which 71,335 million baht was Tier 1 capital and 18,563 million baht was Tier 2 capital. The ratio of capital to risk weighted assets calculated under Basel II standards was at 14.75 percent, an increase from 14.10 percent from the end of 2009 which was higher than the minimum requirement of the BOT at 8.50 percent. The details of capital adequacy ratio were as follows:

### Capital Adequacy Ratio

(Unit: Million Baht)

		31 December 2010		ber 2009
	Million Baht		Million Baht	Percent
Tier I capital	71,335	11.71	23,645	8.65
Total capital	89,898	14.75	38,557	14.10

### Thanachart Securities Public Company Limited

As of 31 December 2010, net profit of Thanachart Securities Public Company Limited amounted to 390.54 million baht, an increase of 116.99 million baht or 42.76 percent from the same period of last year. Total income increased by 21 percent which mainly due to the brokerage fees from securities business that increased by 277.71 million baht or 31.37 percent in line with the stock market condition and the higher market share of Thanachart Securities. Furthermore, the increase in total income of Thanachart Securities was also due to interest on the margin loans that increased by 27.58 million baht or 68.34 percent. On the other hand, total expenses increased by 6.88 percent in line with the business transactions and policy to control expenditure of the company.

Thanachart Securities had net liquid capital ratio of 131.36 percent which was well above the minimum requirement of the Securities and Exchange Commission of 7 percent.

### Thanachart Fund Management Company Limited

Thanachart Fund Management Company Limited's net profit as of 31 December 2010 amounted to 131.39 million baht, an increase of 20.23 million baht or 18.19 percent from the last year. This was a result of fees and service income in the amount of 474.19 million baht which increased by 37.50 million baht or 8.59 percent from the previous year as a result of an increase in numbers of funds offered this year. The funds mainly comprised of open-end fund for foreign investment (Korea) and equity funds as a rise of the stock market value. In this connection, the SET Index of 2010 recorded an average of 849.79 points, higher than the 2009 average of 584.58 points. Total expenditures of the company amounted to 293.65 million baht, an increase of 16.39 million baht or 5.91 percent.

### Thanachart Life Assurance Company Limited

Thanachart Life Assurance Company Limited reported its net profit of 687.74 million baht, an increase of 567.36 million baht or 471.31 percent. This was mainly attributable to a decrease in operating expenses by 57.11 percent and an increase in investments by 121.46 percent as investments in securities increased by 23.41 percent compared to the same period last year. The capital ratio was at 760.47 percent which was higher than the minimum requirement of the Office of Insurance Commission (OIC) at 150 percent.

### Thanachart Insurance Company Limited

As of 31 December 2010, insurance premium income of Thanachart Insurance Company Limited increased from the expansion of the bancassurance as well as the efficient management of insurance compensation. As a result, Thanachart Insurance registered its net profit of 352.14 million baht, an increase of 127.14 million baht or 56.15 percent compared to the same period last year. The capital ratio was at 480 percent which was well above the minimum requirement at 150 percent of the OIC.

### **NFS Asset Management Company Limited**

Net profit of NFS Asset Management Company Limited as of 31 December 2010 recorded at 461 million baht, an increase from the same period last year by 66 million baht or 16.71 percent. The majority of income was contributed by income from loans of 258 million baht, reveral of allowance for impairment and doubtful accounts of 252 million baht, and gain on property foreclosed of 159 million baht. At the same time, the allowance for impairment on property foreclosed amounted to 95 million baht. On the other hand, interest expenses were 43 million baht and operating expenses were 80 million baht.

### MAX Asset Management Company Limited

MAX Asset Management Company Limited recorded its net profit as of 31 December 2010 at 108 million baht. Total income amounted to 184 million baht, a decrease of 40 million baht or 17.86 percent from the same period last year. Most of income were contributed by income from loans of 100 million baht, income from property foreclosed of 74 million baht, and other incomes of 10 million baht. In 2010, MAX AMC paid dividend to sharesholders in the amount of 243 million baht or 4.25 baht per share.

### Nature of Business Operations

### Overview of the Business Operations

Thanachart Capital Public Company Limited "TCAP" is the parent company of Thanachart Financial Conglomerate. The companies under Thanachart Financial Conglomerate are classified by their types of business into two groups; [1] financial business group consisting of commercial banking business, asset management business, securities brokerage business, insurance business, and leasing business, and (2) supporting business group consisting of brokerage business, service business, legal advisory business, and appraisal business. 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:

### Companies in Financial Business Group of Thanachart

### (A) The Member Companies That Operate Financial Businesses:

- 1. Thanachart Capital Public Company Limited "TCAP" operates as the holding company and thus is a parent company of Thanachart Financial Conglomerate.
- 2. Thanachart Bank Public Company Limited "TBANK" operates commercial banking business and other businesses permitted by the BOT, such as selling life and non-life insurance products, and underwriting and repurchasing of unit trusts.
- 3. Thanachart Securities Public Company Limited "TNS" was granted a Full License from the Ministry of Finance to operate full range of securities businesses including securities brokerage, proprietary trading, securities underwriting, investment advisory service, mutual fund management, private fund management, securities borrowing and lending, venture capital management, and derivatives business Sor 1. As well, TNS is engaged in other related businesses that support the securities business. These include, among others, financial advisory services, future businesses, unit trust underwriting, and repurchasing services as well as securities registrar.
- 4. Thanachart Fund Management Company Limited "TFUND" which is a joint venture between Thanachart Bank (holding 75 percent of the total shares) and The Government Savings Bank (holding 25 percent) operates mutual fund, private fund, provident fund management businesses, and investment advisory business. As a result, it is considered a company with a full range of advisory services.
- 5. Thanachart Insurance Company Limited "TNI" gives non-life insurance services including fire insurance, automobile insurance, marine and transportation insurance, and miscellaneous insurance.
- 6. Thanachart Life Assurance Company Limited "TLIFE" gives life insurance and health insurance services. Based on the characteristics of customers, its services can be divided into 2 main types including ordinary life insurance and group life
  - 7. Thanachart Group Leasing Company Limited "TGL" gives all types of 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.

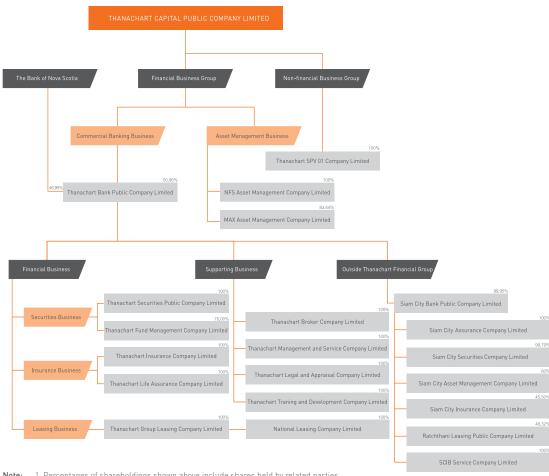
### (B) The Member Companies That Operate Supporting Businesses:

- 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.

### Companies in Financial Business Group of Siam City Bank

- 1. Siam City Bank Public Company Limited operates all types of banking business in accordance with the Financial Institutions Business Act. and other businesses that permitted by the BOT. Business operations of Siam City Bank can be divided into 2 groups classified by details of service provided to customers, i.e. Corporate Business Group and Retail Business Group.
- 2. Siam City Assurance Company Limited operates life insurance business by selling products through branch network of Siam City Bank, which results in its insurance premium income increase continuously. Main customer groups of the company are customer groups of Siam City Bank both lending and deposit customers.
- 3. Siam City Securities Company Limited operates securities brokerage, securities underwriting, proprietary trading, investment advisory service, and future business.
- 4. Siam City Asset Management Company Limited operates mutual fund and private fund management. The company offers various types of funds for retail investors such as LTF, RMF, equity fund, and fixed income fund in short-term and long-
- 5. Siam City Insurance Company Limited offers non-life insurance services in various types such as fire insurance, marine and transportation insurance, automobile insurance, liability insurance, and freedom insurance.
- 6. Ratchthani Leasing Public Company Limited operates used car and pick-up truck hire purchase business. Moreover, the company gives after-sales services including car registration renewal, insurance policy renewal, Traffic Victim Protection renewal, tax service, and refinance automobile hire purchase. These after-sales services are for facilitating its customers and enhancing income of the company as well as protecting properties which are collaterals of loans from potential risks that miaht occur.
- 7. SCIB Service Company Limited offers service businesses to Siam City Bank and member companies in the group. The service businesses include cleaning service, security service, messenger service, car rental service, and outsourcing service.

### **Shareholding Structure of Thanachart Group** As at 31 December 2010



1. Percentages of shareholdings shown above include shares held by related parties.

2. Thanachart Legal and Appraisal Company Limited is being liquidated.

### **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, as follows:

### **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 power 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 TCAP and its 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 2010, 2009 and 2008 was as follows:

(Unit: Million Baht)

Income Structure	31 December 2010		31 December 2009		31 December 2008	
income structure	Amount	Percent	Amount	Percent	Amount	Percent
Interest and Dividend Income						
Thanachart Capital Public Company Limited	48	0.11	337	0.90	1,057	4.44
Thanachart Bank Public Company Limited	21,314	47.00	20,280	54.04	18,986	79.73
Thanachart Securities Public Company Limited	126	0.28	104	0.28	110	0.46
NFS Asset Management Company Limited	182	0.40	271	0.72	145	0.61
MAX Asset Management Company Limited	4	0.01	17	0.04	17	0.07
Thanachart Fund Management Company Limited	3	0.01	2	0.01	7	0.03
Thanachart Insurance Company Limited	91	0.20	60	0.16	65	0.27
Thanachart Life Assurance Company Limited	679	1.50	377	1.00	285	1.20
Thanachart Group Leasing Company Limited	206	0.45	356	0.95	466	1.96
Thanachart Broker Company Limited	1	0.00	_	_	1	0.00
Siam City Bank Public Company Limited	12,208	26.92	-	-	-	-
Siam City Securities Company Limited	34	0.07	-	-	-	-
Siam City Asset Management Company Limited	5	0.01	-	-	-	-
Siam City Life Assurance Company Limited	257	0.57	-	_	-	-
Siam City Life Assurance Company Limited	257	0.57	-	_	-	-
Other subsidiaries	94	0.21	308	0.82	274	1.15
Total Interest and Dividend Income	35,252	77.74	22,112	58.92	21,413	89.92
Interest Expenses						
Thanachart Capital Public Company Limited	697	1.54	414	1.11	391	1.65
Thanachart Bank Public Company Limited	6,030	13.30	6,477	17.26	9,109	38.25
Thanachart Securities Public Company Limited	2	0.00	1	0.00	3	0.01
MAX Asset Management Company Limited	-	-	-	-	3	0.01
Siam City Bank Public Company Limited	3,353	7.39	-	-	-	-
Siam City Securities Company Limited	2	0.01	-	-	-	-
Total Interest Expenses	10,084	22.24	6,892	18.37	9,506	39.92
Net Interest and Dividend Income	25,168	55.50	15,220	40.55	11,907	50.00
Non-Interest Income						
Thanachart Capital Public Company Limited	1,215	2.68	3,625	9.66	1,044	4.38
Thanachart Bank Public Company Limited	2,520	5.56	2,220	5.92	1,649	6.93
Thanachart Securities Public Company Limited	1,237	2.73	1,011	2.69	777	3.26
NFS Asset Management Company Limited	365	0.81	281	0.75	319	1.34
MAX Asset Management Company Limited	182	0.40	217	0.58	227	0.95
Thanachart Fund Management Company Limited	478	1.05	436	1.16	435	1.83
Thanachart Insurance Company Limited	3,048	6.72	2,670	7.11	2,501	10.50
Thanachart Life Assurance Company Limited	5,734	12.65	11,637	31.01	4,682	19.66
Thanachart Group Leasing Company Limited	95	0.21	96	0.26	65	0.27

	31 December 2010		31 December 2009		31 December 2008	
Income Structure	Amount	Percent	Amount	Percent	Amount	Percent
Thanachart Broker Company Limited	56	0.12	57	0.15	94	0.40
Siam City Bank Public Company Limited	2,309	5.09	-	-	-	-
Siam City Securities Company Limited	224	0.49	-	-	-	-
Siam City Asset Management Company Limited	65	0.14	-	-	-	-
Siam City Life Assurance Company Limited	2,608	5.75	-	-	-	-
Other subsidiaries	43	0.10	60	0.16	114	0.48
Total Non-Interest Income	20,179	44.50	22,310	59.45	11,907	50.00
Net Interest and Dividend Income						
and Non-Interest Income	45,347	100.00	37,530	100.00	23,814	100.00

Note: Other subsidiaries consist of T-Leasing Co., Ltd., National Leasing 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., Thanachart Management and Services Co., Ltd., and SCIB Service Co., Ltd. Siam City Bank Public Company Limited and its subsidiaries have become subsidiaries of Thanachart Bank Public Company Limited since 9 April 2011.

### Nature of Business Operation of **Each Business Group**

### **Business Policy and Strategies of Thanachart** Group

In 2010, Thanachart Group has decided its strategic direction to become 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 achieve this goal, Thanachart Group has determined its vision based on the fully integrated financial services group; which is "Becoming a fully integrated financial services group; aiming to create an excellence in our services and product development, so as to satisfy our customers' financial needs, with the cooperation and unity of all the member of the group."

Such vision was developed from three major fundamentals which are providing fully integrated financial services (Universal Banking) with TBANK being the main services offerring; focusing on satisfying of our customers' different needs (Customer Centric); and cooperating from all departments as well as the unity among them(Synergy).

The endeavor and accomplishment contributed based on the three major fundamentals not only drive Thanachart Group to be a fully integrated financial services group which is highly successful in competition, but it is also a key to construct Thanachart Group to become one of Thailand's leading banks over the next three to five years. -

From our goal to become a fully integrated financial services group, Thanachart Group aims to become one of Thailand's five top leadingbanksin commercial banking industry. This aim is under two concepts; self-sustaining Organic Growthby creating a culture of cooperation among staffs to promote incremental growth of the organization; and a leap growth or Non-organic Growth by merging with Siam City Bank which resulted Thanachart Group possessing the asset size appropriate to business competition, ability to diversify the risks by expanding corporate loans in small-sized and medium-sized enterprises so as to provide varieties of alternatives to customers. Moreover, with synergy of Customer Experience Management and Sale and Service Model systems among three proficient banks, TBANK, Scotiabank, and Siam City Bank, enables Thanachart Group Thanachart Group to offer a superior experience by providing the best services to fully satisfy financial needs of our customers as well as creating financial performance at the level equal to that of Commercial Bank Industry's average. Moreover, Thanachart Group also increases its emphasis on diversification of income sources, which are balancing interest income and fee-based income, by supporting transactions of fee-based income and Crossselling. These aims have been communicated to all of our staffs in 2010. Thanachart Group has set four Strategic Intents, as follows:

- 1. We intend to grow by doubling the size of Corporate Loan Portfolio while diversifying overall assets.
- 2. We intend to grow by maintaining no.1 in the hire purchase market share.
- 3. We intend to grow by increasing fee-based income proportion.
- 4. We intend to grow by increasing services and supports productivity

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 a mutual objective. In order that the strategies are in alignment, efficiently evaluated and able to manage the organization systematically, Thanachart Group has developed a plan namely "CEO's Six-point Agenda" which serves as a tool to enhance the set target to be efficient and systematic success.

### **Business Operations of Each Business** Group

### **Commercial Banking Business**

### Characteristics of Services

TBANK operates its businesses in compliance with the Financial Institutions Businesses Act and other relevant notifications issued by the BOT. TBANK also acts as an advisor for investments in unit trusts and securities trading account opening, a non-life and life insurance brokerage agent, a financial advisor, an agent for bondholders, and a custodian.

As of 31 December 2010, TBANK had in total 256 branches (excluding the headquarters), 22 foreign exchange booths, 10 of which were in-branches and 12 were stand-alones, 390 ATMs, 6 Cash Deposit Machines (CDMs), and 3 Passbook Update Machines.

### Group of Products and Services

TBANK improves and develops products to better serve the customer needs. Its 4 main products and services include deposits, loans, electronic services, and others.

### **TBANK Products & Services**

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 4 major types of deposit products including savings deposits, fixed deposits, current deposits, and foreign currency deposits.	In 2010, TBANK and SCIB joined forces to develop and offer 2 new deposit products to customers which were "Grow Up" Fixed Deposit and Bill of Exchange and "Super Grow Up" Fixed Deposit. These products cater to the ever-changing financial needs and interest rate trends speculation of the customers. Both products yield higher returns over time of deposit, even if the customer prematurely withdrawals. The two banks also worked together to organize marketing activities to prepare for the merger in 2011. The products and services were offered through various channels including both banks' branch networks, electronic channels, sales and marketing teams as well as business alliance networks.

Products & Characteristics Competitive Strategies Services

### Group 2 **Lending Products**

1. Personal Loans (1) Mortgage loans under the brand of "Home 4 You". (2) Multi-purposed loans named "TBANK Home Plus". (3) Education loans called "Scholar Loan." (4) Wish-list loans are credit lines given to the hire purchase customers with good repayment records. (5) Credit Card offered under the name of Thanachart Drive Visa/Master Card and given to the hire purchase customers with good repayment records and the depositors.

TBANK places emphasis on efficient service delivery and on offer of fully integrated products that cater 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 4 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.

2. SMEs 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 funding cost. These include, among others, quarantee/avals and trade finance.

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

TBANK sets clear corporate lending policies with a full range of financial service aiming at catering to all customers' needs. TBANK develops its corporate banking team to be knowledgeable, capable and have a deep understanding of each business group for the utmost professionalism and close relationshipbuilding with customers. The team research customer needs before presenting products and services or advising in other aspects, being total business solution providers. Focus is also given to marketing Thanachart Group's financial products that cover and meet all customer needs.

TBANK provides service to customers in both the manufacturing and service sectors, expanding the client base to cover supply chain of its customer groups. This service is provided in Bangkok and upcountry, via the various channels of distribution including TBANK head office, branch network, business alliance network, as well as electronic banking. TBANK also 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 as improving the internal work process, ensuring that it is shorter and more flexible.

TBANK's corporate lending policies are set in line with the economic growth as well as the risks which could arise from giving loans. The Bank attempts to manage the correlation between risks and the rate of return at an acceptable level, while also controlling and monitoring the quality of loan to be stringently in line with company policy and official guidelines.

### 4. Automobile Hire Purchase Loans

TBANK gives hire purchase loans for new and used cars. The Bank also offers the sale and lease back services under the product named "Cash Your Car". This product is in response to hire purchase consumers who need cash, with a selling point of a higher authorized balance amount than a personal loan, a lower interest rate and a longer installment payment period than a consumer loan. Customers are able to choose the period and payment plan most suitable for them.

TBANK's hire purchase loan services are provided all over the country via car dealers and TBANK branches. In setting the policy to offer a price, the Bank considers external factors such as competition in the market and internal factors such as financial cost and loan risk. In addition, TBANK places emphasis on sales promotion activities with the car dealers in each region, aiming to offer hire purchase loan conditions that meet the region's dealers' and customers' needs the most, as well as establishing relationships with the auto-manufacturers' companies, gaining a larger market share of the automobile hire purchase business and promoting the image of a leading automobile hire purchase loan provider. TBANK increases distribution channels, offering "Cash Your Car" product through TBANK branches and SCIB's recommendations for customer's convenience.

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 the Bank's trade finance services. The Bank takes into consideration the needs of the customers, the promotion of customers' business transactions, and the creation of customer base as the main concerns. For the corporate clients, the Bank has the target to expand customer base and increase the amount of transactions. For SME and retail clients, the Bank provides credit limit and liquidity support for customers as well as serving as business advisor. TBANK researches and develops trade finance products and services, resulting in a variety that caters to customer needs. The global Business Alliance Network is useful for fast and convenient service.

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 (BAHT NET), 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 prefer 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**

### 1. Foreign Exchange Services

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, etc.

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.

2. Bill of Exchange TBANK has expanded its bill of exchange products and services to every branch nationwide. This results in the more convenience for the customers and an increase in service accessibility to cover all areas. The product is well accepted and accredited from the customers.

TBANK and SCIB have 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 facilitates 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.

Products & Services

Characteristics

Competitive Strategies

3. Bondholder Representative Services 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.

Securities Supportive Services Business have been growing in parallel with the capital market. TBANK recognizes this as an opportunity, and thus, attains 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.

Though high competition in the securities supportive services business results in low profit margin, TBANK continuously increases business through the Bank's expanding network.

### Factors Affecting Opportunities or **Limitations in Businesses**

Thailand's 2010 economic growth rate of approximately 7.8 percent was a result from the growth of the real sector, such as Manufacturing Production Index increasing of 14.5 percent along with utilization rate which also increased by 63.4 percent. Meanwhile Private Consumption Index and Private Investment Index increased by 5.9 percent and 17.6 percent respectively as well as export sector which is a major factor in Thailand's economic growth rate increased by 28.5 percent, a result of rising exchange rate mainly caused by foreign inflows and economic recovery of trading partners. Such economic growth also led to an expansion in financial institution's loans, especially an increase in auto sales and hire purchase loans. Furthermore, the government's spending and investment under the Stimulus Package and other programs stimulate consumption as well as promote investment in Thailand.

Apart from economic factors, commercial banks adjusted to comply with authorities regulations in order to promote financial strength and international standard of commercial banking system in the long run, for instance, the Financial Institution Business Act of 2008 and Base II Pillar 2 which had effects on maintaining capital adequacy to cover the business risks of commercial banks, as well as consolidated supervision regulations. As a result, commercial banks needed to maintain the capital adequacy of financial business groups, businesses under financial

business groups, lending, investments, obligations, as well as risk management under financial business groups, etc. As for the past 2010, commercial banks had fully implemented and utilized Basel II in their performances.

At present, Basel III has been drafted for implementation by financial institutions but it is still in the process of asking for opinions from financial institutions groups from all over the world, including the Bank of Thailand. It is estimated that the Bank of Thailand will begin to review and set the direction at the end of 2011 so that Thailand's financial institutions can become more internationally standardized.

### **Industry Outlook and Competition**

At the end of 2010, number of all commercial banks totaled at 32, dividing into 17 commercial banks listed in Thailand, and 15 foreign bank's branches.

Considering the deposits amount of the commercial banking industry, the total amount was at 7,489,532 million baht, of which 6,977,928 million baht or 93.17 percent of total deposits came from commercial banks listed in Thailand and 511,604 million baht or 6.83 percent of total deposits came from foreign bank's branches. At the end of 2010, deposits in Thai commercial banking industry increased by 5.17 percent compared to the same period last year. Considering the net loans of the commercial banking industry, the total amount was 8,762,866 million baht, of which 7.783.334 million baht or 88.82 percent of total net loans came from listed commercial banks and 979,531 million baht or 11.18 percent of total net loans came from foreign bank's branches. When comparing with the same period last year, there was an increase of 12.24 percent of the net loans, which was from the result of Thailand's real sector economic growth.

Apart from competition in commercial banking industry, there is also competition in the financial system such as non-banks, money market, capital market, and 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 intensed competitions, has caused the commercial banks to adopt their competitive advantages by making differences; employing non-price strategies, for examples, developing diverse financial products to satisfy the customers' specific needs (Customer Segmentation), expanding and developing service channels to cover the target customers across the country like branch expansion of commercial banks in department stores, increasing of ATM stalls, increasing of Electronic Corner (ATM + CDM + UDP), etc. Service quality development can be executed by employing the principle of Customer Experience Management, creating good experiences for the customers using Customer Data Analysis so as to present the appropriate products and services that will satisfy the customers' needs, which will bring about customers' good experiences, as well as creating alliances and merging with financial business group. Over all, it is to make the said development able to facilitate and satisfy all of customers' financial needs. Moreover, commercial banks also aimed to create corporate images through media advertisements and public relations as well as increasing Corporate Social Responsibility (CSR) programs. Apart from competitions in interest rate, other non-price competition strategies mentioned above would allow commercial banks to clearly set their different competitive positioning in order to lead to competitive advantages in the future.

As for interest rate tendency, in the latest meeting of the Monetary Policy Committee of the BOT on 12 January 2011, there has been an increase in policy interest rate by 0.25 percent (formerly 2.00 percent to 2.25 percent) which has been a continuous increase in policy interest rate since July 2010, due to domestic expansions in Thailand's economy, the world's economy recovery, as well as higher pressures from inflation.

### The Company's Size in Comparison to Competitors

After Thanachart had purchased 99.95 percent of Siam City Bank in 2010, making total assets of TBANK a leap growth from 432,970 million baht in 2009 to 872,654 million baht in 2010, increasing by 101.6 percent as the size of its asset ranked number 5 in all commercial banking industry, and its net loans totaled at 606,850 million baht, increasing by 113 percent. While total deposit combining with bill of exchange together totaled at 669,438 million baht, an increase of 99.3 percent. Moreover, the amount of branches increased to 681 and number of ATM stalls was 2,181.

### **Future Trend of Competition**

According to economic estimation by research institutions and financial institutions both domestically and internationally, the economic indicators have displayed an improved sign in Thailand's economy. It is estimated that Thailand's 2011 economy will expand by 4.0 percent to 4.5 percent due to domestic economic expansion; a continuosly expansion of consumers' confidence and consumptions since 2010; investors' confidence and investments that affect loan expansion especially in auto industry; economic supports and investments by government, as well as export and import expansions which highly increased in 2010 and continued in 2011. The said expansions result as Thaiand's continuous economic growth from 2010 to 2011. Apart from domestic economic growth, the world's economy recovery such as those of the US and Europe, as well as economic expansions in Asia will result as Thailand's better economic expansion. However, it is estimated that inflation rate in 2011 will double accelerate which was a result from crisis in the Middle East, the increased oil price, and higher prices of agricultural products. This acceleration of inflation will be a major factor that cause the Bank of Thailand to increase policy interest rate according to Inflation Targeting Policy. As in 2011, headline inflation is estimated to be 3.5 percent.

The trend of competitions among commercial banking industry in 2011, service development in Customer Centricity and Electronics Banking development are still the major developments of commercial banks, which leads to an increase in fee base income. Various services to target customers will become more efficient, for instances, developments in Internet Banking, Mobile Banking, as well as quality and service developments in trade finance and cash management businesses, etc. Furthermore, creating strategic alliances with different business sectors in order to expand network and business capacity will allow commercial banks to be able to satisfy the target customers' needs more diversely. This also includes Bundling Product development along with business allies, cross-selling product business among the financial business group, for example, Bancassurance by life and non-life insurance businesses, etc.

Risk factors in 2011 still depend on the political instabilities, which will affect confidences in consumption and investment as well as the growth of corporate and SME loans. Moreover, the instability in the Middle East crisis also has influences on oil prices and inflation, which will cause the Bank of Thailand to increase policy interest rate, and finally lead to influence consumers' debt paying-ability.

## **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, provident fund management businesses, and investment advisory business.

#### Securities Business

#### **Charecteristics of Product and Services**

TNS operates 2 key areas of business, brokerage business and investment banking and advisory business. As of 31 December 2010, the company had a total of 23 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 3 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 2010 continually improved, especially in the latter half of the year, 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. In 2010, trading volume reached 7.03 trillion baht, the highest volume since 1975. Retail client transaction captured the highest volume while foreign client transaction returned to be net buy worth 81,414.66 million baht, over twice the amount in 2009. In terms of capital mobilization in 2010, there were a total of new 11 listed companies join to mobilize capital in the primary market (4 companies in SET and 7 companies in mai) and 4 property funds. In 2010, SET index closed at 1,032.76 points, higher than 734.54 points in 2009. Trading volume was a record high in 36 years, since 1975 Average daily trading volume was at 29,065.90 million baht. Trading volume of TNS was 557,730.32 million baht, accounted for 4.51 percent market share, ranked number 8 out of 35 companies in the industry. The trading volume and market share of TNS has been increasing continually since 2005.
- 2. Currently, there are a total of 42 members in the Thailand Future Exchange (TFEX), of which 36 are general securities companies and 6 gold-trading members. In 2010, total trading volume was 4,519,436 million contracts, accounted for a daily average of 18,676 contracts, an increase of 46 percent from a daily average of 12,777 contracts in 2009. As of 30 December 2010, there were 77,955 open contracts, an increase of 175 percent from 28,281 contracts in 2009. The key contributing factors were the trading volume of Single Stock Futures which increased 5.6 times the amount from 145,758 contracts in 2009 to 969,353 contracts in 2010, and Gold Futures which almost tripled in trading volume from a daily average of 1,397 contracts in 2009 to 4,014 contracts, valued at 3,143 million baht in 2010. This was caused by Mini Gold Futures or 10 Baht Gold Futures offered for service on 2 August 2010, which continually attracted investors' attention with a daily trading volume average of 1,716 contracts, valued at 327 million baht.

TFEX had a total of 41,880 accounts, an increase of 42 percent from 29,546 accounts in 2009. The proportions of the most active investors were domestic individual investors with 57.21 percent of the market. Foreign investors accounted for 10.09 percent and domestic institutional investors accounted for 32.70 percent. Most domestic institutional investments were Market Makers' transactions, which is a result of new futures, Single Stock Futures, Gold Futures as well as Interest Rate Futures in 2010.

- 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 aggressive, especially in the latter half of 2010, due to the increasing number of mergers and registrations in the stock market. Though competition is still focused on price, the key competitive factor still remains to be service quality, personnel expertise on providing a customer with relevant advise and solution to a problem, having a network of service providers, as well as product innovation, which can create value-added and more benefit to customer.

#### **Fund Management Business**

#### **Charecteristics of Products and Service**

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 has been offering unit trusts sale through TBANK's and SCIB's branch networks since mid-2010 and supporting 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 2010, there were a total of 21 fund management companies, accounted for a total assets under management of 1,704,021.22 million baht (excluding Vayupak Fund, foreign investment funds, property fund for resolving financial institution problem and property and loan fund), a 11.52 percent increase from 2009. During 2010, there were 791 new issued funds, accounted for 760,702.19 million baht of assets. Among the newly issued funds, 230 were foreign investment funds, comprised of debt instruments with maturity not exceeding 1 year, which accounted for 312,688,87 million baht net assets or 41.11 percent of assets of the newly issued funds during 2010.

As of 30 December 2010, TFUND had 104 retail mutual funds, accounted for 78,555.92 million baht assets under management, an increase of 5.14 percent from the previous year. With a market share of 4.21 percent, the company was ranked number 5 among 21 asset management companies in the industry. As of 30 December 2010, TFUND had 23 private funds accounted for 8,686.77 million baht, an increase of 429.84 million baht or 5.21 percent from the previous year. In addition, there were 19 provident funds which accounted for 5,049.66 million baht, an increase of THB 529.67 million or 11.72 percent from the previous year.

### **Products of Insurance Business**

Insurance business of Thanachart Group can be divided into 2 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**

#### **Charecteristics of Products and Services**

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

#### **Competition and Market Outlook**

In 2010, non-life insurance business in Thailand experienced a growth in direct premium income once compared to 2009, expecting to grow by 15 percent from economic recovery in Thailand. Marine and transportation insurance experienced the most growth, followed by automobile, miscellaneous, and fire insurance services respectively.

As for the non-life insurance market structure in 2010, automobile insurance received the highest share of the market with a total share of 60 percent, followed by miscellaneous insurance with 30 percent, then fire and marine & transportation insurance with 7 and 3 percent, respectively.

The Office of Insurance Commission (OIC) has strict rules and regulations, especially regarding Risk-based Capital, non-life insurance businesses' low standards of risk management and Cash before Cover principle which caused a shift in the market and more awareness in selecting a steady and reliable insurance company. This is a good sign in the continual development of the Thai insurance industry.

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 5 million baht. 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. As of July 2010, TNI also expanded its business to SCIB's target customer groups.

In 2010, TNI offered a new product called "One Lite." It is an economical automobile insurance option which no other non-life insurance company currently provides in the market and is suitable for customers who are good drivers with no compensation required, allowing customers to save on premium.

The customer group with policy claim limit of 5 million baht 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, Thai economy is expected to expand by 4.5% -5.0%, which is less than the growth in 2010 due to the complexity and uncertainty of economic, social, temperal factors, and politicial climate. These factors are key variable in determining the direction of the non-life insurance industry direction in Thailand. The insurance industry will experience a slight expansion of 7.4 percent in premium received or a total of 135,967 million baht in the year 2010, under the assumption that the Thai economy will expand as a result of the aforementioned factors.

## Life Insurance Business

#### **Charecteristics of Products and Services**

TLIFE offers life and health insurance, which can be divided into 2 key categories, individual and group insurance. License to operate the life insurance business was granted by the Office of Insurance Commission (OIC) on 22 October 1997.

#### **Competition and Market Outlook**

TLIFE operates its business with a multidistribution channel strategy, in order to satisfy various needs of the customers by offering products and services coherent and suitable for each customer group. The company has utilized various channels, such as, the bancassurance channel, corporate network channels, insurance agents and insurance brokers. TLIFE is customer centric, developing new products and offering services suited to the needs of customers and marketing officers. As TLIFE is a part of Thanachart's financial business group, the company's customers include savings deposit customers, automobile hire purchase customers, mortgage loan customers, SME loan customers, etc. from both TBANK and SCIB customer bases, as well as customers from other organizations and companies through other distribution channels.

In the 10-month period of 2010, the life insurance industry captured a total market share of 234,864 million baht, representing an increase of 12.97 percent. The main market share went to individual and group insurance as follows:

Individual insurance received a total premium of 191,749 million baht which accounted for 81.64 percent of the market and a 12.97 percent growth, due to an increase in premium collected through bancassurance channels. Many commercial banks set a goal to increase fee-based income from life insurance companies of which that commercial bank is a shareholder or alliance. Development of product innovations, sales promotions and skill training for marketing staff, as well as interest rates not shifting too high are the opportunity to introduce life insurance products as another investment option, completing bank's fully integrated financial services. In late 2010, the life insurance business was supported by consumers choosing to save in the form of life insurance in order to receive tax reductions of 100,000 baht from normal insurance policies and from selling life annuity which the government sector recently notified the increased premium that can be used for income tax reductions of 200,000 baht.

Group insurance received a total premium of 31,611 million baht which accounted for 13.46 percent of the market and a 17.94 percent growth. The main source of premium, 61.01 percent, came from Group Mortgage. In the 10-month period of 2010, mortgage insurance experienced a growth of 21.28 percent due to the government's tax reductions to boost real estate transfer fee and mortgage registration fee which would expire in June. This was incentive for many consumers to hurriedly complete housing transfers, which increased premium from mortgage insurance. There was also a growth in the new automobile market of 48.33 percent compared to the same period of the previous year. Due to economic recovery, a SET Index increase of over 300% and the growing popularity of new economy cars, people had more capability to purchase automobiles which resulted in increased premium from automobile hire purchase loans.

Currently, the life insurance industry consists of 24 insurance companies. The Company had a total received premium of 4,611.90 million baht or a share of 1.96 percent of the market and ranked 11th in the industry.

The individual life insurance product with the highest sales figures was Thanachart Perfect Saving 10/4 distributed through TBANK and SCIB. It is a short-term savings product with premium due for only 4 years, includes 10 years life insurance and an Internal Rate of Return (IRR) of 3.81 per year. Moreover, TBANK has developed a life annuity called "Thanachart Annuity 85/60 (Tax Reduction Available)" from which the customer receives an annual compensation of 12 percent of the insurance fund per year, on the annuity date that the insuree is 60 to 85 years old, so long as the insuree is still alive. The total is at 312 percent of the insurance fund and is guaranteed paid annuity over 20 years.

As for group insurance products, TBANK distributes products in line with distribution channels. For example, Thanachart Smile Car and Thanachart Smile Car Plus+ for automobile loan coverage through the Hire Purchase channel, Thanachart Smile Home and Thanchart Smile Home Plus for home loan coverage through the Mortgage Loan channel. There is also the distribution of group insurance products for savings cooperatives and various organizations as well.

The industry is expected to grow in 2011 due to many new policies of various life insurance companies including expansion of distribution channels, innovation of new products to meet target customer groups' needs and suited to the distribution channels. To access and offer services for coverage and savings to the consumers, a service provider system has been developed including before- and after-sale services for customer service excellence. training for insurance brokers and banks that are life insurance agents. Moreover, the public sector and the Office of Insurance Commission (OIC) have a policy to promote awareness about savings through life insurance and the benefits in the form of 200,000 baht income tax reduction from life annuity.

## **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.

#### **Compettition and Market Outlook**

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 nonperforming 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 in the amount 55,137 million in 2010, including legal reserve and retained earnings. There are another two key sources of fund which are:

- 1. Deposits which by the end of 2010 were in the amount of 242,791 million
- 2. Borrowings which were in the amount of 132,092 million and could be divided into THB 105,470 million short-term borrowings, mainly comprised of short-term B/ E since TBANK added B/E as another saving alternative for customers, and THB 26,622 million long-term borrowings.

## Funding and Borrowing of Parties Related to Executives or Major Shareholders

At the end of 2010, TBANK gave loans to a parent company, subsidiary companies, and related companies in Thanachart Group as follows:

1. TGL (a subsidiary company of TBANK)

TBANK gave loans to the company for hire purchase business for all types of automobile in line with the business direction of Thanachart Group. In 2010, loan outstanding balance was 932 million baht, a decrease from 2,168 million baht at the end of 2009.

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

TBANK gave loans to National Leasing for property hire purchase business as well as property leasing.

In 2010, loan outstanding balance was 52 million baht, a decrease from 77 million baht at the end of 2010.

Loan outstanding balance of the aforementioned companies, totaled to 984 million baht accounted for 0.30 percent of total loans at year-end 2010. All lending and borrowing activities were transacted under the permission of the BOT.

#### Maintenance of Capital Adequacy

TBANK has a policy to maintain the ratio of capital to risk-weighted assets sufficient enough to support risks in business operations and other fluctuating factors. The policy determines to maintain the ratio of capital to riskweighted assets to be higher than the BOT standards. BOT states commercial banks must maintain a ratio of capital to risk-weighted assets no lower than 8.50 percent, with the ratio of tier 1 capital to risk-weighted assets after profit distribution must not be lower than 4.25 percent.

As of 31 December 2010, TBANK's total capital registered at 89,898 million baht, of which 71,335 million baht was Tier 1 capital and 18,563 million baht was Tier 2. The ratio of capital to risk weighted assets calculated under Basel II standards was at 14.75 percent, an increase of 14.10 percent from the end of 2009 which was still well above the BOT's minimum requirement at 8.50 percent. Details of ratio of capital to risk weighted assets could be listed as follows:

## Capital Adequacy Ratio

	31 Decem	ber 2010	31 December 2009		
	Million baht	percent	Million baht	percent	
Tier 1 capital Total capital	71,335 89,898	11.66 14.75	23,645 38,557	8.65 14.10	

## Liquidity

TBANK has a policy of liquidity management to maintain the liquidity at the adequate level. The main objectives are to comply with the regulations of the BOT, and to manage the balancing of liquidity and liabilities. Liquidity management of TBANK is under supervised by the Assets and Liabilities Committee (ALCO) which comprises TBANK's Senior Executives. The Committee is responsible for determining the policies of assets and liabilities management, adopting guideline and review investment policy of TBANK which are under the risk management policy, approved from the Executive Committee and the Board of Directors. The ALCO has held

the meeting weekly to consider the liquidity risk, interest income, interest expenditure, structures of assets and liabilities in short-term and long-term, the effects to TBANK's liquidity resulting from financial and capital markets both domestic and international conditions, rules and regulations from authorities, as well as adopt the interest rate policy (fixed and floating) to be in accordance with the capital structure of TBANK. Moreover, the Risk Management Department has also responsible for implementing reports of Interest Rate Gap Analysis and Liquidity Gap Analysis in order to measuring the impacts from interest rate and liquidity, as well as to set the ceiling limit for lending loans to other business sectors which preventing the effects resulting from business operations.

## Risk Management and Risk Factors

## **Overview on the Risk Management**

Thailand's economy expanded in 2010, following the revival in the global economy due to the increase in exports from Thailand and many other countries in the region. This allowed the private sector and consumers to regain their confidence in investing and spending. During mid-year, the Thai economy was still confronted with many negative factors such as the political instability that affected tourism and related business industries, natural disasters that affected the agricultural sector and the environmental concerns in Map Ta Phut Industrial Estate which resulted suspension and halt in investments of large projects which were important to the national economy. Even so, the Thai economy in 2010 overall grew by 7.8 percent. However, predictions for the global economic climate in 2011 say there will still be a high risk due to the measures attempting to solve the financial crisis in European countries, relieving the recession in the United States and the financial policies of new economies as China and India to solve high inflation. These factors may affect the currency rates in the region, interest rate trends, capital flows and the overall state of investment, thus making 2011 another year to closely manage risk.

Thanachart Capital Public Company Limited "TCAP" has continually realized the importance of risk management and in the year 2010, Thanachart Bank Public Company Limited "TBANK" which is a subsidiary company, TBANK developed an Internal Capital Adequacy Assessment Process (ICAAP) to support risk other than credit risk, market risk and risk in compliance with Pillar 2 of Basel II framework in accordance with the Bank of Thailand (BOT) guidelines, which will make TBANK manage funds more efficiently.

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

## **TCAP'S Risk Management Structure**

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

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

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

## TCAP'S Risk Management Structure (As of 31 December 2010)



- The conduct of business affairs is based on a system of check and balance with the Middle Office, comprised 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 measured by tools or models allowed TCAP to be able to perceive the degree of severity from the possible risks. These risk variables could also be used as a ceiling or the acceptable risk level as well as to provide warning signals before severe losses occur.

The aforementioned risk management systems are developed based on prudent principles and will be reviewed regularly to suit prevailing situations and up-to-date. The systems are designed to be transparent, explicit, 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 forms 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 the 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.

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

#### The significant credit risk factors are as follows:

#### 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 2010 Relative to 31 December 2009 Could be Categorized into Business Types as Follows:

(Unit: Million Baht)

Type of Business	Outstanding 2010	Percent	2009	
Agricultural and mining	10,997	1.80	2,638	0.91
Manufacturing and commercial	98,014	16.05	16,772	5.79
Real estate and construction	53,048	8.69	16,289	5.62
Public utilities and service	66,576	10.90	16,184	5.59
Personal consuming				
Housing loans	77,902	12.75	7,241	2.50
Securities	2,683	0.44	1,252	0.43
Hire-purchase	239,943	39.28	211,564	73.05
Others	61,614	10.09	17,683	6.11
Total loans and accrued interest receivables	610,777	100.00	289,623	100.00

The overall credit data as of 31 December 2010 revealed that TCAP and its subsidiaries' lending on hire purchase business accounted for 39.28 percent of total loans. Nonetheless, most of these hire purchase loans were provided to retail customers whose credit line was relatively small, and with a large number of customers, such risk therefore was well diversified. This hire purchase lending has been transacted through TBANK since 2005.

## 1.2 Risks From Non-Performing Loans

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

## Composition of the Non-Performing Loans as at 31 December 2010 Compared with Those of 31 December 2009 was as Follows:

(Unit: Million Baht)

Type of Business	201	10	2009		
Type of business	Outstanding	Percent	Outstanding	Percent	
Substandard	6,947	17.46	1,801	14.72	
Doubtful	14,423	36.25	2,549	20.83	
Doubtful of loss	18,417	46.29	7,889	64.46	
Total	39,787	100.00	12,239	100.00	

TCAP and its subsidiaries' non-performing loans increased from 12,329 million baht as of 31 December 2009 to 39,787 million baht as of 31 December 2010 due to the purchase of Siam City Bank's shares.

From the credit overview, the non-performing loans were accountable for 6.51 percent of total loans and interest receivables, increasing from 4.23 percent in December 2009. They could be classified by type of business, as follows:

## Non-Performing Loans Classified by Type of Business

(Unit: Million Baht)

Type of Business	20	10	2009		
Type of Busiliess	Outstanding	Percent	Outstanding	Percent	
Agricultural and mining	432	1.09	38	0.31	
Manufacturing and commercial	15,283	38.41	1,403	11.46	
Real estate and construction	5,051	12.70	1,447	11.82	
Public utilities and service	6,364	16.00	519	4.24	
Personal consuming					
Housing loans	2,980	7.49	753	6.15	
Securities	1,339	3.37	316	2.58	
Hire-purchase	4,403	11.07	5,213	42.59	
Others	3,935	9.89	2,550	20.84	
Total non-performing loans	39,787	100.00	12,239	100.00	

As of 31 December 2010, 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)

	2010	2009	Change
Non-performing loans (NPLs)	38,244	11,630	26,614
Loans not fully covered by collateral	20,555	8,110	12,445
Provision for loan loss	20,809	8,291	12,518
Loans not fully covered by collateral after loan loss provision	(254)	(181)	(73)
General provision for loan loss	707	387	320

#### Troubled Debt Restructuring

(Unit: Million Baht)

	2010	2009
Number of debtors (persons)	20,534	11,008
Outstanding principal and accrued interest receivables	29,756	7,135
Loans not fully covered by collateral	12,459	2,579
Revaluation allowance for debt restructuring	464	98
Total loans and accrued interest receivables	610,777	289,623
Restructured debts to total loans (percent)	4.87	2.46

The risk on debt restructuring arises from the reentry 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 2010, the outstanding principal and the accrued interest receivables of the restructured debt amounted to 29,756 million baht or 4.87 percent of total loans and accrued interest receivables. The net restructured debt (less collateral) amounted to approximately 12,459 million baht.

#### 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 from that collateral. The assessment result is one of the important factors applied in the risk classification of each credit exposure. In this regard, the collateral, both in the form of immovable and movable whose value could be appraised, is subject to appraisal or valuation complying with the BOT's regulation. TCAP's and its subsidiaries' significant types of collateral are deposits and bills of exchange, marketable equity securities, non-listed equity securities, commercial immovable property, immovable property for housing, vehicles, machinery, etc. TCAP and its subsidiaries have determined guidelines, standards and frequency of appraisal and valuation of each type of collateral. Furthermore, a report of the appraisal and valuation is made which includes clear and sufficient data and analysis to determine the price. In the case that it cannot be specified whether the collateral price has decreased or declined over time, the impairment of the asset must be considered by an official.

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

#### 1.4 Risk From Impairment of the Property Foreclosed

As of 31 December 2010, TCAP and its subsidiaries' net amount of property foreclosed at accounting cost value (after the allowance for impairment) totaled to 11,970 million baht, or 1.36 percent of the total assets with the allowance for impairment stood at 3,783 million baht, which accounted for 24.01 percent of the accounting cost value.

TCAP and its subsidiaries have entered into agreements to-buy-or-sell 1,832 million baht, 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 its subsidiaries.

As of 31 December 2010, TCAP and its subsidiaries' obligations in forms of avals and guarantees for loans amounted to 28,338 million baht, or 3.21 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 and capital of TCAP and its subsidiaries. The market risk can be segmented into three categories including price risk, interest rate risk and exchange rate risk. At this juncture, TCAP and its subsidiaries' policies are to control and manage these risks to remain at an appropriate level and in line with TCAP and its subsidiaries' policy on risk management.

#### 2.1 Price Risk

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

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

As of 31 December 2010, TCAP and Its Subsidiaries' Trading Investments and Available-for-Sale Securities Classified by Type of Investment were as Follows:

(Unit: Million Baht)

		(Onit. Mittion De		
	Fair	Value		
	2010	2009		
Current investments	·	,		
Trading investments				
Government and state enterprise securities	325	917		
Private debt securities	31	759		
Foreign debt securities	3,023	-		
Domestic marketable equity securities	87	6		
Available-for-sale invesments				
Government and state securities	31,144	24,553		
Private debt securities	4,168	1,387		
Foreign debt securities	908	336		
Domestic marketable equity securities	253	132		
Total current investment	39,939	28,090		
Long-term investments				
Available-for-sale invesments				
Government and state enterprise securities	21,460	20,864		
Private debt securities	5,849	7,222		
Foreign debt securities	12,012	5,667		
Domestic marketable equity securities	8,884	5,775		
Total long-term investments	48,205	39,528		
Total investment in trading and available-for-sale securities	88,144	67,618		

Due to TBANK's purchase of SCIB shares in the past year, the value of Trading and Available-for-sale Investment of the Company and its subsidiaries has increased. As a result, the price risk of TCAP and its subsidiaries is 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's shareholders, the Company has developed the Interest Rate Gap Analysis Model as a tool for measuring interest rate risk by assessing the impact that may arise from the mismatch of the repricing periods of assets, liabilities, and obligations at different time intervals, which is used for risk measurement every month. In order to ensure that the risk of TCAP and its subsidiaries' business operations is within an acceptable limit, they have also established an acceptable risk ceiling and an early warning risk level, taking into account the structure of assets, liabilities, and obligations as well as interest rate repricing which are expected to take place in each period of TCAP and its subsidiaries' business plan. The Asset and Liability Management Committee (ALCO) is responsible for monitoring and controlling such risk very closely. To effectively design appropriate measures to accommodate the risks, the Committee has to monitor economic conditions, developments in the money market and capital market, and the interest rate trend which could become important risk factors to the Company's rate-sensitive items.

Details of Financial Assets and Liabilities as of 31 December 2010, 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 Rep	ricing or Du	ıe Date	
iteriis	At Calll	0-3 months	3-12 months	1-5 years	Over 5 years	No Interest	Total
Financial assets							
Cash	-	-	-	-	-	15,298	15,298
Interbank and money market items	1,323	76,912	501	-	-	6,496	85,232
Investments	7,613	26,774	27,217	47,320	22,999	12,678	144,601
Loans	262,936	48,148	40,785	198,504	59,126	345	609,844
Receivables from clearing house	-	-	-	-	-	391	391
Receivables from purchase and sale							
securities and derivatives	-	-	-	-	-	2,007	2,007
Total financial assets	271,872	151,834	68,503	245,824	82,125	37,215	857,373
Financial liabilities							
Deposits	185,156	193,903	125,714	21,688	-	5,921	532,382
Interbank and money market items	14,381	19,710	3,076	1,406	-	1,972	40,545
Liabilities payable on Demand	-	-	-	-	-	3,127	3,127
Borrowings	3,997	109,246	36,234	35,185	33	22	184,717
Payables to clearing house	-	-	-	-	-	98	98
Payables from purchase and sale							
securities and derivatives	-	-	-	-	-	4,054	4,054
Total financial liabilities	203,534	322,859	165,024	58,279	33	15,194	764,923

#### 2.3 Exchange Rate Risk

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

Most transactions relation to exchange controls are due to the service of TBANK which is one of TCAP's 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

As of 31 December 2010, TCAP and its subsidiaries faced with relatively low exchange rate risk as most of the assets in foreign currencies have been hedged by forward

#### 3. Liquidity Risk

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

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

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

#### **Funds Classified by Source**

(Unit: Million Baht)

	2010	Percent	2009	Percent
Borrowings and deposits		•		
From public	532,382	70.27	265,871	69.22
From financial institutions	33,251	4.39	15,737	4.10
From foreign entities	7,294	0.96	5,202	1.35
Bills of exchange and promissory notes	139,534	18.42	68,600	17.86
Debentures	44,949	5.93	28,705	7.47
Energy conservation fund	234	0.03	-	-
Total	757,644	100.00	384,115	100.00

## **Funds Classified by Maturity**

(Unit: Million Baht)

	2010	Percent	2009	Percent
Less than 1 year	681,949	90.01	316,141	82.30
More than 1 year	75,695	9.99	67,974	17.70
Total	757,644	100.00	384,115	100.00

As of 31 December 2010, deposits and borrowings of TCAP and its subsidiaries amounted to 757,644 million baht, where sources of funds were mostly from public deposits with the maturity less than one year. This is considered a common structure of the financial institutions. Nevertheless, TCAP and its subsidiaries also issued bills of exchange and debentures in order to increase the saving alternatives for their customers.

The Financial Assets and Liabilities as of 31 December 2010 Classified by Maturity Date Were as Follows:

(Unit: Million Baht)

		The Maturity	Date of Financ	ial Instrumer	nt
Items	All Call	Less Than 1 Yea	r More Than 1 Year	Not Specified	Total
Financial asssets					
Cash	15,298	-	-	-	15,298
Interbank and money market items	7,429	77,682	121	-	85,232
Investments	1,773	51,949	83,986	6,893	144,601
Loans	65,207	183,423	361,214	-	609,844
Receivables from clearing house	-	391	-	-	391
Receivables from purchase and sale securities					
and derivatives	-	2,007	-	-	2,007
Total of financial assets	89,707	315,452	445,321	6,893	857,373
Financial liabilities					
Deposits	188,545	318,006	25,831	-	532,382
Interbank and money market items	16,162	22,917	1,466	-	40,545
Liabilities payable on demand	3,127	-	-	-	3,127
Borrowings	11	136,308	44,904	3,494	184,717
Payable to clearing house	-	98	-	-	98
Payables from purchase and sale securities					
and derivatives	-	4,054	-	-	4,054
Total financial liabilities	207,845	481,383	72,201	3,494	764,923
Off-balance sheet items					
Avals to bills and guarantees of loans	367	642	67	-	1,076
Obligation under unmatured import bills	156	415	-	-	571
Letter of credits	156	2,280	20	-	2,456
Other commitments	56,106	89,086	53,761	1,948	200,901
Total off-balance sheets	56,785	92,423	53,848	1,948	205,004

## 4. Operational Risk

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

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

- Regarding the organization of the Company's structure, TCAP and its subsidiaries have specified the roles, the scope of duties and responsibilities for each position, based on a system of check and balance. The Front Office where all the transactions take place is separated from the Middle Office, comprised of the Risk Control 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 that may arise.
- Put operational procedures and regulations related to all types of transaction, staff manuals as well as the authority ranks for approval in writings as a guideline to set the same standards for all internal operations within the organization.

- Establish the Audit Committee and the Risk Management Committee to control, monitor and assess the risks of TCAP and its subsidiaries. The Committees are responsible for examining and correcting the pitfalls in order to create soundness and efficiency in the Company's operation.
- Improve the management of the information technology system and information security system in order to enhance its potential to accommodate business expansion and gain credibility from the customers in the aspect of data and technology. A particular focus is given to the prevention of damages from unauthorized access to the Company's information.
- Formulate the Business Continuity Plan which consists of an emergency plan, a plan for backup systems, and a business recovery plan to prevent disruption in business operation. In addition, the drills are essential to test for the readiness and to consistently improve the plans for its effective implementation.

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

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

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

#### 5. Strategic Risk

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

#### 6. Regulatory Risk

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

In 2010, most changes in regulations and requirements from the related authorities have concentrated on the improvement of measures to promote corporate governance of financial institutions, more efficient risk management and improved consumer protection. These measures therefore posed no significant impact on the strategies and business operation of the Company and its subsidiaries. And throughout, TCAP and its subsidiaries have constantly improved and developed the internal operation system as well as customer service standard. This has also been an important mission for the Company and its subsidiaries that the business operation has to also comply with authorities' rules and regulations.

## Corporate 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 quidelines on corporate governance since 2003. The Board also conducts an annual review on corporate governance policies and the reporting process on business compliance with corporate governance principles of the Company, at least once per annum. The business ethics as well as codes of conduct for directors, executives, and staff have been improved in order to establish a framework for all personnel in the Company.

TCAP has established corporate governance policy as well as business ethics and codes of conduct for directors, executives, and staff. The policy can be easily accessed via the Company's website "www.thanachart.co.th" and Thanachart Group's intranet system which is intended to be channels for communicating with staff of the Group at every level, 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. This is for stimulating staff to acknowledge working principles of various business units in accordance with the good corporate governance which begins with designing 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, inner power program, and morality strengthening program. In 2010, there was 2,560 staff at all level across the country attending training courses.

## **TCAP's Business Conducts According to Good Corporate Governance Principles in 2010 Include:**

## **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, and participation in shareholder's meeting in order to honor their voting rights equitably and independently.

## 1.2 Shareholders' Meeting

In 2010, TCAP held the Annual General Meeting of Shareholders on Wednesday, 7 April 2010. The meeting was conducted according to laws, regulations, and corporate governance guidelines as follows:

#### Prior to The Shareholders' Meeting

• The Company published the Notice of Shareholders' meeting as well as related documents in both Thai and English, including meeting agendas and complete details of each agenda which were sufficient for shareholders' decision making before the meeting. The aforementioned information was available via various channels as the followings: Online through the Resolutions of the Board Stock Exchange of of Directors' meeting regarding

#### Thailand System

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)

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

#### Delivered by Mail

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

#### 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 prior to the meeting day for 1 month, from 15 September 2009 until 15 October 2009, which had to be in Thai and English in order to accommodate both Thai and foreign shareholders. In addition, rules, procedures, and channels for raising such issues were available on the Company's website and the results will be informed at the shareholders' meeting.
- The proxy statement was delivered with the meeting notice and also published on the Company's website, in case of the need of shareholders to request a proxy to attend the meeting on their behalf.
- TCAP proposed two Independent Directors and Chief Executive Officer with their curriculum vitae as well as stakes of each director in the meeting notice to provide the shareholders alternatives for the appointment of proxy.

#### The Day of Annual General Meeting of Shareholders 2010

• TCAP arranged various facilities, such as venue, reception staff, barcode system for registration as well as printed ballot papers for each meeting agenda item, for shareholders' convenience during the registration.

Moreover, the shareholder could also register in advance within 2 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 auestions.
- There were 410 shareholders and 879 shareholder's proxies attending 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 the 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. Also, during the agenda of appointing directors, TCAP opened to vote for each director one by one. 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 2010 Annual General Meeting of Shareholders was 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 7 April 2010, and the drafted minutes were published on 21 April 2010).

#### 1.3 Controlling Measures on the Use of Internal Data

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

- An appropriate oversight on the internal data maintenance system is required for all business units within the Company.
- In compliance with the Securities and Exchange Commission (SEC) Regulations, executives in manager position, the next four positions below the manager, and the highest ranking position in the accounting department are required to report their holdings of the Company's shares on a quarterly basis. Moreover, any trading transactions of aforementioned shares have to be reported to the SEC within 3 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. This is indicated in Thanachart Group's ethics.
- According to the Company's notification on securities trading supervision and abusive internal data control, Directors and executives are prohibited from engaging in any trading the Company's shares 15 days before the end of each quarter until two days after the disclosure of the financial statement.
- The use of internal data for the individual interest is considered as a policy misconduct and will be subject to the penalty according to judgment of the Disciplinary Committee.

#### 1.4 Controlling Measures on Conflict of Interests

TCAP has established documented policies and approval procedures on related transactions to be fully disclosed to all related parties. The Company has also established controlling 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 subject 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 2010, 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 2010, Thanachart focuses on enhancing knowledge and competencies as well as necessary working skills for each position at every staff level in order to increase employee's working

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

The "Go Together" project is a special project the Chief Executive Officer moved to be organized, aiming to strengthen the unity of the organization under the Thanachart vision "Synergy" with a total of 22 conferences in 2010. Conferences were organized in each region of the country. Each conference aimed at communicating policies and the direction of strategies from the central Thanachart Group so as all staff may understand the Group's strategic direction. The Chief Executive Officer as well as high-level executives of TBANK paid visits to all the hubs nationwide to meet with managers and staff of the network branches in order to exchange views on business operations with an emphasis on adjusting strategies regarding competitiveness in each region. This is to ensure the Group is truly operating business for customers in each competitive region, to help enhance unity and cooperation among staff within the organization and to stimulate enthusiasm and a true understanding of the business, a driving force in the success of Thanachart Group. The project is still being organized in 2011 under the Grow Together scheme notified and known throughout the organization as "Unified Strengths." The vision was realized from the collaboration of Thanachart Bank, Siam City Bank, and Scotiabank.

#### Customers

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

#### Participation Mechanism of Stakeholders

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

customer's needs to improve Thanachart Group's service, increasing consumer or stakeholder's satisfaction.

#### Trading Partners and Lenders

Thanachart Group has established explicit policies and practices on purchasing and outsourcing for the purpose of fairness, transparency, and verifiability of all related parties as well as the rules on approval authority of package purchasing and rental.

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

#### Competitors

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

#### Society and Environment

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

#### **Public Sector**

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

## 3. Information Disclosure and **Transparency**

TCAP's Board of Directors is responsible for the financial statements of the Company. In this regard, it has assigned the Audit Committee to ensure that the financial reports and internal control system of the Company are accurate and valid in accordance with the accounting standards in Thailand. 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. 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"
- 5. Press. Media. and Other medias
- 6. Analyst meetings
- 7. Company visits/One-on-one meetings
- 8. Roadshows
- 9. Notifications by mail

In 2010, the TCAP's senior management and Investor Relations 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 Capital Market Supervisory Board No. Thor Chor 28/2008, Re: Application for and Approval of Offer for Sale of Newly Issued Shares, dated 15 December 2008 and the BOT's notification, Re: Governance of Financial Institutions, dated 9 July 2009.

#### Independent Director:

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

- 1. Holding shares not more than 0.5 percent of total number of shares with voting rights of the Company, subsidiary company, associated company, major shareholder or controlling person, including shares held by persons related to such independent director.
- 2. Is not now and never has been an executive director, employee, staff, advisor who receives salary, or a controlling person of the Company, subsidiary company, associated company, major shareholder or controlling person, unless the foregoing status has ended not less than 2 years prior to the appointment date. This restriction does not include cases in which the independent director used to be a government official or advisor of a government unit which is a major shareholder or controlling person of the Company.
- 3. Not being a person related by blood or registration under laws such as father, mother, spouse, sibling and child, including spouse of children, executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling person of the Company or its subsidiary company.
- 4. Does not have and never had a business relationship with the Company, subsidiary company, associated company or major shareholder or controlling person that may have a conflict of interest that obstructs the independent opinion. As well, any independent director is not now and never have been a significant shareholder, controlling person of any person having a business relationship with the Company, subsidiary company, associated company, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the appointment date.
- 5. Is not now and never has been an auditor of the Company, subsidiary company, associated company, major shareholder or controlling person. Not being a significant shareholder, controlling person or partner of an audit firm which employs auditors of the Company, subsidiary company, associated company, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the appointment date.
- 6. Is not now and never has been a professional service provider, including a legal advisor or a financial advisor who receives service fees of more than 2 million baht per year from the Company, subsidiary company, associated company, major shareholder or controlling person. Not being a significant shareholder, controlling person or partner of the professional service provider, unless the foregoing relationship has ended not less than 2 years prior to the appointment date.

- 7. Not being a director appointed as a representative of any director of the Company, any major shareholder or a shareholder related to the major shareholders.
- 8. Not operating any business that is of the same status and in competition with the Company or subsidiary company. Nor being a significant partner of a Partnership or an executive director, employee, staff or advisor who receives a salary or holds more than 1 percent of total number of shares with voting rights of any other company which operates business in the same status and in competition with the Company or subsidiary company.
- 9. Not having any prohibited characteristic that undermines independence in carrying out the duties in the Company's operations.

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

## Directors Involved in Management or Directors Who are Executives

1. Directors involved in management of the Company in accordance with the Notification of the Capital Market Supervisory Board No. Thor Chor 28/2008, Re: Application for and Approval of Offer for sale of Newly Issued Shares, dated 15 December 2008, including any additional amendments or announced substitution means any

director who holds an executive position, or any director who is in charge of any actions deemed to be taken by executive, and including any authorized director with full signatory authority except the case where it can be demonstrated that such authorized director signs on transactions which have been approved by the Board of Directors and jointly with other directors.

#### 2. Executive Director is defined as:

- 1) Director with a responsibility in the position of manager, deputy manager, assistant manager or equivalence.
- 2) Director with a responsibility in the operation or involve in business management as executive, including a party in executive committee.
- 3) Director with full signatory authority, except for the case when can be demonstrated that it is the authorized signatories according to the list that the Board of Directors already approved and it is the joint authorized signatories with other directors.

According to the BOT's Notification No. Sor Nor Sor 13/2009, Re: Governance of Financial Institutions on 9 July 2009, the number of Independent Directors and Non-Executive Directors of TCAP is currently accounted for 67 percent of the total number of Board of Directors. The constituent of the Company's Board of Directors as of 31 December 2010 was the following:

No.	Na	me	Position	Executive Director	Non-Executive Director	Independent Director
1.	Mr. Banterng	Tantivit	Chairman	-	$\checkmark$	-
2.	Mr. Suphadej	Poonpipat	Vice Chairman	$\checkmark$	-	-
3.	Mr. Somjate	Moosirilert	Director	✓	-	-
4.	Mr. Phimol	Rattapat	Director	-	$\checkmark$	-
5.	Mr. Somkiat	Sukdheva	Director	-	-	✓
6.	Mrs. Siripen	Sitasuwan	Director	-	-	$\checkmark$
7.	Mrs. Puntip	Surathin	Director	-	-	$\checkmark$
8.	Ms. Suvarnapha	Suvarnaprathip	Director	$\checkmark$	-	-
9.	Mr. Taweesak	Saksirilarp	Director	$\checkmark$	-	-

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

#### **Tenure of Directorship**

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

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

Director who retires due to this reason can be reelected 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 organization without restricting to only specific groups of shareholders and other stakeholders. The Board specifies the policy for appropriate management process and ensuring the placement of an evaluation system. 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 considers the strategies proposed by the management and makes approval on important issues related to the Company's direction and policies for the best interest of the Company and its shareholders. The Board also makes approval on business plans, budgets, and operational goals proposed by the management.
- 3. The Board makes regulations on business ethics and the Company's code of conduct for directors, executives, and staff.
- 4. The Board monitors the performance of the Company's operations and the progress achieved in relation to the established objectives as well as the compliance with the related laws, regulations, and policies.

- 5. The Board ensures that management has proper ability in managing the Company's business affair. This includes the appointment of the qualified person to be an authorized management.
- 6. The Board ensures that the Company has the effective internal control system and efficient internal audit.
- 7. The Board ensures that important information is disseminated systematically, so as the Board may receive sufficient information from the management to carry out roles and responsibilities.
- 8. The Board ensures a balance of power between the management and/or major shareholders and also proportional to the independent directors as well.
- 9. The Board appoints other sub-committees to help oversee the management system to be in compliance with policy as appropriate and necessary to the Company.
- 10. The Board approves the roles of the various sub-committees, including changes in operations of the appointed sub-committees.

#### 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 dayto-day business management.

## Assumption of Directorship in Other Companies by Directors and Senior Executives

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

#### **Sub-Committees**

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

## **Executive Committee**

As of 31 December 2010, 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 Saksirilarn Member of the Executive Committee Tuangthong Mr. Panupan Secretary of the Executive Committee

## 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 the internal organization, such as organizational restructuring, human resource management, and administration.
- 3. The Committee may delegate its duties management-related authority which is within its power.
- 4. 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 the Audit Committee with qualifications in line with the requirements established by the Capital Market Supervisory Board, the SET, and the BOT. The Audit Committee serves as an important mechanism in facilitating good corporate governance by the Board ensuring appropriate management standards and transparency, appropriate internal controls, credibility and objectivity of reporting systems which are of benefit to investors and all parties concerned. The Audit Committee works and fulfills its duties independently and reports directly to the Board of Directors. The establishment of the scope of duties and responsibilities of the Committee is in line with the guidelines and standard established by the Capital Market Supervisory Board, the SET, and the BOT. Details of the Audit Committee's duties and responsibilities are put in writing and received the approval from 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. Moreover, the Internal Audit Group reports directly to the Audit Committee

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 2010, the Committee consisted of 3 independent directors with at least 2 directors who have knowledge, understandings, or experiences in the field of accounting or finance. The members of the Audit Committee were as follows:

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

Note: Directors who have knowledge, understandings, or experiences in the field of accounting or finance are Mrs. Siripen Sitasuwan and Mrs. Puntip 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 coordinates with the external auditor and the executives responsible for preparing quarterly and annual financial statements.
- 2. To review internal control systems, internal audits, and corporate governance, ensuring that they are appropriate and efficient. In reviewing them, the Audit Committee works with the external auditor, the internal auditor, and the regulating authorities.
- 3. To review TCAP's risk management, ensuring that it is adequate and in line with TCAP's policy as well as the guidelines given by the BOT.
- 4. To review evidences from internal investigation when there is an observation or inference that there might be fraud, irregularities or substantial loopholes in TCAP's internal control systems and to report them to TCAP's Board of Directors for further consideration.
- 5. To review related party transactions as well as transactions which may lead to a conflict of interest, ensuring that they are right and complete.
- 6. To review the Company's business operations, ensuring that they are in compliance with regulations, laws, and other related requirements.
- 7. To consider the audit reports and recommendations presented by the external auditor and internal auditor and to monitor the implementation of the recommendations.
- 8. To select and propose for appointment an independent person to be the Company's external auditor and also to consider the audit fees. The Committee must have a least 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 emplovees.
- 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 with tenure equal to the Board of Directors. As of 31 December 2010, 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. Puntip Surathin Member of the Nomination Committee Mr. Panupan Tuangthong Secretary of the Nomination Committee

## 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 the Shareholders' meeting, depending on the case.
- 6. To select and nominate the name of persons appropriate to be appointed as a member of various subcommittees, managing director or authorized persons in management and proposed to the Company's Board of Directors for assessment.
- 7. To prepare succession plan of the position of managing directors and authorized persons in management.
- 8. To disclose policies and details related to nominating procedure in the Annual Report.
- 9. Report performance results to the Company's Board of Directors.

## The Company determines the Nomination Policy which can be summarized as follows:

#### Nomination Guidelines

- 1. Select candidates within the Company, assessing from knowledge, competency, and skills appropriate for the position by:
- 1.1 Promoting a person within the Company who has the knowledge, competency and experience appropriate for the position.
- 1.2 Transferring a person who has high potential, can learn new things, and adjust quickly to create a versatile personnel with quality job performance from a company within the Group.
- 2. Select external candidates, focusing on persons from financial institutions or financial field with experience appropriate for the position.

#### Policy

In the selection of directors, members of subcommittees, and executives with the knowledge and competency appropriate for the Company, the names are presented to the Board of Directors for consideration to appoint and/or for the Board of Directors to present to the Shareholders Meeting for approval in the case of a vacancy due to end of tenure or other cases, the Nomination Policy is as follows:

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

- 2. Select and nominate persons with the appropriate qualifications who are strictly not against the law or official regulations.
- 3. Select and nominate persons who have appropriate knowledge, competency, and experience in accordance with the Company's mission and vision for that position.
- 4. Select and nominate persons who do not have a conflict of interest with the Company.
- 5. Incorporate and annual performance evaluation of directors, members of sub-committees, and executives.

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

#### **Remuneration Committee**

TCAP's Board of Directors approved the establishment of the Remuneration Committee on 28 March 2002. As of 31 December 2010, the committee consisted of 3 Independent Directors. The tenure of the Committee's members is the same as the tenure 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. Puntip Surathin Member of the Remuneration Committee Mr. Thaneit Khantikaroon Secretary of the Remuneration Committee

Note: The Board of Directors Meeting No. 3/2010 had a resolution to change the Secretary of the Remuneration Committee from Mr. Panupan Tuangthong to Mr. Thaneit Khantikaroon, effective as from 24 February 2010.

## 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 to propose to the Board of Directors and submit the policy to the BOT if requested.
- 2. To establish an appropriate structure of remuneration packages, taking into account their duties and responsibilities of Directors, the Chief Executive Officer, or authorized person with management power.

- 3. To establish the performance evaluation for Directors, the Chief Executive Officer, or authorized person with management power.
- 4. To consider the annual remuneration for Directors, the Chief Executive Officer, or authorized person with management power.
- 5. To ensure that the remuneration of Directors, the Chief Executive Officer, or authorized person with management power are appropriate, taking into account their duties and responsibilities.
- 6. To annually review a structure and criteria of remuneration packages for Directors, the Chief Executive Officer, or authorized person with management power to be currently used properly.
- 7. To consider for offering the new securities or warrants to buy the Company's shares to Directors and employees in order to motivate their performance and retain the high caliber staffs.
- 8. To disclose the policy, package, and criteria of remuneration in the Company's Annual Report.
- 9. To report the Committee's performance to the Company's Board of Directors.

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

#### Remuneration Evaluation Process Guidelines

- 1. The remuneration of the directors, members of sub-committees, chief executive officer, and executives must be in line with the scope of duties and responsibilities, and sufficient enough to attract, retain, and motivate, while also corresponding to performance.
- 2. The remuneration of the directors, members of sub-committees, chief executive officer, and executives must go through a process and procedure that is transparent, in compliance with corporate governance and open to examination.

#### Policy

- 1. Determine regulations for remuneration and fringe benefits of the directors, members of sub-committees, chief executive officer, and executives by:
- 1.1 Comparing with companies in peer or similar industry.
- 1.2 Being in compliance with company performance, appointed duties and annual performance evaluation.
  - 1.3 Being at a level that is fair to shareholders.
- 1.4 Being under framework, criteria, and regulation of the authority concerned.
  - 2. In the evaluation of the directors, members of

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

#### **Executive Committee for Risk Management**

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

## Roles and Responsibilities of the Executive Committee for Risk Management

- 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.
- 6. To regularly report to the Audit Committee regarding improvements in operations, ensuring that they adhere to the established policy and strategies.

## **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 sub-committees to carry out the following duties:

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

#### **Executives**

As of 1 January 2011, TCAP's executives who were at the level of manager and the first four persons in the management level below the manager according to the guidelines of the SEC included the followings:

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

Note: Mr. Suphadej Poonpipat was appointed as CEO, effective as from 22 October 2010. Mr. Somjate Moosirilert was appointed as Senior Executive Vice President, effective as from 22 October 2010

## **Company Secretary**

Mr. Panupan Tuangthong has been appointed as Company Secretary since 1 June 2009. The Company has also assigned the Company Secretary Office to be responsible for looking after corporate secretarial work, ensuring the more effective management and compliance with the principles of good corporate governance.

#### Roles 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 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
- 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 takes place every month during the last week of each month. In addition, the Board may hold special meetings as it deems necessary. The agendas for the meeting are clearly determined in advance. The list consists 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 would have adequate time to study the information before they attend the meetings. Each meeting takes about 3 hours. In 2010, the Board of Directors had 14 meetings in total.

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

## Directors' Attendance at Meetings Held in 2010

No.	Nai	me	Board Of Directors (14 Meetings)	Audit Committee (14 Meetings)	Nomination Committee (4 Meetings)	Remuneration Committee (3 Meetings)	Executive Committee (13 Meetings)
1.	Mr. Banterng	Tantivit	14	-	-	-	-
2.	Mr. Suphadej	Poonpipat	14	-	-	-	13
3.	Mr. Somjate	Moosirilert	14	-	-	-	13
4.	Mr. Phimol	Rattapat	14	-	-	-	-
5.	Mr. Somkiat	Sukdheva	13	13	4	3	-
6.	Mrs. Siripen	Sitasuwan	13	14	4	3	-
7.	Mrs. Puntip	Surathin	14	14	4	3	-
8.	Ms. Suvarnapha	Suvarnaprathip	13	-	-	-	10
9.	Mr. Taweesak	Saksirilarp	14	-	-	-	13

#### 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 the 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 exofficio member of the Executive Committee.

## 3. Procedure for appointing the Audit Committee

The Nomination Committee may search for and screen 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 in compliance with the guidelines of the authorities. The Committee is fully independent to perform their duties and has a direct reporting line to the Board of Directors.

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

The Nomination Committee shall nominate at least 3 independent directors or non-executive directors with appropriate qualifications, and propose to the Board of Directors for appointing as members of the Nomination Committee and the Remuneration Committee. The Committees shall have authorities and responsibilities as stipulated in the Charter of the Nomination Committee and the Remuneration Committee in line with the official guidelines.

#### **Development of Directors and Executives**

Each Director of TCAP has attended at least 1 training course organized by the Thai Institute of Directors Association (IOD). In 2010, there was 1 Director attending the IOD training course:

> Mrs. Siripen Sitasuwan Chairperson of the Audit Committee, Member of the Nomination, and Member of the Remuneration Committee Certificate: Audit Committee Program (ACP), Class 32/2010

#### **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 2010, overall Board of Directors' performance was graded "Very Good" with 4.59 points out of 5 points, an increase from 4.54 points in 2009

#### **Succession Plan**

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

#### The Orientation for Newly Appointed Directors and Executives

When the composition of the directors has been changed or there is 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.

#### **Director and Executive Remuneration Policy**

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

The Company determines the remuneration of its directors, members of sub-committees, chief executive officer, and executives by comparing it with the remuneration of directors in the same or similar industry. The remuneration of directors has to be appropriate with the Company's annual performance and the remuneration is considered along with duties, roles, and scope of responsibilities of each director which in line with the annual performance evaluation. The remuneration payment has to be fair to the shareholders and in accordance with the frameworks, standards, and regulations of the official guidelines. In evaluating the Directors, members of the Board, sub-committees, chief executive officer and executives assess duties, responsibilities and associated risk. Importance must also be given to added value of shareholders in the long

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

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

The remuneration of the executives will be paid in line with the policy and benchmarks that are linked to the performance of 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 is 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 2010, the company paid 21,273,382.18 baht 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 2009), which could be summarized as follows:

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

No.	List Of Dire	ectors	MonthlyTypes Of I	Ren <b>Merethag</b> ion (Bah Stipends	t <b>Perføeara</b> nce Allowance	Total
1			oompensation ,	o dipendo ,	71110111111100	1
1.	Mr. Banterng	Tantivit	900,000.00	560,000.00	2,443,272.39	3,903,272.39
2.	Mr. Suphadej	Poonpipat	450,000.00	280,000.00	1,221,636.20	1,951,636.20
3.	Mr. Somjate	Moosirilert	450,000.00	280,000.00	1,020,819.29	1,750,819.29
4.	Mr. Phimol	Rattapat	450,000.00	280,000.00	1,221,636.20	1,951,636.20
5.	Mr. Somkiat	Sukdheva	450,000.00	260,000.00	1,221,636.20	1,931,636.20
6.	Mrs. Siripen	Sitasuwan	450,000.00	260,000.00	1,221,636.20	1,931,636.20
7.	Mrs. Puntip	Surathin	450,000.00	280,000.00	736,328.67	1,466,328.67
8.	Ms. Suvarnapha	Suvarnaprathip	450,000.00	260,000.00	1,221,636.20	1,931,636.20
9.	Mr. Taweesak	Saksirilarp	450,000.00	280,000.00	1,221,636.20	1,951,636.20
Dire	edvorsmesigned in 20	<b>1019</b> uengtaweekul	0.00	0.00	401,633.82	401,633.82
2.	Mr. Sommart	Poonpakdee	0.00	0.00	110,449.30	110,449.30
3.	Rear Admiral Vitura	Sangsingkeo	0.00	0.00	97,061.51	97,061.51
	Total		4,500,000.00	2,740,000.00	12,139,382.18	19,379,382.18

#### Note:

According to the resolution adopted at 2010 Annual General Meeting of Shareholders held on 7 April 2010, the shareholders approved to authorize the Company's directors to adjust monthly compensation paid to the Company's directors by increasing monthly compensation paid to Chairman of the Board and directors by 8,000 baht per month and 4,000 baht per month respectively. The shareholders also approved to pay performance allowance to the Company's directors who were in the position in 2009.

As a result, any director who resigned before the date of the payment of the performance allowance was also entitled to the allowance. Such directors were the following:

1. Mr. Anuwat Luengtaweekul 2 Mr Sommart Poonpakdee

resigned from his directorship on 30 April 2009. passed away on 2 February 2009.

3. Rear Admiral Vitura Sangsingkeo

resigned from his directorship on 29 January 2009.

2) The remuneration made to the Audit Committee in terms of meeting stipends amounted to 1,575,000 baht.

			Types Of	f Remuneration (Baht Per	Year)
No.	¦ List Of [	Directors	Monthly Compensation	Meeting Stipends	Total
1.	Mrs. Siripen	Sitasuwan	480,000.00	165,000.00	645,000.00
2.	Mr. Somkiat	Sukdheva	360,000.00	100,000.00	460,000.00
3.	Mrs. Puntip	Surathin	360,000.00	110,000.00	470,000.00
	Total		1,200,000.00	375,000.00	1,575,000.00

Note:

The Company's Board of Directors Meeting No. 3/2010 on 24 February 2010 had a resolution to adjust the meeting stipend of the Audit Committee as follows: Chairman of the Audit Committee 15,000 baht per session and Members of the Audit Committee 10,000 baht per session.

3) The remuneration made to the Nomination Committee in terms of meeting stipends amounted to 200,000 baht.

No.		Name	Amount (Baht Per Year)
1.	Mr. Somkiat	Sukdheva	90,000.00
2.	Mrs. Siripen	Sitasuwan	55,000.00
3.	Mrs. Puntip	Surathin	55,000.00
	Total		200,000.00

Note:

The Company's Board of Directors Meeting No. 3/2010 on 24 February 2010 had a resolution to adjust the meeting stipend of the Nomination Committee as follows: Chairman of the Nomination Committee 25,000 baht per session and Members of the Nomination Committee 15,000 baht per session.

4) The remuneration made to the Remuneration Committee in terms of meeting stipends amounted to 125,000 baht.

No.		Name	Amount (Baht Per Year)
1.	Mr. Somkiat	Sukdheva	55,000.00
2.	Mrs. Siripen	Sitasuwan	35,000.00
3.	Mrs. Puntip	Surathin	35,000.00
	Total		125,000.00

Note:

The Company's Board of Directors Meeting No. 3/2010 on 24 February 2010 had a resolution to adjust the meeting stipend of the Remuneration Committee as follows: Chairman of the Remuneration Committee 25,000 baht per session and Members of the Remuneration Committee 15,000 baht per session.

- 5) There was no payment made to the Executive Committee.
- 6) The remuneration paid to 6 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 63,688,275 These payments did not include payment to the executive working in the Company Accounting Group.
- 7) The remuneration paid to directors and executives of subsidiary companies which are the main businesses.

TBANK as a main business of TCAP made payments to the directors and executives for performing their duties in 2010 as follows:

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

	!		Т	ypes Of Remunerati	on (Baht Per Year)	
No.	List Of Dir	; M	onthly pensation	Meeting Stipends	Performance Allowance	Total
1.	Mr. Banterng	Tantivit	677,250.00	579,700.00	1,600,078.93	2,857,028.93
2.	Mr. Suphadej	Poonpipat	338,775.00	287,100.00	800,039.48	1,425,914.48
3.	Mrs. Michele	Kwok	338,775.00	265,700.00	800,039.48	1,404,514.48
4.	Mr. Kiettisak	Meecharoen	338,775.00	268,200.00	800,039.48	1,407,014.48
5.	Mr. Narong	Chivangkur	338,775.00	265,700.00	800,039.48	1,404,514.48
6.	Mr. Sathaporn	Jinachitra	338,775.00	287,100.00	800,039.48	1,425,914.48
7.	Assoc.Prof.Dr. Son	njai Phagaphasvivathana	338,775.00	265,700.00	600,029.61	1,204,504.61
8.	Ms. Suvarnapha	Suvarnaprathip	338,775.00	268,200.00	800,039.48	1,407,014.48
9.	Mr. Brendan	King	338,775.00	265,700.00	800,039.48	1,404,514.48
10.	Mr. Somjate	Moosirilert	338,775.00	287,100.00	133,339.91	759,214.91
11.	Mr. Kobsak	Duangdee	338,775.00	244,300.00	600,029.61	1,183,104.61
12.	Mr. Martin	Weeks	338,775.00	201,500.00	-	540,275.00
Dire	ctors resigned in	2009				
1.	Mr. Suvit	Arunanondchai	-	-	66,669.96	66,669.96
2.	Mr. Vichit	Yarnamorn	-	-	66,669.96	66,669.96
	Total	-	4,403,775.00	3,486,000.00	8,667,094.34	16,556,869.34

## Note:

The performance allowance approved at the 2010 Annual General Meeting of Shareholders was for the director who held their directorship in 2009. As a result, any director who resigned before the date of the payment of the performance allowance was also entitled to the allowance. Such directors were the following:

1. Mr. Suvit Arunanondchai resigned from his directorship of TBANK on 23 February 2009. 2. Mr. Vichit Yarnamorn resigned from his directorship of TBANK on 23 February 2009.

7.2) The total payments made to the Audit Committee in the form of meeting stipends amounted to 1,141,900.00 baht

		Types C	of Remuneration (Baht Per	Year)
No.	List Of Directors  Month	ly Compensation	Meeting Stipends	Total
1.	Mr. Narong Chivangkur	164,700.00	420,000.00	584,700.00
2.	Mr. Sathaporn Jinachitra	82,350.00	210,000.00	292,350.00
3.	Assoc.Prof.Dr. Somjai Phagaphasvivat	nana 82,350.00	182,500.00	264,850.00
	Total	329,400.00	812,500.00	1,141,900.00

7.3] The total payments made to the Nomination and Remuneration Committee in the form of meeting stipends amounted to 355,000.00 baht

No.		Name	Amount (Baht Per Year)
1.	Mr. Somkiat	Sukdheva	175,000.00
2.	Mr. Sathaporn	Jinachitra	105,000.00
3.	Mrs. Michele	Kwok	75,000.00
	Total		355,000.00

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

7.5) In relation to the remuneration of TBANK's executives, based on the guidance of the SEC, there were 25 persons in total who were considered executives in the position of manager and the 1st 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 143,697,250 baht

7.6) With regard to the remuneration of the Independent Director of the subsidiaries, there was one Independent Director who assumes the directorship in Thanachart Life Assurance Company Limited and received the compensation amounted to 180,000 baht in

## B) Remuneration other than cash payments

- None -

## Report of the Nomination Committee

The Board of Directors of Thanachart Capital Public Company Limited approved the establishment of the Nomination Committee in 2002. The Committee consists of three independent directors whose names are as follows:

1.	Mr. Somkiat	Sukdheva	Chairmar
2.	Mrs. Siripen	Sitasuwan	Member
3.	Mrs. Puntip	Surathin	Member

The Nomination Committee members have carried out their duties in cautious and careful manner, selecting and nominating persons with knowledge, competency, experience, and versatility, abiding with the law and not against any legal or official announcements. The Nomination Committee proposes and nominates names to be appointed as directors and chief executive officer. It also oversees the Committee to have the appropriate number and structure for corporate governance, in compliance with the Charter of the Nomination Committee and Nomination Policy as announced by the Board of Directors. In 2010, the Nomination Committee held 4 meetings to process the following important

- 1. To determine a nomination policy that covers guidelines for assessing nomination and Nomination Policy to present to the Board of Directors for approval in order to announce the Nomination Policy in a written statement acknowledged by all directors, executives, and staff.
- 2. To select and nominate names of qualified persons to be appointed as directors replacing directors retiring by rotation proposing to the Company's Board of Directors to propose for appointment at the Annual Shareholders Meeting 2011.
- 3. To select and nominate names of qualified persons to be appointed as chief executive officer of the Company and chief executive officer and president of Thanachart Bank.
- 4. To review the regulations, procedures, and means for giving shareholders the opportunity to nominate a person for appointment as a director.

The Nomination Policy and details of the nomination procedure have been specified in this annual report.

(Mr. Somkiat Sukdheva)

Tand of one

Chairman of the Nomination Committee

## Report of the Remuneration Committee

The Board of Directors of Thanachart Capital Public Company Limited approved the establishment of the Remuneration Committee in 2002. The Committee consists of three independent directors whose names are as follows:

1.	Mr. Somkiat	Sukdheva	Chairmai
2.	Mrs. Siripen	Sitasuwan	Member
3.	Mrs. Puntip	Surathin	Member

The Remuneration Committee members have carried out their duties in cautious and careful manner, reviewing the remuneration packages for the directors, members of sub-committees, and chief executive officer as appropriate with duties and responsibilities and in comparison to industry peers. The Committee also proposes to organize an evaluation of the overall Board of Directors' performance and an evaluation of the chief executive officer's performance, in compliance with the Charter of the Remuneration Committee and Remuneration Policy as announced by the Board of Directors. In 2010, the Remuneration Committee held 3 meetings to process the following important matters:

- 1. To determine a Remuneration Policy that covers guidelines for assessing remuneration and Remuneration Policy to present to the Board of Directors for approval in order to announce the Remuneration Policy in a written statement acknowledged by all directors, executives, and staff.
- 2. To review and adjust the remuneration packages for directors and members of sub-committees, taking into account the responsibilities and industry peers.
- 3. To evaluate the performance and pay the annum remuneration to the chief executive officer.

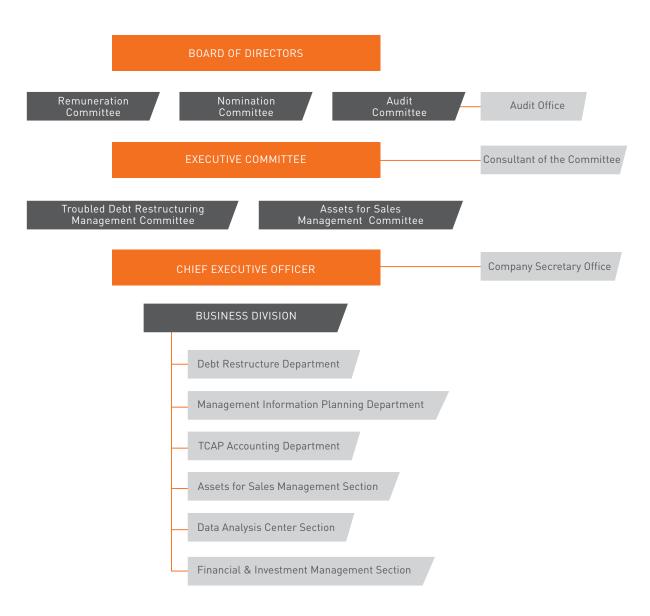
The Remuneration Policy and details of the remuneration procedure have been specified in this annual report.

(Mr. Somkiat Sukdheva) Chairman of the Nomination Committee

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# Supervision and Management Structures

Thanachart Capital Public Company Limited



Information as at 1 January 2011

# Board of Directors and Executives Management of the Company

## The Board of Directors

#### Mr. Banterng Tantivit

Chairman (Non-Executive Director)

Age	66 years
Education(s)	<ul> <li>Master of Science (Finance) in Management, Massachusetts Institute of Technology, USA</li> </ul>
	<ul> <li>Bachelor of Science in Electrical Engineering, Massachusetts Institute of Technology, USA</li> </ul>
Directorship and Executive Training	Certificate, Director Accreditation Program (DAP), Class 25/2004
Program(s)	Thai Institute of Directors Association
Experience(s) in the past 5 years	
2010 - Present	Chairman, Siam City Bank Public Company Limited
2006 - Present	Vice Chairman, Thanachart Insurance Company Limited
	Director, Siam Piwat Holding Company Limited
2005 - Present	<ul> <li>Chairman, Thanachart Life Assurance Company Limited</li> </ul>
2003 - Present	<ul> <li>Chairman, MBK Resort Public Company Limited</li> </ul>
	Director, Siam Piwat Company Limited
	Director, B.V. Holding Company Limited
	Chairman, Plan Estate Company Limited
2002 - Present	Chairman, Thanachart Bank Public Company Limited
2001 - Present	Advisor, Dusit Thani Public Company Limited
1000 5	Advisor, Pathum Rice Mill & Granary Public Company Limited
1989 - Present	Chairman and Chairman of the Executive Committee,  MDK Bubble Commonwell in the december of the Executive Committee,  MDK Dubble Commonwell in the december of the Executive Committee,  MDK Dubble Commonwell in the december of the Executive Committee,  MDK Dubble Commonwell in the Executive Committee (In the Executive Commonwell Commonwel
1987 - Present	MBK Public Company Limited  • Director, Deebuk Company Limited
1707 - Flesellt	Director, Thai Farming Company Limited
2006 - 2010	Director, Arsom Silp Institution of the Arts Council
Family relationship with management	None
Shareholding in TCAP	0.1545 % (2,060,000 Shares)
Shareholding in TOAF	0.1343 70 (2,000,000 3HdF85)

### Mr. Suphadej Poonpipat

Vice Chairman, Chairman of the Executive Committee, and Chief Executive Officer (Executive Director)

Age	60 years
Education(s)	Master of Science, University of Wisconsin, USA     Bachelor of Business Administration and Accounting, Chulalongkorn University
Directorship and Executive Training Program(s)	<ul> <li>Certificate, Director Accreditation Program (DAP), Class 8/2004</li> <li>Thai Institute of Directors Association</li> </ul>
Experience(s) in the past 5 years 2010 - Present 2007 - Present	<ul> <li>Vice Chairman, Siam City Bank Public Company Limited</li> <li>Director, Royal Orchid Hotel (Thailand) Public Company Limited</li> <li>Director, Thai Royal Orchid Real Estate Company Limited</li> </ul>
2006 - Present 2005 - Present	<ul> <li>Director, Siam Piwat Holding Company Limited</li> <li>Vice Chairman and Chairman of the Executive Committee, Thanachart Bank Public Company Limited</li> <li>Director and Chairman of the Executive Committee,</li> </ul>
2003 - Present	Thanachart Insurance Company Limited  Director, MBK Resort Public Company Limited  Director and Chairman of the Executive Committee, Thanachart Life Assurance Company Limited  Director, Plan Estate Company Limited
2000 – Present 1992 – Present	<ul> <li>Director, Siam Piwat Company Limited</li> <li>Vice Chairman, Member of the Compensation and Nomination Committee, and Vice Chairman of the Executive Committee, MBK Public Company Limited</li> <li>Advisor, Pathum Rice Mill &amp; Granary Public Company Limited</li> <li>Director, Advance Info Service Public Company Limited</li> </ul>
Family relationship with management	None
Shareholding in TCAP	None

Mr. Suphadej Poonpipat has been appointed as Chief Executive Officer of Thanachart Capital Public Company Limited since 22 October 2010. Note:

### Mrs. Siripen Sitasuwan

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

Age	62 years
Education(s)	<ul> <li>Master of Business Administration, Wichita State University, Kansas, USA</li> <li>Bachelor of Art (Commerce), Chulalongkorn University</li> </ul>
Directorship and Executive Training Program(s)	<ul> <li>Certificate, Audit Committee Program (ACP), Class 32/2010         Thai Institute of Directors Association     </li> <li>Certificate, Role of The Compensation Committee (RCC), Class 4/2007         Thai Institute of Directors Association     </li> <li>Certificate, Director Certification Program (DCP), Class 33/2003         Thai Institute of Directors Association     </li> </ul>
Experience(s) in the past 5 years 2008 - Present 2000 - 2007 1999 - 2007	<ul> <li>Chairperson, Seamico Asset Management Company Limited</li> <li>Director, Shin Satellite Public Company Limited</li> <li>Director, Thanachart Insurance Company Limited</li> <li>President, Shin Corporation Public Company Limited</li> <li>Director, Advance Info Service Public Company Limited</li> </ul>
Family relationship with management	None
Shareholding in TCAP	None

### Mr. Somkiat Sukdheva

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

Age	66 years
Education(s)	<ul> <li>Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>Bachelor of Economics, Thammasart University</li> </ul>
Directorship and Executive Training Program(s)	<ul> <li>Senior Executive Program (SEP) Sloan School MIT (USA)</li> <li>Certificate, Successful Formulation &amp; Execution of Strategy (SFE), Class 3/2009         Thai Institute of Directors Association</li> <li>CG Workshop: Board and Director Performance Evaluation 2008         Thai Institute of Directors Association</li> <li>Special Seminar: IT Governance: A Strategic Path Forward 1/2008         Thai Institute of Directors Association</li> <li>Certificate, Role of The Compensation Committee (RCC), Class 6/2008         Thai Institute of Directors Association</li> <li>Certificate, Director Certification Program (DCP), Class 40/2004         Thai Institute of Directors Association</li> <li>Certificate, Finance for Non-Finance Director (FND), Class 8/2004         Thai Institute of Directors Association</li> <li>Certificate, Audit Committee Program (ACP), Class 3/2004         Thai Institute of Directors Association</li> <li>Certificate, Director Accreditation Program (DAP), Class 6/2003         Thai Institute of Directors Association</li> </ul>
Experience(s) in the past 5 years 2003 – Present 2000 – Present 2006 – 2009 2003 – 2006 2002 - 2008	<ul> <li>Chairman, Korvac (Thailand) Company Limited</li> <li>Partner, P.T. and S Car Care Partnership Limited</li> <li>Chairman, Thai Mart Land Company Limited (Currently named as Thai Mart Land Retail Group Company Limited)</li> <li>Director, GPO-Merieux Biological Company Limited</li> <li>Director, Chairman of the Audit Committee, and Executive Director, Siam City Bank Public Company Limited</li> </ul>
Family relationship with management	None
Shareholding in TCAP	None

### Mrs. Puntip Surathin

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

Age	62 years
Education(s)	<ul> <li>Master of Business Administration, Fort Hays Kansas State College, USA</li> <li>Bachelor of Art (Accounting), Second Class Honor, Chulalongkorn University</li> </ul>
Directorship and Executive Training Program(s)	<ul> <li>Certificate, Audit Committee Program (ACP), Class 27/2009         Thai Institute of Directors Association     </li> <li>Certificate, Director Certification Program (DCP), Class 5/2001         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	
2010 - Present	<ul> <li>Advisor to the Board of Directors, TRIS Corporation Limited</li> <li>Advisor to the Board of Directors, TRIS Rating Limited</li> <li>Advisor to the Board of Directors, Thailand Convention &amp; Exhibition Bureau (Public Organization)</li> </ul>
2009 - Present	<ul> <li>Director and Member of the Audit Committee, YLG Bullion</li> <li>&amp; Futures Company Limited</li> </ul>
2008 - Present	Director and Member of the Audit Committee, IRPC Public Company Limited
2007 - Present	Executive Director, The Fiscal Policy Research Institute Foundation
2007 – 2008	<ul> <li>Chairperson, Dhanarak Asset Development Company Limited</li> <li>Director General, The Treasury Department</li> </ul>
2006 – 2008	• Director and Member of Nomination Committee, PTT Public Company Limited
2005 – 2007	<ul> <li>Director, Bangkok Insurance Company Limited</li> <li>Deputy Permanent Secretary, Ministry of Finance</li> </ul>
2003 – 2008	Director, Siam Commercial Bank Public Company Limited
2003 – 2007	Director, Erawan Hotel Public Company Limited
2002 - 2005	Vice President, The State Enterprise Policy Office
2000 - 2003	Director, TMB Bank Public Company Limited
Family relationship with management	None
Shareholding in TCAP	None

### Mr. Phimol Rattapat

### Director (Non-Executive Director)

Age	75 years
Education(s)	<ul> <li>Barrister at Law, Barrister Association of Thailand</li> <li>Bachelor of Law, Thammasat University</li> </ul>
Directorship and Executive Training Program(s)	<ul> <li>Certificate, Director Accreditation Program (DAP), Class 2/2003         Thai Institute of Directors Association     </li> <li>Certificate, Finance for Non-Finance Director (FND), Class 3/2003         Thai Institute of Directors Association     </li> <li>Certificate, 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 2004 - Present 2002 - Present 1996 - Present 2008 2004 - 2007 2002 - 2007	<ul> <li>Legal Advisor, Thanachart Bank Public Company Limited</li> <li>Chairman, NL Development Public Company Limited</li> <li>Director and Member of the Audit Committee,         President Bakery Public Company Limited</li> <li>Legal Advisor, Advance Info Service Public Company Limited</li> <li>Chairman of the Advisory Committee, Ministry of Education</li> <li>Chairman, Office of The Attorney General</li> <li>Legal Advisor, Thanachart Capital Public Company Limited</li> </ul>
Family relationship with management	None
Shareholding in TCAP	None

### Ms. Suvarnapha Suvarnaprathip

Vice Chairperson of the Executive Committee (Executive Director)

(=,	
Age	65 years
Education(s)	Bachelor of Economics, Monash University, Australia
Directorship and Executive Training Program(s)	<ul> <li>Commercial Lending Training Program Banker Trust, USA</li> <li>Certificate, Director Accreditation Program (DAP), Class 20/2004 Thai Institute of Directors Association</li> </ul>
Experience(s) in the past 5 years 2010 – Present	Director and Vice Chairperson of the Executive Committee,
2005 - Present	Siam City Bank Public Company Limited  • Director and Member of Executive Committee, Thanachart Life Assurance Company Limited
2002 - Present	Director and Vice Chairperson of the Executive Committee,     Thanachart Bank Public Company Limited
1991 - Present	Director, Seacon Development Public Company Limited
Family relationship with management	None
Shareholding in TCAP	None

### Mr. Somjate Moosirilert

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

Age	54 years
Education(s)	Master of Management , Sasin Graduate Institute of Business Administration of Chulalongkorn University     Bachelor of Business Administration, Thammasat University
Directorship and Executive Training Program(s)	<ul> <li>Certificate, Role of The Chairman Program (RCP), Class 5/2001         Thai Institute of Directors Association     </li> <li>Certificate in Senior Executive Program, Capital Market Academy (Class 5)</li> <li>Certificate, The Program of Senior Executives on Justice Administration, Class 9 Judicial Training Institute</li> </ul>
Experience(s) in the past 5 years 2010 - Present	<ul> <li>Chairman and Chairman of the Executive Committee,         Siam City Life Assurance Company Limited</li> <li>Chairman, Siam City Asset Management Company Limited</li> <li>Director and Chairman of the Executive Committee,         Thanachart Fund Management Company Limited</li> <li>Chairman, Siam City Securities Company Limited</li> <li>Director and Chairman of the Executive Committee,         Siam City Bank Public Company Limited</li> <li>Director and Member of the Executive Committee,         Thanachart Insurance Company Limited</li> </ul>
2009 - Present	<ul> <li>Advisor, Association of Securities Companies Director,</li> <li>Director, Member of the Executive Committee, and Chief Executive Officer &amp; President, Thanachart Bank Public Company Limited</li> <li>Vice Chairman, The Stock Exchange of Thailand</li> <li>Chairman, Thanachart Securities Public Company Limited</li> <li>Director, Thai Capital Market Development Committee</li> </ul>
2010	<ul> <li>Chairman, Thanachart Fund Management Company Limited</li> <li>Director, Thanachart Life Assurance Company Limited</li> </ul>
2009 – 2010 2002 - 2008 2002	<ul> <li>Director, TSFC Securities Public Company Limited</li> <li>Managing Director, Thai Asset Management Corporation</li> <li>Director and Acting President, The Government Housing Bank</li> </ul>
Family relationship with management	None
Shareholding in TCAP	None

Note: Mr. Somjate Moosirilert has been appointed as Senior Executive Vice President of Thanachart Capital Public Company Limited since 22 October 2010.

### Mr. Taweesak Saksirilarp

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

Age	56 years
Education(s)	<ul> <li>Master of Business Administration,         National Institution of Development Administration     </li> <li>Bachelor of Economics, Thammasat University</li> </ul>
Directorship and Executive Training Program(s)	<ul> <li>Certificate, Director Certification Program (DCP), Class 94/2007</li> <li>Thai Institute of Directors Association</li> </ul>
Experience(s) in the past 5 years 2010 – Present 2009 – Present 2007 – Present 2003 – Present 2000 – Present 2005 – 2007 2005 2004 - 2005	<ul> <li>Executive, SMEs Business Groups, Siam City Bank Public Company Limited</li> <li>Director, Fuel Pipeline Transportation Limited</li> <li>Chairman, Max Asset Management Company Limited</li> <li>Investment Committee, NASSET Property Fund 6</li> <li>Chairman and Chairman of the Executive Committee, NFS Asset Management Company Limited</li> <li>Executive Vice President, Thanachart Bank Public Company Limited</li> <li>Executive Vice President, Thanachart Capital Public Company Limited</li> <li>Senior Vice President, Debt Restructuring Division, National Finance Public Company Limited (Currently named as Thanachart Capital Public Company Limited)</li> </ul>
Family relationship with management	None
Shareholding in TCAP	None

### **Executives**

### Mr. Watchara Permphithak

Senior Vice President, Business Division

Age	49 years
Education(s)	<ul> <li>Master of Business Administration,         National Institution of Development Administration     </li> <li>Bachelor of Engineering (Electrical), Kasetsart University</li> </ul>
Directorship and Executive Training Program(s)	<ul> <li>Seminar Program "Coping with and Looking beyond the Global Crisis",</li> <li>The Bank of Thailand</li> </ul>
Experience(s) in the past 5 years 2007 – Present 2006 – Present 2006 – 2007 2005 – 2006	<ul> <li>Director, Max Asset Management Company Limited</li> <li>Investment Committee, NASSET Property Fund 6</li> <li>Director and Vice Chairman of Executive Committee, NFS Asset Management Company Limited</li> <li>Senior Vice President, Debt Restructuring Department, Thanachart Bank Public Company Limited</li> <li>Senior Manager, Credit Department, Head Office,</li> </ul>
2004 - 2005	Bank of Ayudhya Public Company Limited • First Vice President, Debt Restructuring Department, Thanachart Bank Public Company Limited
Family relationship with management	None
Shareholding in TCAP	None

### Ms. Rommanee Jenpinit

First Vice President, Management Information Planning Department

Age	50 years
Education(s)	Bachelor of Business Administration,     Sukhothai Thammathirat Open University
Directorship and Executive Training Program(s)	<ul> <li>Modern Banking Executive Development Program,</li> <li>The Thai Institute of Banking and Finance Association</li> </ul>
Experience(s) in the past 5 years 2001 - 2007	First Vice President, Office of Planning and Accounting System Development, Thanachart Capital Public Company Limited
Family relationship with management	None
Shareholding in TCAP	None

### Ms. Darawan Bunnumstien

### First Vice President, Debt Restructuring Department

First vice President, Debt Restructuring Department	
Age	49 years
Education(s)	Bachelor of Political Science, Thammasart University
Directorship and Executive Training Program(s)	<ul> <li>Seminar Program "Coping with and Looking beyond the Global Crisis", The Bank of Thailand</li> <li>Managing the Recovery Program, The Bank of Thailand</li> <li>Debt Restructuring to Successful Program, The Bank of Thailand</li> </ul>
Experience(s) in the past 5 years 2007 - Present 2005 - Present 2003 - Present 2004 - 2005	<ul> <li>Director, Max Assets Management Company Limited</li> <li>Director, NFS Assets Management Company Limited</li> <li>Investment Committee, NASSET Property Fund 6</li> <li>First Vice President, Office of Corporate Debt Restructuring National Finance Public Company Limited (Currently named as Thanachart Capital Public Company Limited)</li> <li>First Vice President, Debt Restructuring Department 3, NFS Assets Management Company Limited</li> </ul>
Family relationship with management	None
Shareholding in TCAP	0.000006% (800 Shares)

### Mrs. Thanawan Chaisithikarnkha

Vice President, Accounting Department

Age	45 years
Education(s)	<ul> <li>Bachelor of Business (Accounting), Ramkhamhaeng University</li> <li>MINI MBA, Chulalongkorn University</li> </ul>
Directorship and Executive Training Program(s)	<ul> <li>Young Banker's Executive Development Program YOBEX,         Thai Institute of Banking and Finance Association</li> <li>Step to "Year 2011 IFRS", Federation of Accounting Professions</li> <li>CFO Professional Program, NIDA Business School /         The Stock Exchange of Thailand / Market for Alternative Investment (MAI)         and The Federation of Thai Industries</li> </ul>
Experience(s) in the past 5 years 2010-Present	Director, Siam City Life Assurance Company Limited
Family relationship with management	None
Shareholding in TCAP	None

### Report on Changes in Shareholding of the Company's Directors and Executives in 2009 to 2010

(Information as at 31 December 2010)

No.	N	ame	Position	Number of Share(s) Held as at 31 December 2010	Number of Share(s) Held as at 31 December 2009	Increase (Decrease)	Percentage of Shareholding (%)
1.	Mr. Banterng	Tantivit	Chairman (Non-Executive Director)	2,060,000	2,060,000	-	0.1545
2.	Mr. Suphadej	Poonpipat	Vice Chairman, Chairman of the Executive Committee, and CEO	-	-	-	-
3.	Mr. Somjate	Moosirilert	Member of the Executive Committee and Senior Executive Vice President	-	-	-	-
4.	Mr. Phimol	Rattapat	Director	-	-	-	-
5.	Mr. Somkiat	Sukdheva	Independent Director	-	-	-	-
6.	Mrs. Siripen	Sitasuwan	Independent Director	-	-	-	-
7.	Mrs. Puntip	Surathin	Independent Director	-	-	-	-
8.	Ms. Suvarnapha	Suvarnaprathip	Vice Chairperson of the Executive Committee	-	-	-	-
9.	Mr. Taweesak	Saksirilarp	Member of the Executive Committee and Executive Vice President	-	-	-	-
10.	Mr. Watchara	Permphithak	Senior Vice President, Business Division	-	-	-	-
11.	Ms. Rommanee	Jenpinit	First Vice President,  Management Information  Planning Department	-	-	-	-
12.	Ms. Darawan	Bunnumstien	First Vice President, Debt Restructuring Department	800	800	-	0.000006
13.	Mrs. Thanawan	Chaisithikarnkha	Vice President, Accounting Department	-	-	-	-

The Information of the Executives and Authorized Persons' Position in Subsidiary, Associated, and Related Companies

							Subsid	sidiary				∢	Associated							Rel	Related Companies	mpani	es					
2	Name	TCAP		2	က	4 5	5 6	7	∞	6	10	=======================================	12	13	14	15	16	17 1	18 1	19 20	0 21	22	23	24	25	26	27	28
Mr. Banterng	Tantivit	×	×		} <u>-</u>	×	×		×				///XXX	ž	×	×	 Š	×	×	×								
Mr. Suphadej	Poonpipat	XX///B	×			///X			×			   	X	×	×	×		 			×							
Mrs. Siripen	Sitasuwan	×																				×						
Mr. Somkiat	Sukdheva	×																					×					
Mrs.Puntip	Surathin		T	- 	     		 		 	÷	<del>-</del>	       	1		†	† ! !	 		ļ	<u> </u>	- - - - -	<u>-</u>	 	: ×	- -		† !	
Mr. Phimol	Rattapat	×			   		 !					       	1	 					ļ				  - 		ļ 	×	×	
Ms. Suvarnapha	Suvarnaprathip	//X	×	     	     	. ≥		: ! ! ! !	×	;       	;	       					 		     		 	 	 				 !	×
Mr. Somjate	Moosirilert	X/C	×/×	X/A XXX X///		×	¦	! ! !		XXX XXX ///XXX ///X	×	×	1						i   						ļ 			
Mr. Taweesak	Saksirilarp	X/D	1	·  !	1	! ! !	X	XXX ////XXX	Ш	<del></del>	<del></del>	       	1	 	†	1 1 1	 		<u> </u>		† 	<u> </u>	 	 	- 			
Mr. Watchara	Permphithak	ш	T ! ! ! L	+ !	     		   		 	<del>-</del> 1 1 1	<del>-</del>	       	1	 		     		 	     				 	 			   	
Ms. Rommanee	Jenpinit	Ð																			ļ			ļ	ļ			
Ms. Darawan	Bunnumstien	Ð					×	×			;·														ļ 			
Mrs. Thanawan	Chaisithikarnkha	; ; ;	 			; ; ;	ļ 		1		i	 	 				 		ļ				¦ 	¦ ¦				
Note:	XXX Chairman		XX Vice	XX Vice Chairman	nan			X Director	ctor				/// Ch	/// Chairman of the Ececutive Committee	ι of the	Ececuti	ve Com	mittee		// Vice	// Vice Chairman of the Ececutive Committee	ian of th	ле Есес	utive C	ommitt	9 8		
/ E	' Executive Committe		A CEO	A CEO & President	dent			B CEO	_				C Se	C Senior Executive Vice President	ecutive	Vice Pr	esident			D Exe	D Executive Vice President	ice Pres	sident					
Ш	E Executive		F Senic	F Senior Vice President	resider	¥		G Firs	G First Vice President	residen	+		H Vic	H Vice President	dent													

### List of Subsidiary, Associated, and Related Companies (Information as at 31 December 2010)

### **Subsidiary Companies**

Thanachart Bank Public Company Limited Thanachart Securities Public Company Limited Thanachart Fund Management Company Limited Thanachart Insurance Company Limited Thanachart Life Assurance Company Limited NFS Asset Management Company Limited

MAX Asset Management Company Limited Siam City Bank Public Company Limited Siam City Life Assurance Company Limited Siam City Asset Management Company Limited Siam City Securities Company Limited

### **Associated Company**

MBK Public Company Limited

### **Related Companies**

MBK Resort Public Company Limited Siam Piwat Holding Company Limited Siam Piwat Company Limited Plan Estate Company Limited Dee Buk Company Limited Thai Farming Company Limited B.V. Holding Company Limited Royal Orchid Hotel (Thailand) Public Company Limited Thai Royal Orchid Real Estate Company Limited

NL Development Public Company Limited President Bakery Public Company Limited Korvac (Thailand) Company Limited Seamico Asset Management Company Limited YLG Bullion & Futures Company Limited IRPC Public Company Limited Seacon Development Public Company Limited Fuel Pipeline Transportation Limited

# 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, 2010 which is in compliance with the generally accepted accounting principles and relevant rules and

Mr. Banterng Tantivit Chairman

Mr. Suphadej Poonpipat Chairman of the Executive Committee

## Report of the Audit Committee

The Company's Audit Committee consists of 3 committee members. Each member is an independent director, qualified in the field of accountancy and finance, and experienced with financial institutions and large organizations. The members are as follows:

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

The Audit Committee acts out the duties and responsibilities as assigned to it by the Board of Directors, and according with the regulations of the authorities, which are specified in the Board of Directors' charter.

In the performance of its duties, the Audit Committee is assisted by an internal audit office which reports directly to the Committee. The Committee is then free to function in correlation with the law and good governance so as to guard the Company's best interests and obtain information unconditionally.

In 2010, the Audit Committee received good cooperation from the Executives and associated employees, meeting with the auditors, internal auditors and management 14 times, 10 of which were regular meetings and 4 were extraordinary meetings, to be informed of and to consider the various issues, which are summarized as follows:

- 1. To evaluate each quarterly and annual financial report, the Committee conferred with the Auditors and the management for correct and complete financial reporting in accordance with the Generally Accepted Accounting Principle and participated in one meeting with the Auditors without the management present.
- 2. To ensure the Company has an efficient internal control system and efficient internal audit, the Committee conferred with internal auditors in strategizing and approving annual audit process plans with monitoring and evaluation each quarter.
- 3. In compliance with the law, the Committee closely monitored the enforcement of rules and regulations so as the Company may operate in accordance with the regulations of authorities such as the Securities and Exchange Commission, the Stock Exchange of Thailand and the Bank of Thailand, and also in accordance with Company regulations.
- 4. To manage risks, the Committee gave precedence to risk management, acknowledging the impact of the current economic situation, political climate and social issues on the Company's strategy in handling risk. The Committee ensured that the Company has a comprehensive risk management system that is substantial and sufficient.
- 5. To evaluate the performance of the Audit Committee, the Committee functioned in accordance with the charter and yielded good and appropriate results that helped achieve good corporate governance.
- 6. The Committee recommended Ernst & Young Co., Ltd. to continue on as internal auditing office the following year seeing that the office is a reliable and leading law firm in the country with a thorough understanding of the business and knowledgeable and experienced personnel, proposing to the Company's shareholders to employ the growth of Ernst & Young Co., Ltd. in the year 2011.

The Audit Committee reports the results of each meeting to the Board of Directors and participates in the Board of Directors' meetings so as to be informed of the operations in each department and other companies in Thanachart Group.

Finally, the Audit Committee has evaluated all aspects of the audit and has come to the conclusion that the Company's financial reporting of the financial budget is sufficient, correct, reliable and in accordance with the Generally Accepted Accounting Principle. Internal control systems are concise, sufficient and appropriate. The Company's comprehensive risk management strategy has its own administration responsible for overseeing and adjusting the system as appropriate to the situation. The Company operates strictly abiding by the laws and regulations of the authorities.

> (Mrs. 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 2010 and 2009, 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 2010 and 2009, the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited Bangkok: 21 February 2011

# Balance Sheets

### Thanachart Capital Public Company Limited and its subsidiaries

### Balance sheets

### As at 31 December 2010 and 2009

(Unit: Baht)

					(Unit: Baht)
			lidated statements	Sepa financial s	
	Note	2010	2009	2010	2009
Assets					
Cash		15,298,104,533	3,720,273,462	-	40,000
Interbank and money market items	7				
Domestic					
Interest bearing		78,264,089,282	53,198,935,262	46,380,197	6,671,661,369
Non-interest bearing		5,166,677,280	3,765,768,198	42,617,596	68,094,045
Foreign					
Interest bearing		345,125,503	7,571,684,915	-	-
Non-interest bearing		1,329,563,399	331,088,960	-	-
Total interbank and money market items	- net	85,105,455,464	64,867,477,335	88,997,793	6,739,755,414
Investments					
Current investments - net	8	52,362,209,690	34,927,223,547	2,108,125,083	10,765,759,094
Long-term investments - net	8	90,567,011,579	60,484,334,073	5,235,815,668	8,464,436,663
Investments in subsidiaries - net	9	-	-	30,964,679,289	13,243,048,879
Investments in an associated					
companies - net	10	2,238,700,963	1,701,081,590	657,994,071	657,994,072
Total investments - net		145,167,922,232	97,112,639,210	38,966,614,111	33,131,238,708
Receivables from clearing house		391,265,269	429,219,703	-	-
Loans and accrued interest receivables	11				
Loans		609,646,459,582	289,112,832,433	1,544,869,588	4,057,199,651
Accrued interest receivables		955,544,510	310,757,162	9,268,976	57,533
Total loans and accrued interest recei	vables	610,602,004,092	289,423,589,595	1,554,138,564	4,057,257,184
Less: Allowance for doubtful accounts	12	(27,494,509,085)	(10,435,922,132)	(505,432,311)	(588,013,363)
Less: Revaluation allowance for					
debt restructuring	13	[464,255,084]	(98,252,571)	(30,235)	(151,174)
Total loans and accrued interest receivab	les - net	582,643,239,923	278,889,414,892	1,048,676,018	3,469,092,647
Property foreclosed - net	15	11,969,514,938	6,524,474,610	2,056,335,655	2,161,600,774
Customers' liability under acceptance		72,156,072	-	-	-
Land, premises and equipment - net	16	9,111,000,559	2,423,022,732	123,520,583	209,667,425
Intangible assets - net	17	4,805,331,741	477,149,436	342,338	1,286,527
Leasehold right - net		466,904,434	476,491,249	64,262,656	212,270,335
Goodwill	2.6	16,619,947,047	44,274,108	-	-
Financial derivative assets		3,117,061,360	956,688,110	-	-
Receivables from purchase and sale secu	rities				
and derivatives		2,006,851,383	1,031,719,762	-	-
Accrued interest receivables		1,024,990,931	541,842,312	70,404,794	20,588,296
Other assets - net	18	4,114,774,723	2,470,573,355	42,587,266	65,263,906
Total assets		881,914,520,609	459,965,260,276	42,461,741,214	46,010,804,032

# Balance Sheets (Continued)

### Thanachart Capital Public Company Limited and its subsidiaries

Balance sheets (continued) As at 31 December 2010 and 2009

(Unit: Baht)

			lidated statements	Sepa financial s	
	Note	2010	2009	2010	2009
Liabilities and shareholders' equity					
Deposits	19				
Deposits in Baht		531,980,227,513	265,780,765,438	-	-
Deposits in foreign currencies		402,182,469	89,953,995	-	-
Total deposits		532,382,409,982	265,870,719,433	-	-
Interbank and money market items	20				
Domestic					
Interest bearing		31,323,535,637	15,305,723,563	491,892	540,375
Non-interest bearing		1,927,595,038	430,964,353	-	-
Foreign					
Interest bearing		7,249,485,725	5,193,820,752	-	-
Non-interest bearing		44,469,156	8,822,437	-	-
Total interbank and money market items	;	40,545,085,556	20,939,331,105	491,892	540,375
Liabilities payable on demand		3,126,944,626	2,111,811,444	-	-
Bank's liability under acceptance		72,156,072	-	-	-
Borrowings	21				
Short-term borrowings		136,318,737,983	74,928,699,414	1,500,000,000	6,500,000,000
Long-term borrowings		48,398,719,425	22,376,700,000	12,000,000,000	10,500,000,000
Total borrowings		184,717,457,408	97,305,399,414	13,500,000,000	17,000,000,000
Accrued interest payable		1,873,369,377	1,109,756,961	89,453,426	117,342,465
Corporate income tax payable		2,404,392,225	1,348,105,322	1,310,348	-
Payables to clearing house		98,469,786	95,690,201	-	-
Payables from purchase and sale securit	ties				
and derivatives		4,053,939,649	1,345,843,382	603,600,134	-
Financial derivatives liabilities		941,190,832	24,227,749	-	-
Accrued expenses		3,069,434,927	1,471,549,736	26,389,240	28,267,776
Unearned premium reserve		1,881,392,538	1,354,934,243	-	-
Life premium reserve		26,348,270,294	15,286,244,129	-	-
Provisions for contingent liabilities	22	781,452,640	43,927,044	11,143,249	17,233,249
Other liabilities	23	7,900,574,820	4,251,104,157	124,906,977	325,069,050
Total liabilities		810,196,540,732	412,558,644,320	14,357,295,266	17,488,452,915

# Balance Sheets (Continued)

### Thanachart Capital Public Company Limited and its subsidiaries

Balance sheets (continued) As at 31 December 2010 and 2009

(Unit: Baht)

		olidated statements	Sepa financial s	
Not	e 2010	2009	2010	2009
Shareholders' equity				
Share capital 24				
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	775,814,226	-	-
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 25	897,598,144	2,657,959,695	289,997,112	2,126,587,108
Revaluation deficit on investments 25	(203,382,200)	(499,108,900)	-	(5,767,831)
Retained earnings				
Appropriated - statutory reserve 26	1,120,419,676	979,538,466	1,120,419,676	979,538,466
- treasury stock reserve	387,500,975	387,500,975	387,500,975	387,500,975
Unappropriated	17,878,079,476	13,784,814,953	11,296,844,242	10,024,808,456
Total shareholders' equity before				
treasury stock and minority interest	36,479,675,388	33,710,164,506	28,491,946,923	28,909,852,092
Less: Treasury stock 24	(387,500,975)	(387,500,975)	(387,500,975)	(387,500,975)
Equity attributable to the Company's				
shareholders	36,092,174,413	33,322,663,531	28,104,445,948	28,522,351,117
Minority interest - equity attributable to minority				
shareholders of subsidiaries	35,625,805,464	14,083,952,425	-	-
Total shareholders' equity	71,717,979,877	47,406,615,956	28,104,445,948	28,522,351,117
Total liabilities and shareholders' equity	881,914,520,609	459,965,260,276	42,461,741,214	46,010,804,032
Off-balance sheet items - commitments 38.1				
Avals to bills and guarantees of loans	1,076,330,327	306,250,634		10,000,000
Obligation under unmatured import bills	570,914,444	87,557,302		10,000,000
Letter of credit	2,455,484,764	1,009,878,320		_
Other commitments	200,900,849,261	99,881,319,942	560,088	8,000,560,088
Other Committeents	200,700,047,201	/7,001,317,742	300,000	0,000,000,000

# Income Statements

### Thanachart Capital Public Company Limited and its subsidiaries

### Income statements

### For the years ended 31 December 2010 and 2009

(Unit: Baht)

Consolidated financial statements					(OTHE. Built)
Note         2010         2009         2010         2009           Interest and dividend income         Loans         14,683,624,655         4,146,082,509         50,812,207         73,923,677           Interbank and money market items         1,056,860,328         1,063,659,390         35,568,249         82,678,891           Hire purchase and financial leases         15,262,308,343         15,241,401,397         32,011,202         257,877,338           Investments         4,248,774,053         1,661,299,981         1,283,323,808         1,094,735,730           Total interest and dividend income         35,251,567,379         22,112,443,277         1,401,715,466         1,509,215,636					
Interest and dividend income         14,683,624,655         4,146,082,509         50,812,207         73,923,677           Interbank and money market items         1,056,860,328         1,063,659,390         35,568,249         82,678,891           Hire purchase and financial leases         15,262,308,343         15,241,401,397         32,011,202         257,877,338           Investments         4,248,774,053         1,661,299,981         1,283,323,808         1,094,735,730           Total interest and dividend income         35,251,567,379         22,112,443,277         1,401,715,466         1,509,215,636		financial s	tatements	financial s	tatements
Loans         14,683,624,655         4,146,082,509         50,812,207         73,923,677           Interbank and money market items         1,056,860,328         1,063,659,390         35,568,249         82,678,891           Hire purchase and financial leases         15,262,308,343         15,241,401,397         32,011,202         257,877,338           Investments         4,248,774,053         1,661,299,981         1,283,323,808         1,094,735,730           Total interest and dividend income         35,251,567,379         22,112,443,277         1,401,715,466         1,509,215,636	Note	2010	2009	2010	2009
Interbank and money market items         1,056,860,328         1,063,659,390         35,568,249         82,678,891           Hire purchase and financial leases         15,262,308,343         15,241,401,397         32,011,202         257,877,338           Investments         4,248,774,053         1,661,299,981         1,283,323,808         1,094,735,730           Total interest and dividend income         35,251,567,379         22,112,443,277         1,401,715,466         1,509,215,636	Interest and dividend income				
Hire purchase and financial leases         15,262,308,343         15,241,401,397         32,011,202         257,877,338           Investments         4,248,774,053         1,661,299,981         1,283,323,808         1,094,735,730           Total interest and dividend income         35,251,567,379         22,112,443,277         1,401,715,466         1,509,215,636	Loans	14,683,624,655	4,146,082,509	50,812,207	73,923,677
Investments         4,248,774,053         1,661,299,981         1,283,323,808         1,094,735,730           Total interest and dividend income         35,251,567,379         22,112,443,277         1,401,715,466         1,509,215,636	Interbank and money market items	1,056,860,328	1,063,659,390	35,568,249	82,678,891
Total interest and dividend income         35,251,567,379         22,112,443,277         1,401,715,466         1,509,215,636	Hire purchase and financial leases	15,262,308,343	15,241,401,397	32,011,202	257,877,338
	Investments	4,248,774,053	1,661,299,981	1,283,323,808	1,094,735,730
Telegradian and a second secon	Total interest and dividend income	35,251,567,379	22,112,443,277	1,401,715,466	1,509,215,636
Interest expenses	Interest expenses				
Deposits 5,952,893,183 4,863,002,497	Deposits	5,952,893,183	4,863,002,497	-	-
Interbank and money market items 512,126,543 119,972,167 13,699 15,455,055	Interbank and money market items	512,126,543	119,972,167	13,699	15,455,055
Short-term borrowings 1,503,310,117 1,106,931,883 96,503,575 207,613,598	Short-term borrowings	1,503,310,117	1,106,931,883	96,503,575	207,613,598
Long-term borrowings 2,115,161,772 802,150,241 604,974,652 215,431,509	Long-term borrowings	2,115,161,772	802,150,241	604,974,652	215,431,509
Total interest expenses         10,083,491,615         6,892,056,788         701,491,926         438,500,162	Total interest expenses	10,083,491,615	6,892,056,788	701,491,926	438,500,162
Net interest and dividend income         25,168,075,764         15,220,386,489         700,223,540         1,070,715,474	Net interest and dividend income	25,168,075,764	15,220,386,489	700,223,540	1,070,715,474
Reversal of bad debt and doubtful accounts	Reversal of bad debt and doubtful accounts				
(Bad debt and doubtful accounts) 28 [1,689,198,668] (2,795,999,902) 98,178,345 189,459,384	(Bad debt and doubtful accounts) 28	[1,689,198,668]	(2,795,999,902)	98,178,345	189,459,384
Loss on debt restructuring 29 (130,765,032) (53,273,798) (149,447) (294,161)	Loss on debt restructuring 29	(130,765,032)	(53,273,798)	(149,447)	(294,161)
Net interest and dividend income after	Net interest and dividend income after				
bad debt and doubtful accounts	bad debt and doubtful accounts				
and loss on debt restructuring         23,348,112,064         12,371,112,789         798,252,438         1,259,880,697	and loss on debt restructuring	23,348,112,064	12,371,112,789	798,252,438	1,259,880,697
Non-interest income	Non-interest income				
Brokerage fees 1,328,672,543 885,292,839	Brokerage fees	1,328,672,543	885,292,839	-	-
Gain on investments 2.3, 30 895,460,363 2,722,003,966 2,310,547,852 3,076,142,454	Gain on investments 2.3, 30	895,460,363	2,722,003,966	2,310,547,852	3,076,142,454
Share of income from investments in	Share of income from investments in				
associated companies accounted	associated companies accounted				
for under equity method 10 369,400,435 256,973,374 -	for under equity method 10	369,400,435	256,973,374	-	-
Fees and service income	Fees and service income				
Acceptances, aval and guarantees 228,347,882 40,710,681 138,356 202,800	Acceptances, aval and guarantees	228,347,882	40,710,681	138,356	202,800
Others 3,396,952,415 2,148,396,920 49,723,914 138,544,894	Others	3,396,952,415	2,148,396,920	49,723,914	138,544,894
Gain on exchange and financial derivatives 375,814,679 147,882,056 -	Gain on exchange and financial derivatives	375,814,679	147,882,056	-	-
Gain on property foreclosed and other assets <i>31</i> 679,721,235 311,629,162 413,174,122 31,400,484	Gain on property foreclosed and other assets 31	679,721,235	311,629,162	413,174,122	31,400,484
Gain on debt settlements/disposals 298,557,109 326,198,829 29,128,615 44,803,707	Gain on debt settlements/disposals	298,557,109	326,198,829	29,128,615	44,803,707
Insurance premium/Life insurance	Insurance premium/Life insurance				
premium income 11,185,217,797 14,465,286,937 -	premium income	11,185,217,797	14,465,286,937	-	-
Other income 1,420,636,854 1,005,883,319 374,806,654 507,258,177	Other income	1,420,636,854	1,005,883,319	374,806,654	507,258,177
Total non-interest income         20,178,781,312         22,310,258,083         3,177,519,513         3,798,352,516	Total non-interest income	20,178,781,312	22,310,258,083	3,177,519,513	3,798,352,516

# Income Statements (Continued)

### Thanachart Capital Public Company Limited and its subsidiaries

Income statements (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

			lidated tatements	Sepa financial s	
	Note	2010	2009	2010	2009
Non-interest expenses					
Personnel expenses		8,577,017,413	4,434,811,338	99,690,351	81,406,700
Premises and equipment expenses		3,346,162,322	1,778,856,791	105,735,985	132,487,812
Taxes and duties		634,921,409	234,197,458	4,738,999	10,334,387
Fees and service expenses		238,847,755	789,607,522	1,750,912	5,110,613
Directors' remuneration	32	65,945,231	42,111,535	21,079,382	19,096,440
Fund contributed to the Deposits					
Protection Agency		1,914,555,642	1,072,378,634	-	-
Insurance/Life insurance expenses		8,834,249,409	12,533,227,743	-	-
Other expenses		4,769,300,316	3,632,397,001	157,696,364	293,479,535
Total non-interest expenses		28,380,999,497	24,517,588,022	390,691,993	541,915,487
Income before corporate income tax		15,145,893,879	10,163,782,850	3,585,079,958	4,516,317,726
Corporate income tax	33	(4,843,449,810)	(2,988,865,257)	(767,455,767)	(989,127,479)
Net income for the year		10,302,444,069	7,174,917,593	2,817,624,191	3,527,190,247
Net income attributable to					
The Company		5,638,852,928	5,109,005,558	2,817,624,191	3,527,190,247
Minority interests of the subsidiaries		4,663,591,141	2,065,912,035	-	-
		10,302,444,069	7,174,917,593	2,817,624,191	3,527,190,247
Earnings per share	35				
Basic earnings per share	00				
Net income attributable to the Compa	anv	4.41	3.99	2.21	2.76
Diluted earnings per share	a y	4.41	5.77	2.21	2.70
Net income attributable to the Compa	any	4.41	3.99	2.21	2.76



# Statements of Changes in Shareholders' Equity

Thanachart Capital Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2010 and 2009

												Collic. Dalle)
					ວັ	Consolidated financial statements	ancial statem	ents				
				Equity att	ributable to th	Equity attributable to the Company's shareholders	hareholders					
	Issued ar share	Issued and paid-up share capital		Share premium of a	Amount by which the value of investment in	Revaluation	Retained e Appropriated	Retained earnings opriated	sbu	. <del>-</del> .	Minority interest - equity attributable to minority	
	Preference shares	Ordinary	Share premium	subsidiary s company	subsidiary is lower than attributable net book value	surplus (deficit)	Statutory reserve	Treasury stock reserve	Unappropriated	Treasury stock	shareholders	Total
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 a subsidiary company												
from disposal of investments	1	1	1	(365,849,327)	1	ı	1	1	1	1	1	(365,849,327)
Increase in revaluation surplus on investments	1	1	1	1	1	3,477,569,358	1	1	1	1	1	3,477,569,358
Income (expenses) recognised directly in equity	1	1	1	(365,849,327)	1	3,477,569,358	1	1	1	1	1	3,111,720,031
Net income for the year		1	1	1		1	1	1	5,109,005,558	1	2,065,912,035	7,174,917,593
Total income (expenses) for the year		1	1	(365,849,327)		3,477,569,358		1	5,109,005,558		2,065,912,035	10,286,637,624
Cash payment for treasury stock	1	1	1	1	1	1	1	1	1	(277,240,650)	1	(277,240,650)
Dividend paid (Note 24)	1	1	1	1	1	1	1	1	(1,213,938,218)	1	1	[1,213,938,218]
Reversal of dividend on shares held by shareholders												
who are not entitled to receive dividend	1	1	1	1	1	1	1	1	991,383	1	1	991,383
Transfer of retained earnings to statutory reserve (Note 26)	te 26] -	1	1	1	1	1	176,359,512	1	(176,359,512)	1	1	1
Transfer of retained earnings to treasury stock reserve	ı		1	1			1	277,240,650	(277,240,650)			
Increase in minority interest - equity attributable to												
minority shareholders of subsidiaries	1	1	1	1	1	1	1	1	ı	1	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
Balance as at 1 January 2010	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
Decrease in revaluation surplus on investments	1	1	1	1	1	(1,464,634,851)	1	1	1	1	1	(1,464,634,851)
Expenses recognised directly in equity	1	1	1	1	1	[1,464,634,851]	1	1	1	1	1	[1,464,634,851]
Net income for the year	-	1	1	1	1	1	1	1	5,638,852,928	1	4,663,591,141	10,302,444,069
Total income (expenses) for the year	1	ı	1	1	ı	[1,464,634,851]	1	ı	5,638,852,928	1	4,663,591,141	8,837,809,218
Dividend paid (Note 24)	1	ı	1	1	ı	1	1	ı	(1,405,612,673)	1	1	(1,405,612,673)
Reversal of dividend on shares held by shareholders												
who are not entitled to receive dividend	1	1	1	1	1	1	1	1	905,478	1	1	905,478
Transfer of retained earnings to statutory reserve (Note 26)	te 26] -	1	1	1	1	1	140,881,210	1	(140,881,210)	1	1	1
Increase in minority interest - equity attributable to minority shareholders of subsidiaries	1	1	1	1	1	1	1	1	1	1	16,878,261,898	16,878,261,898
Balance ac at 31 December 2010	158 540	13 331 381 770	2045 444 888	775 817, 224	224 440 173	497. 215. 977.	1 120 719 774	387 500 975	17 878 079 774	(387 500 975)	25 425 BN5 7.47	71 717 979 877
במימוויני מז מי כן בפיניוויני די יי	2000	20010010	2,000,14,000,12	244,110,011	270,4077	14,470	0.001.1	2000,100	2010,010,11	(500,1000,100)	1020,020,030	1101111111111

# Statements of Changes in Shareholders' Equity

Thanachart Capital Public Company Limited and its subsidiaries

For the years ended 31 December 2010 and 2009 Statements of changes in shareholders' equity

(Unit: Baht) 991,383 2,565,006,565 [1,830,822,165] [1,830,822,165] 905,478 28,104,445,948 6,092,196,812 (277,240,650) (1,213,938,218) 28 522 351 117 (1,405,612,673) 3,527,190,247 28.522.351.117 2,817,624,191 Total (277,240,650) **Treasury stock** (387,500,975) (387,500,975) (387,500,975) Unappropriated (140,881,210) 11,296,844,242 991,383 2,817,624,191 (1,405,612,673) (1,213,938,218) 905,478 ,527,190,247 3,527,190,247 (176,359,512) 10,024,808,456 2,817,624,191 277,240,650) Retained earnings Treasury stock 387,500,975 387,500,975 387,500,975 reserve Separate financial statements **Appropriated** 176,359,512 140,881,210 1,120,419,676 979,538,466 979.538.466 Statutory reserve Revaluation surplus (deficit) on investments 2,565,006,565 [1,830,822,165] [1,830,822,165] [444,187,288] 2,565,006,565 2,120,819,277 1,830,822,165] 289,997,112 2,120,819,277 2,065,644,888 2,065,644,888 2.065.644.888 Share premium 13,331,381,470 Ordinary shares 13,331,381,470 13,331,381,470 Issued and paid-up share capital Preference shares 158,560 158,560 158,560 ransfer of retained earnings to statutory reserve (Note 26) ransfer of retained earnings to treasury stock reserve ansfer of retained earnings to statutory reserve (Note 26) Reversal of dividend on shares held by shareholders Reversal of dividend on shares held by shareholders Decrease in revaluation surplus on investments Increase in revaluation surplus on investments who are not entitled to receive dividend who are not entitled to receive dividend Expenses recognised directly in equity ncome recognised directly in equity fotal income (expenses) for the year 3alance as at 31 December 2010 3 Balance as at 31 December 2009 Sash payment for treasury stock Balance as at 1 January 2010 Balance as at 1 January 2009 Fotal income for the year let income for the year Dividend paid (Note 24) Dividend paid (Note 24)

# Cash Flows Statements

### Thanachart Capital Public Company Limited and its subsidiaries

Cash flows statements For the years ended 31 December 2010 and 2009

(Unit: Baht)

_			:	(Unit: Bant)
	Consolidated fir	nancial statements	Separate finan	cial statements
	2010	2009	2010	2009
0.14				
Cash flows from operating activities  Net income before corporate income tax	15,145,893,879	10,163,782,850	3,585,079,958	4,516,317,726
Adjustments to reconcile net income before	10,140,070,077	10,103,702,000	3,303,077,730	4,010,017,720
*				
corporate income tax to net cash provided by (paid from) operating activities				
1 3				
Share of income from investments accounted	(2/0/00/25)	(25/ 072 27/)		
for under equity method	(369,400,435)	(256,973,374)	7/ //1 000	00 /0/ 051
Depreciation and amortisation	1,338,712,212	711,726,247	74,641,802	80,626,951
Bad debt and doubtful accounts and loss on	1 010 0/2 700	0.0/0.070.700	(00 000 000)	(100 1/F 222)
debt restructuring (reversal)	1,819,963,700	2,849,273,700	(98,028,898)	(189,165,223)
Increase (decrease) in provision for impairment of	(5,000,700)	(0/ 50/ 700)	(// 7/5 000)	10 110 /00
property foreclosed	(5,882,788)	(86,594,799)	(46,745,038)	12,112,623
Increase (decrease) in provision for impairment	1/0.000 /00	(/0.20/.701)	(1.05/.000)	(07 / / / 500)
of equipment/other assets	148,229,698	(40,384,701)	(1,956,928)	(27,664,582)
Increase (decrease) in provision for impairment/ revaluation of investments	(100 /0/ 0/0)	(01/ 7/0 007)	20 2/5 777	20 /02 0/0
	(182,486,048)	(216,743,227)	28,345,777	20,483,068
Amortisation of deferred gain on disposal	(11.070.010)	(/ 200 0/0)		
of property foreclosed	(11,078,318)	(6,298,049)	-	-
Unrealised loss on foreign exchange and	1 20 / 77 / 10 /	222 271 072		
financial derivatives	1,304,774,184	333,271,072	-	-
Increase in unearned premium reserve/ life insurance premium reserve	/ 000 /72 020	7,580,848,406		
	4,908,472,930	7,380,848,406	-	-
Gain on sales of/capital return from investments	(27.251./00)	(0.000.051.17/)	(0.1/0.E/1.0E0)	(2.020.270.1/0)
in subsidiary and associated companies	(27,351,480)	(2,833,251,176)	(2,143,541,359)	(3,038,370,168)
Gain on transfers of assets for debt repayment	(21,349,988)	(45,006,801)	(105 000 077)	(2,477,073)
Loss (gain) on disposal of equipment Amortisation of deferred income	(100,153,792)	17,059,140	(125,303,266)	(3,855,055)
	(14,514,107)	(7,755,656)	-	-
Decrease (increase) in accrued other	(100 /00 0/0)	0/0.00/.070	10 /10 /70	(0.0/0.070)
income receivable	(188,608,048)	268,204,378	13,410,670	(2,243,873)
NEATH OF THE PART	23,745,221,599	18,431,158,010	1,285,902,718	1,365,764,394
Net interest and dividend income	(25,168,075,764)	(15,220,386,489	(700,223,540)	(1,070,715,474)
Cash received from interest on operating activities	31,084,477,363	20,570,077,578	125,319,592	388,519,427
Cash paid for interest on operating activities	(6,944,767,491)	(5,484,770,797)	(13,699)	(15,455,055)
Cash paid for corporate income tax	(5,274,631,359)	(1,961,823,919)	(766,145,419)	(1,062,283,277)
Income (loss) from operating activities before changes		1/ 00/ 05/ 000	(FF 1/0 0/0)	(20/1/0.005)
in operating assets and liabilities	17,442,224,348	16,334,254,383	(55,160,348)	(394,169,985)
Operating assets (increase) decrease	/0.500.500.050	/04 //0 //5	/ /00 505 445	(0.0/0./04.440)
Interbank and money market items	42,723,588,359	691,663,445	6,638,797,117	(3,249,431,118)
Investments in trading securities	3,378,437,146	(1,072,679,711)	(10,350,761)	-
Receivables from clearing house	173,587,247	(379,034,117)	0.5/0.005.045	
Loans	(48,943,922,931)	(19,225,483,665)	2,540,205,215	3,967,167,517
Property foreclosed	5,424,135,898	7,780,844,187	288,125,614	362,068,626
Receivables from purchase and sale securities	(500 505 (55)	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
and derivatives	(708,787,605)	(441,028,873)	- (40.0/5.55.1)	-
Other assets	(176,093,647)	7,599,607	(12,047,554)	16,642,314

# Cash Flows Statements (Continued)

### Thanachart Capital Public Company Limited and its subsidiaries

Cash flows statements (continued) For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated fi	nancial statements	: Separate finan	cial statements
	2010	2009	2010	2009
	20.0	2007	20.0	2007
Cash flows from operating activities (continued)				
Operating liabilities increase (decrease)				
Deposits	(41,792,087,422)	(3,859,667,015)	_	_
Interbank and money market items	(22,028,967,861)	13,646,511,027	[48 483]	(4,501,324,053)
Payable to clearing house	2,298,262,379	(199,114,099)	(40,400)	(4,001,024,000)
Payable from purchase and sales securities	2,270,202,077	(177,114,077)		
and derivatives	(80,294,063)	181,366,064	603,600,134	_
Liability payable on demand	120,125,135	795,118,168	-	_
Other liabilities	1,337,192,055	502,984,900	(107,444,497)	(76,082,830)
Net cash provided from (used in)				(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
operating activities	(40,832,600,962)	14,763,334,301	9.885.676.437	(3,875,129,529)
Cash flows from investing activities	(10,002,000,702)	1 1,7 00,00 1,00 1	7,000,070,107	(0,0,0,12,102,1)
Decrease (increase) in long-term investments	28,637,012,837	(52,547,805,389)	8,792,558,361	(8,113,700,326)
Cash received from disposal of investments in		(, ,, ,	-,,,	(-,,,,
subsidiary and associated companies	212,765,721	7,740,066,401	3,402,204,692	7,655,761,426
Capital returned from subsidiary companies		-	404,485,661	61,759,617
Cash paid for purchase of investments in			,,	. , . , .
subsidiary companies	(55,879,977,241)	-	(18,245,563,897)	(1,018,902,990)
Cash received from interest and dividend	7,002,591,660	1,690,651,613	1,181,285,817	1,069,771,163
Cash paid for purchase of land and equipment/				
intangible assets	(891,822,768)	(716,103,167)	(5,029,463)	(26,419,669)
Cash received from disposal of equipment/				
intangible assets	470,288,353	14,039,523	314,064,356	4,446,484
Net cash used in investing activities	(20,449,141,438)	(43,819,151,019)	(4,155,994,473)	(367,284,295)
Cash flow from financing activities				
Cash received from borrowings	525,431,335,922	235,310,440,704	5,989,260,139	9,980,797,105
Cash paid for borrowings	(462,821,144,388)	(203,520,331,863)	(9,500,000,000)	(3,959,336,627)
Cash paid for interest expenses on borrowings	(5,196,112,817)	(2,014,322,673)	(718,627,405)	(336,750,002)
Cash received from minority interest for shares capital				
issuance of a subsidiary company	17,542,017,427	981,096,810	-	-
Cash paid to minority interest for decrease				
shares capital of a subsidiary company	6,833,126	-	-	-
Dividend payment	(1,500,354,698)	(1,165,056,002)	(1,500,354,698)	(1,165,056,002)
Cash paid for treasury stocks	-	(277,240,650)	-	(277,240,650)
Dividend paid to minority interest	(603,001,101)	(556,490,544)	-	-
Net cash provided from (used in)				
financing activities	72,859,573,471	28,758,095,782	(5,729,721,964)	4,242,413,824
Net increase (decrease) in cash	11,577,831,071	(297,720,936)	(40,000)	-
Cash at beginning of the year	3,720,273,462	4,017,994,398	40,000	40,000
Cash at ending of the year	15,298,104,533	3,720,273,462	-	40,000
Supplemental cash flows information				
Non-cash transactions				
Property foreclosed transferred from loans,				
other receivable and investments in				
receivables purchased	4,090,092,126	6,615,869,714	136,115,457	92,325,003
Bad debt written off	1,172,526,469	1,886,595,986	5,505,376	21,120,040

Thanachart Capital Public Company Limited and its subsidiaries Notes to consolidated financial statements For the years ended 31 December 2010 and 2009

### 1. General information

Thanachart Capital Public Company Limited ("the Company") is a public company incorporated and operated its business in Thailand. The Company is mainly engaged in investment holding and is the parent company of the Thanachart Group. The registered office of the Company is at 444 MBK Tower, 10-11 and 15-20 Floors, Phayathai Road, Wangmai, Pathumwan, Bangkok.

All subsidiaries are registered 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. Thanachart Bank Plc.'s project to purchase Siam City Bank Plc.'s common shares with the purpose of transferring Siam City Bank Plc.'s entire business to Thanachart Bank Plc.

# 2.1 The purchase of the common shares of Siam City Bank Plc. from the Financial Institutions Development Fund

On 24 February 2010, the Board of Directors of the Company passed a resolution to approve Thanachart Bank Plc. ("Thanachart Bank"), a subsidiary company, entered into a share purchase agreement with the Financial Institutions Development Fund ("FIDF") to purchase shares of Siam City Bank Plc. ("SCIB"). On 11 March 2010, Thanachart Bank signed such agreement to purchase 1,005,330,950 SCIB's shares, or 47.58% of the total issued and paid-up shares capital, at a price of Baht 32.50 per share, or for total of Baht 32,673 million.

On 1 April 2010, the Bank of Thailand ("BOT") approved Thanachart Bank to hold the shares of SCIB in accordance with certain specified conditions, i.e. SCIB is to continue operating as a commercial bank but has to return its license within 31 December 2011, the requirements on capital fund calculation, the structure of financial business group, and holding in companies in the financial business group.

On 7 April 2010, the Annual General Meeting of the Shareholders of the Company and Thanachart Bank for the year 2010 passed resolutions to (a) approve Thanachart Bank to purchase SCIB's shares from FIDF, make a tender offer for all shares of SCIB from the other shareholders, and accept the transfer of the entire business of SCIB, including SCIB's employees, and to propose SCIB to delist its shares from the Stock Exchange of Thailand and Thanachart Bank then to submit a tender offer for SCIB's shares. On 9 April 2010, Thanachart Bank paid FIDF for SCIB's shares, in accordance with conditions in an agreement and, as a result, Thanachart Bank is now a major shareholder of SCIB; and (b) approve a tender offer for all shares of Ratchthani Leasing Plc., an associated company of SCIB, because indirect control over this listed company, as a result of the acquisition of SCIB's shares (according to the Chain Principle).

As a result of Thanachart Bank's purchase of SCIB's shares from FIDF and combined with 104,964,000 SCIB's shares held by the Company, as at 9 April 2010 the Company and Thanachart Bank's shareholding in SCIB is totaling 52.55%.

### 2.2 Significant procedures after acquiring of SCIB's ordinary shares from FIDF

### Rights offering of additional paid-up share capital to shareholders of Thanachart Bank

During 8 - 19 April 2010, Thanachart Bank called up 3,579,045,631 additional shares with a par value of Baht 10, or a total of Baht 35,790 million, from existing shareholders, in proportion to their holdings, and as a result Thanachart Bank's issued and paid-up share capital totals Baht 55,136,649,030. The Company exercised both its own entitlement and the unexercised entitlements of minority shareholders to purchase such shares for a total of Baht 18,245,490,680 and as a consequence the Company's shareholding in Thanachart Bank increased from 50.92% to 50.96%.

### Offering of subordinate debentures of Thanachart Bank

In April 2010, Thanachart Bank issued 6,000,000 units of subordinated, unsecured debentures (Lower Tier II), with a face value of Baht 1,000 each, to the public offering. BOT granted permission for these debentures to be counted as Tier II Capital. In addition, Thanachart Bank issued 7,130,000 units of perpetual noncumulative subordinated hybrid bonds (Hybrid Tier I), with a face value of Baht 1,000 each, by private placement to the Company and another major shareholder of Thanachart Bank (The Bank of Nova Scotia or BNS) which the Company invested Baht 3,636 million in these debentures. BOT granted permission for these debentures to be counted as Tier I Capital of Thanachart Bank. The objectives of these issues are to provide funds for the acquisition of the SCIB's shares and to increase Thanachart Bank's capital funds to support operations.

### 2.3 Tender offer for ordinary shares of SCIB

After acquiring of SCIB's common shares from FIDF, Thanachart Bank submitted a tender offer for all shares of SCIB of Baht 32.50 per share (the same price as Thanachart Bank paid at auction from FIDF). This comprised 1,107,479,726 shares, with a value not exceeding Baht 35,993 million and the tender offer period ran from 29 April 2010 to 9 June 2010. During the tender offer period, other shareholders sold totaling 1,091,439,949 shares of common stock, amounting to Baht 35,472 million, or 51.66% of the issued and paid-up shares of SCIB. Combined with Thanachart Bank's existing holding, Thanachart Bank's shareholding in SCIB totals 99.24%. Such additional purchase of SCIB's shares included 104,964,000 shares purchased from the Company, the Company therefore recorded a gain on sale of Baht 2,136 million and related income tax expenses of Baht 629 million in the separate income statement. The total gain on sale has been eliminated from the consolidated financial statements and the related income tax has been presented as "suspense account deferred tax from business combination".

On 9 June 2010, the Board of Directors of Thanachart Bank passed resolutions to approve (a) SCIB to delist of its shares from the Stock Exchange of Thailand; (b) Thanachart Bank to submit a tender offer for SCIB's shares at a price of Baht 32.50 per share, legally effective when the delisting is approved by a shareholders of SCIB and the Stock Exchange of Thailand. On 5 August 2010, the extraordinary of SCIB's shareholders meeting approved the delisting, and the Stock Exchange of Thailand granted approval for the voluntary delisting application on 27 August 2010, with condition that SCIB is obligated to perform the tender offer for SCIB's shares in accordance with certain specified conditions; (c) and to appoint Thanachart Securities Plc. (a subsidiary company) as financial advisor and to prepare the tender offer for delisting of SCIB's shares.

Thanachart Bank made a tender offer for additional SCIB's shares from 17 September 2010 to 19 November 2010. During the tender offer period, SCIB's shareholders sold totaling 14,907,658 shares of common stock, amounting to Baht 484 million. As the result, Thanachart Bank holds 2,111,678,557 share or 99.95% of the paidup shares of SCIB. The Stock Exchange of Thailand therefore announced the delisting of SCIB's shares on 13 December 2010.

### 2.4 Making a tender offer of the common shares in Ratchthani Leasing Plc. from other shareholders

SCIB holds 48.32% of the issued and paid-up share capital of Ratchthani Leasing Plc., and so Thanachart Bank has to make a tender offer for all shares of Ratchthani Leasing Plc. held by other shareholders. Thanachart Bank made tender offer for 822,593,906 shares at a price of Baht 1.10 per share (the price that financial advisor opines that is a reasonable price) and ran from 29 April 2010 to 9 June 2010. During the tender offer period, other shareholders of Ratchthani Leasing Plc. sold 215,000 shares of common stock, or 0.03 percent of the issued and paid-up shares. As a result, Thanachart Bank and SCIB hold 48.35% shares in Ratchthani Leasing Plc., and also treated as associated company of Thanachart Bank and the Company.

In addition, on 30 June 2010, the Board of Directors of Thanachart Bank passed a resolution approving a decision not make a second tender offer for the remaining shares of Ratchthani Leasing Plc.

### 2.5 Key operational plans after the tender offer for SCIB's shares

Thanachart Bank and SCIB have together set plans, in preparation for the entire business transfer of SCIB's business, including a business plan for the period after the transfer, to be submitted for BOT approval. The plan is currently being considered by the BOT. Once the BOT approves the plan, both Thanachart Bank and SCIB are to hold meetings of their shareholders in order to propose the plan for approval. Thanachart Bank expects to be able to complete the entire business transfer in 2011, and upon completion, SCIB will return its banking licenses to the BOT and proceed with the liquidation process.

### 2.6 Allocating the cost of a business combination

On 9 April 2010, Thanachart Bank acquired 47.58% in SCIB's shares and combined with the Company's existing holding at 4.97%, the Thanachart Group hold 52.55% interest in SCIB's shares. In addition, at the same day, the Thanachart's management are assigned to be the SCIB's directors at the portion that Thanachart has control over voting right of SCIB. Because of Thanachart has control over SCIB through shareholding and management, the Company and Thanachart Bank have considered the investment in SCIB's shares as investments in subsidiary company since 9 April 2010. Moreover, Thanachart Bank purchased additional ordinary shares of SCIB on 10 June 2010, to the portion that Thanachart Bank holds SCIB's shares at 99.24% and increasing to 99.95% on 24 November 2010. The Company and Thanachart Bank paid a total cost of Baht 66,484 million, with direct expenses related to business combination amounting to Baht 206 million, including expenses of Baht 34 million that were paid to a subsidiary company. Total cost of investments thus total Baht 66,656 million in the consolidated financial statements.

Because the acquisitions of ordinary shares of SCIB on 10 June 2010 and 24 November 2010 are transactions under the Securities and Commission Act, hence, two more share purchase transactions are considered as the same as acquisition from FIDF. The Company and Thanachart Bank therefore used the fair value of assets, liabilities and intangible assets estimated at the first transaction date in computing goodwill for the second and the third purchase transactions.

For the purpose of allocating the cost of a business combination, the management of the Company and Thanachart Bank estimated the initial fair value of each assets and liabilities as at 9 April 2010, as follows:

- Assets and liabilities in SCIB's accounts were valued and noted that the fair value of assets and liabilities of SCIB as at investment payment date were totaled of Baht 45,685 million, which was Baht 1,314 million higher than book value.
- 2. Intangible assets are assets that will generate future economic benefits. The Company and Thanachart Bank estimated the fair value of the intangible assets of SCIB at Baht 4,100 million, comprised of (a) Core Deposit Intangibles which are evaluated using the incremental cash-flows from low cost deposit, and considering the cost saving for current and savings deposits; (b) Customer Relationships, which are valued on the base of future revenues that will be earned from SCIB's existing customers.

3. For liabilities specify at acquisition date and contingent liabilities, the Company and Thanachart Bank estimated these and concluded that no additional contingent liabilities need to be recognised.

Differences between the cost of business combination and the fair value of assets, liabilities, contingent liabilities and intangible assets in proportion to the shareholding, amounting to Baht 16,576 million, are recognised as goodwill from business combination in the consolidated financial statements.

The initial estimated fair value of assets and liabilities of SCIB and its subsidiaries and the carrying value of each significant account as at the date that the Company and Thanachart Bank have control over SCIB are as follow:

(Unit: Million Baht)

	Book value	Fair value
Assets		
Cash and Interbank and money market items	72,528	72,528
Investments	83,019	84,333
Loans and receivables	262,154	262,154
Intangible assets	293	4,393
Other assets	18,001	18,001
	435,995	441,409
Liabilities		
Deposits and Borrowings	375,255	375,255
Other liabilities	16,369	16,369
	391,624	391,624
Net asset value	44,371	49,785
Cost of business combination		66,656
Cash flows used in purchase of investments in subsidiaries		
Total cash payment		66,656
Cash payment before the year 2010		(1,266)
Net cash of subsidiaries at purchase date		(9,510)
Net cash paid for the year 2010		55,880

In allocating the cost of a business combination, the Company and Thanachart Bank did not recognised deferred tax liabilities of Baht 1,581 million, arising from adjustment of assets to fair value, and did not recognised the SCIB and its subsidiaries' employees benefits payable under the labour law amounting to Baht 1,500 million, since the two relevant accounting standards are not yet effective in the year of business combination.

However, the Company and Thanachart Bank have 12 months from the purchase date, or until 8 April 2011, to adjust the estimated fair value of the above transactions and the allocation of the cost of a business combination.

After acquiring of SCIB's ordinary shares, goodwill stated in the consolidated financial statements are as follows.

	(Unit: Million Baht)
Goodwill as at 1 January 2010	44
Goodwill increase during the year	16,576
Goodwill as at 31 December 2010	16,620

### 2.7 Obligations of FIDF under the Share Purchase Agreement

The Share Purchase Agreement between Thanachart Bank as "the Purchaser" and FIDF as "the Seller", dated 11 March 2010, states that the obligations, guarantees, liabilities or indemnities of the Seller to SCIB under any arrangements, agreements or documents in connection with the merger between SCIB and Bangkok Metropolitan Bank Public Company Limited ("BMB") (the "Seller's Obligations"), including funds deposited in accounts opened and maintained with SCIB to compensate for any losses or damages suffered or incurred by SCIB arising out of or in connection with the merger between SCIB and BMB will continue in full force and effect after completion of the sale and purchase of SCIB's shares. Rights and obligations of SCIB related to the Seller's Obligation, including funds deposited in the accounts opened and maintained with SCIB, will be transferred to and/or assumed by Thanachart Bank, with effect from the completion date of the entire business transfer from SCIB to Thanachart Bank. In addition, in case of the liquidation of the Seller, the Seller's Obligations will be transferred and/or assumed by another government agency.

## 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 authorities concerned. In considering a transaction, TCAP uses the same procedure as applied to general customers or trade partners and appropriately follows the normal process that has been established. The service of the related party will be sued only as necessary for the purpose of supporting TCAP's business operations. In determining the price of related party transactions, to prevent potential conflicts 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

During 2010, 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 were disclosed in the notes to the consolidated financial statements for the years ended 31 December 2010 and 31 December 2009 under items 36 and 33 respectively on related party transactions. 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) were as follows:

### The Related Transactions between Thanachart Group

1. Companies in Thanachart Group and Relationship

Company	Relationship	Directors with Stakeholding
Thanachart Bank Public     Company Limited (TBANK)	A subsidiary of TCAP with TCAP holding 50.96%	Mr. Suphadej Poonpipat     Mr. Somjate Moosirilert     Ms. Suvannapha Suvarnaprathi
Max Asset Management     Company Limited [MAX AMC]	A subsidiary of TCAP with TCAP holding 83.44%	o. Mo. Savannapha Savarnaphatinp
NFS Asset Management     Company Limited (NFS AMC )	A subsidiary of TCAP with TCAP holding 100%	
4. Thanachart Insurance Company Limited (TNI)	An indirect subsidiary of TCAP with TBANK holding 100%	
5. Thanachart Life Assurance Company Limited (TLIFE)	An indirect subsidiary of TCAP with TBANK holding 100%	

	Company	Relationship	Directors with Stakeholding
6.	Thanachart Group Leasing Company Limited (TGL)	An indirect subsidiary of TCAP with TBANK holding 100%	
7.	Thanachart Securities Public Company Limited (TNS)	An indirect subsidiary of TCAP with TBANK holding 100%	
8.	Thanachart Fund Management Company Limited (TFUND)	An indirect subsidiary of TCAP with TBANK holding 75%	
9.	Thanachart Training and Development Company Limited (TTD)	An indirect subsidiary of TCAP with TBANK holding 100%	
10.	Thanachart Broker Company Limited (TBROKE)	An indirect subsidiary of TCAP with TBANK holding 99.99%	
11.	Peun Pob Pat Company Limited (PPP)	An indirect subsidiary of TCAP with TBANK and TBANK holding 20%	

### 2. The related transactions between Thanachart **Group Companies**

- 2.1 Loans between Thanachart Group
  - Types and values of transaction

TCAP provided loans in terms of Promissory Notes at call to NFS AMC with the interest at minimum loan rate (MLR) and the transaction value of 1,000 million baht. Also, TBANK provided loans in terms of Promissory Notes at call to Thanachart Group Leasing Company Limited and National Leasing Company Limited worth 932 million baht and 52 million baht respectively with the interest in line with TBANK's cost of fund plus a fixed percentage per annum.

- Necessities and rationales of the transaction These were the transactions on Thanachart Group's financial business restructuring plan in accordance with the One Presence Policy under the Financial Sector Master Plan Phase I which requires TBANK to be the only financial institution in the Group.

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

- 2.2 Asset Rental between TCAP (Lessor) and Member Companies of the Group (Tenant)
- Types and values of transaction TCAP (Lessor) rented out its office space to member companies of the Group (Tenant) for using as their headquarters and branches as follows:

	Tenant	Value (Million Baht)
1.	Thanachart Insurance Company Limited	1.45
2.	Thanachart Bank Public Company Limited	104.00
3.	Thanachart Securities Public Company Limited	20.00
4.	Thanachart Training and Development Company Limited	0.018
5.	Thanachart Group Leasing Company Limited	0.37
6.	NFS Asset Management Company Limited	1.59
7.	Max Asset Management Company Limited	0.34
8.	Peun Pob Pat Company Limited	0.36
8.	Peun Pob Pat Company Limited	U.36

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

- 2.3 Asset selling between TCAP (Seller) and TBANK (Buyer)
  - Type and value of transaction

TCAP (Seller) sold its assets to TBANK (Buyer) for using as office branches with transaction value of 90.26 million haht

- Necessities and rationales of the transaction This transaction was to sell TCAP assets (Seller) to TBANK (Buyer) for using as office branches. This transaction was considered as normal business operation and preventing the economic waste. The rate charge was based on the rate that TCAP charged to general buyers. Such transaction was, therefore, iustified.

- 2.4 Transferring the right of asset from TCAP to **TBANK** 
  - Type and value of transaction

TCAP (Transferor) transferred the right of its assets to TBANK (Receiver) for using as TBANK office branches with transaction value of 18.70 million baht.

- Necessities and rationales of the transaction TCAP transferred the right of its assets to TBANK for using as TBANK office branches with a fixed cost calculated by average price to number of days that TCAP had the right in. Such transaction was, therefore, justified.

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

TCAP and member companies of the Group underwent Property All Risks Policy with Thanachart Insurance with the total premium of 14.56 million baht.

- Necessities and rationales of the transaction
- Property All Risks Policy was to reduce the risks in all aspects to assets of TCAP and member companies of the Group. The insurance premium paid to Thanachart Insurance was at the same rate applied to general customers. Such transactions were, therefore, iustified.
- 2.6 Directors and Officers Liability Insurance of TCAP and member companies of the Group (Insured) with Thanachart Insurance (Insurer).
  - Types and values of transaction

These transactions related to Directors and Officers Liability Insurance Policies with coverage over directors and officers of TCAP and member companies of the Group. The total premium amounted to 5.55 million baht.

- Necessities and rationales of the transaction

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

2.7 Officers Liability Insurance in terms of misconduct in financial professionals and protection of deception of the employees within the organization between subsidiary companies and Thanachart Insurance.

- Types and values of transaction

TBANK, Thanachart Securities, and Thanachart Fund insured to protect their employees in terms of misconduct in financial professionals and deception with Thanachart Insurance. The premiums paid were 3.98 million baht.

- Necessities and rationales of the transaction It was to prevent all risks in business professionals and deception among officers. The insurance premiums paid to Thanachart Insurance were normal rates applicable to general customers. Such transactions were, therefore, justified.

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

- Types and values of transaction

These transactions related to group health insurance, group life insurance, and group accident insurance for employees with the total premium of 7.01 million baht.

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

2.9 Commission and Fee of TCAP and member companies of the Group paid to Thanachart Securities

- Types and values of transaction

TCAP and member companies of the Group paid commission and fee to Thanachart Securities in the amount of 81.85 million baht.

- Necessities and rationales of the transaction

These transactions related to commission and fee paid to Thanachart Securities for brokerage trading under the general terms and conditions in line with the normal rate that Thanachart Securities charged to general customers. Such transactions, were therefore, justified.

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

### 3.1 Loans and Deposits

- Types and values of transaction

TCAP and member companies of the Group had total outstanding loans to the executives of companies in the Group including related persons in the amount of 59 million baht

TCAP and member companies of the Group received deposits from the executives of companies in the Group including related persons in the amount of 487 million baht.

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

3.2 Insurance of executives of TCAP and member companies of the Group including related persons

- Types and values of transaction

The executives of TCAP and member companies of the Group including related persons insured with Thanachart Insurance. In 2010, the transaction value amounted to 25.96 million baht.

Necessities and rationales of the transaction.

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

### 4. Supporting services between member companies within the Group

Thanachart Group had a policy on putting together all supporting works into one company. This was for economies of scale and economies of scope, and also to utilize the resources to its highest benefit with a policy emphasized on calculating service fees from operating cost (Cost Plus). The services were as follows:

### Thanachart Bank Public Company Limited

It provided services on operation, business controlling, debt collecting and payment agent, accounting, electronic commerce, system and regulation development, internal audit, compliance, human resources, IT system, hire purchase credit review, building and premises management, procurement, and asset management.

Thanachart Management and Services Company Limited Providing service staff.

Thanachart Legal and Appraisal Company Limited Providing legal advice, contract, prosecution and enforcement, and collateral appraisal.

Thanachart Training and Development Company Limited Providing services on Thanachart group's employees training.

### Transactions between Member Companies of Thanachart Group with Companies Related to Executives.

1. MBK Group Public Company Limited. (MBK Group)

Related businesses 23 and relationships

	Company	Relationship	Directors with Stakeholding
1.	MBK Public Company Limited [MBK]	Member companies in Thanachart Group holding 19.90%	1. Mr. Banterng Tantivit 2. Mr. Suphadej Poonpipat 3. Mr. Piyaphong Artmangkorn
2.	T Leasing Company Limited (TLS)	A subsidiary of MBK with MBK holding 99.99 $\%$	o. Mi. Hyaphong Artmangkom
3.	Glas Haus Ratchada Company Limited (formerly named as Koratthani Company Limited)	A subsidiary of MBK with MBK holding100%	
4.	Sapsin Thani Company Limited (SSTN)	A subsidiary of MBK with MBK holding 100%	
5.	Plan Estate Company Limited (PST)	An indirect subsidiary of MBK with MBK holding 72.60% in PST via a subsidiary	
6.	Paradise Park Company Limited (PDP)	A subsidiary of MBK with MBK holding 65.36%	
7.	Paradise Retail Company Limited (PDR)	A subsidiary of MBK with MBK holding 65.36%	
8.	Riverdale Golf and Country Club Company Limited (RDGC)	A subsidiary of MBK with MBK holding 100%	
9.	Siam Piwat Company Limited (SPW)	An indirect subsidiary of MBK with MBK holding of 30.72% in SPW via a subsidiary	
10.	MBK Hotel and Resort Company Limited (MBK-HR)	A subsidiary of MBK with MBK holding 100%	
11.	MBK Smart Force Company Limited (MBK-SF)	A subsidiary of MBK with MBK holding 99.93%	
12.	Glas Haus Building Company Limited (GHB)	An indirect subsidiary of MBK with MBK holding 99.99% in GHB via a subsidiary	

	Company	Relationship	Directors with Stakeholding
13.	Crystal Lake Properties Company Limited (CLP)	An indirect subsidiary of MBK with MBK holding 100% in CLP via a subsidiary	
14.	Plan Appraisal Company Limited (PAS)	An indirect subsidiary of MBK with MBK holding 99.98% in PAS via a subsidiary	
15.	Lan Bangna Company Limited (LAN)	An indirect subsidiary of MBK with MBK holding 99.99% in LAN via a subsidiary	
16.	MBK Entertainment Company Limited (MBK-E)	An indirect subsidiary of MBK with MBK holding 99.99% in MBK-E via a subsidiary	
17.	MBK Laser Company Limited (MBK-LS)	An indirect subsidiary of MBK with MBK holding 49% in MBK-LS via a subsidiary	
18.	MBK Resort Public Company Limited (MBK-R)	An indirect subsidiary of MBK with MBK holding 72.60% in MBK-R via a subsidiary	
19.	Absolute Travel Company Limited (ALT)	An indirect subsidiary of MBK with MBK holding 99.98% in ALT via a subsidiary	
20.	Apple Auto Auction (Thailand) Company Limited (AAA)	A joint venture company of MBK and Apple Auto Auction with MBK holding 49.99% in AAA	

### **Related Party Transactions**

- 1. The office space rental between TBANK, a subsidiary company (Tenant) with member companies of MBK group including MBK Public Company Limited, Glas Haus Building Ratchada Company Limited, Plan Estate Company Limited, Siam Piwat Company Limited, Paradise Park Company Limited, Apple Auto Auction (Thailand) Company Limited, and MBK Resort Company Limited (Lessors)
  - Types and values of transaction
- MBK Tower Building, 444 Phayathai Road, Wangmai, Pathumwan, Bangkok

The office rental agreement between TBANK (Tenant) with member companies of MBK Group (Lessor) to use as headquarters was a transaction resulting from a transfer of rental rights of MBK Tower from Pathumwan Real Estate Company Limited (former tenant) during a period from 30 June 2000 to 12 August 2010 (total of 12 years 1 month 12 days). As of 2010, the contract was values at 24.44 million baht.

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

• Other Buildings

TBANK rented office spaces for using as its headquarters, branches, exchange booths, and ATM installation spaces.

Thanachart Training and Development and Thanachart Securities rented office spaces for using as their offices and branches.

Total value of transactions in 2010 amounted to 86.38 million baht.

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

Total value of transactions in 2010 amounted to 110.82 million baht.

- 2. Sale of empty lands and leasehold with office building of TCAP and TBANK (Sellers) to Glas Haus Ratchada Company Limited (Buyer)
  - Types and values of transaction

TCAP and TBANK sold their empty lands and leasehold with Thanachart Ratchada Office Building, 207-207/30 Ratchadapisek Road, Huay Kwang, Bangkok to Glas Haus Ratchada a subsidiary of MBK. Total area was 6,755 square meters while total value amounted to 639.47 million baht.

### **Sold Property Information**

(Unit: Million Baht)

Seller	Asset	Value	Cost Estimate	Sale Price
TCAP	Leasehold	112.66	208.00	208.00
TBANK	Land and Leasehold	382.00	431.47	431.47
	Total	494.66	639.47	639.47

- Necessities and rationales of the transaction

The selling process was proceeded through an auction. The selling prices were compared to the average cost estimate of independent assessors. In addition, these transactions were for managing the property foreclosed to be in compliance with the regulations imposed by the authorities. Such transactions were, therefore, justified.

- 3. Sale of investments in ordinary shares of T Leasing Company Limited of TBANK (Seller) to MBK (Buyer)
  - Type and value of transaction

TBANK sold its investments in common stock of T Leasing in the total amount of 17,999,998 shares at 11.83 baht per share or 213 million baht in total to MBK.

- Necessities and rationales of the transaction

The selling process was proceeded through an auction with the auction Committee monitoring the process to make sure that the auction was transparent and to avoid a conflict of interest. The winner was MBK who offered the price higher than the book value or 11.83 baht per share. The book value as of 28 February 2010 was 10.11 baht per a share. Such transaction was, therefore, justified

- 4. Services on Supporting Information Technology System between TBANK (Service Provider) and T Leasing Company Limited (User)
  - Type and value of transaction

TBANK had provided service on supporting information technology system to T Leasing since 1 May

2010 until 31 December 2010 or 8 months Such transaction was, therefore, justified.

The service charge amounted to 1.17 million baht.

- Necessities and rationales of the transaction

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

- 5. Rental office spaces between TBANK (Lessor) and T Leasing Company Limited (Tenant)
  - Types and values of transaction

TBANK rented out some office spaces at Thanachart Rama 7 Office Building to T Leasing from 1 May 2010 until 31 December 2010 or 8 months in total. The total value was 2.45 million baht.

- Necessities and rationales of the transaction

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

- 6. Insurance Contracts between Thanachart Insurance (Insurer) and MBK Public Company Limited and member companies including MBK Entertainment Company Limited, MBK Resort Company Limited, Crystal Lake Property Company Limited, Sapsin Thani Company Limited, MBK Hotel and Resort Company Limited, Glas Haus Building Ratchada Company Limited, Plan Estate Company Limited, Siam Piwat Company Limited, Plan Estate Company Limited, Lan Bangna Company Limited, Absolute Travel Company Limited, Plan Appraisal Company Limited, Paradise Park Company Limited, and Riverdale Golf and Country Club Company Limited (Insured)
- Types and values of transaction Insurances types of Thanachart Insurance were as follows:
- · Insurance on risks arise from business operations of MBK and member companies including all risks insurance, business interruption insurance, liability to third parties insurance, and property insurance (terms of insurance from 30 June 2010 to 30 June 2011). The total premium amounted to 10.37 million baht.
- Terrorism risk insurance of MBK, MBK Entertainment Company Limited, MBK Resort Company Limited, MBK Hotel and Resort Company Limited, and Sapsin Thani Company Limited. The total premium amounted to 26.64 million baht.
- Damage risk insurance to properties during construction and the company's liability to third parties of Paradise Park Company Limited. The total premium amounted to 0.20 million baht.
- Directors and Officers Liability Insurance had total premium of 0.51 million baht.

- Necessities and rationales of the transaction
- These transactions related to normal business operations of Thanachart Insurance. Terms and conditions coverage as well as premiums were in line with those applicable to general customers. Such transactions were, therefore, justified.
- 7. Life Insurance Contracts of Thanachart Life Assurance (Insurer) in group health insurance, life insurance, accident insurance, disability insurance, and health insurance for employees of MBK and member companies including MBK Smart Force Company Limited, MBK Entertainment Company Limited, MBK Laser Company Limited, Absolute Travel Company Limited, Plan Estate Company Limited, and Apple Auto Auction (Thailand) Company Limited (Insured)
- Types and values of transaction Thanachart Life Assurance provided life insurance. health insurance, and accident insurance to employees of MBK Group with premium amounting to 2.24 million baht.
- Necessities and rationales of the transaction These transactions related to normal business operations of Thanachart Life Assurance. The premiums were in line with those applicable to general customers. Such transactions were, therefore, justified.
- 8. Project Management fees that TBANK, NFS Asset Management, MAX Asset Management, Thanachart Fund Management, NASSET Property Fund6 (employer) paid to Plan Estate Company Limited (employer)
- Types and values of transaction Member Companies of the Group hired Plan Estate to manage and distribute asset for sale. In 2010, the management fees were as follows:

(Unit: Million Baht)

	Company	2010
1.	Thanachart Capital Public Company Limited	27.54
2.	Thanachart Bank Public Company Limited	3.50
3.	NFS Asset Management Company Limited	26.16
4.	MAX Asset Management Company Limited	9.74
5.	NASSET Property Fund6	4.05

- Necessities and rationales of the transaction These transactions were project management fees charged at cost price plus profit which was normal rate that Plan Estate charged to general customers. Such transactions were, therefore, justified.
- 9. Other expenses TCAP, NFS Asset Management, MAX Asset Management, and Thanachart Fund Management

paid to Plan Estate Company Limited in form of the prize money for selling asset for sale.

- Types and values of transaction Member companies in the Group paid the prize money for selling asset for sale to Plan Estate in 2010 as follows:

(Unit: Million Baht)

	Company	2010
1.	Thanachart Capital Public Company Limited	9.80
2.	Thanachart Bank Public Company Limited	0.12
3.	NFS Asset Management Company Limited	5.64
4.	MAX Asset Management Company Limited	1.98
5.	Thanachart Fund Management Company Limited	0.93

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

# 2. Advance Info Service Public Company Limited (AIS) Relationship

Company	Relationship	Directors with Stakeholding
Advance Info Service Public Company Limited (AIS)	Chairman of the Executive Committee of TCAP was also a Non-Signatory Director of AIS	Mr. Suphadej Poonpipat

### **Related Transactions**

- 1. TCAP rented out the office spaces to Advance Info Service Public Company Limited (AIS)
- Types and values of transaction TCAP rented out the office spaces to AIS for installing telephone transmission towers as well as the ceilings for installing Cell site. In 2010, the rental was 0.58 million baht.
- Necessities and rationales of the transaction These transactions related to rental office spaces with the rental rate was the same rate applied to general customers. Such transaction was, therefore, justified.
- 2. TBANK (Lender) gave loans and guarantees to Advance Info Service Public Company Limited (AIS) (Borrower)
- Types and values of transaction TBANK gave loans and guarantee to AIS. In 2010, the total loan outstanding was 23.56 million baht and total obligation was 9.48 million baht.
- Necessities and rationales of the transaction Loans and guarantees given by TBANK to AIS were considered normal business operations of TBANK under the same terms and conditions, fees and interest rate applicable to general customers. Such transactions were, therefore, justified.

#### 3. IRPC Public Company Limited (IRPC)

Relationship

Company	Relationship	Directors with Stakeholding
IRPC Public Company Limited (IRPC)	A Director and Member of the Audit Committee of TCAP was also a Non-signatory Director and Member of the Audit Committee of IRPC	Mrs. Puntip Surathin

#### **Related Transaction**

- Type and value of transaction TBANK gave loans to IRPC Public Company Limited (IRPC). In 2010, FX Line amounted to 50 million baht.

- Necessities and rationales of the transaction Loans given by TBANK to IRPC were considered normal business operations of TBANK under the same terms and conditions, fees and interest rate applicable to general customers. Such transactions were, therefore, justified

### 4. Bangkok Aviation Fuel Services Public Co., Ltd (BAFS)

Relationship

Company	Relationship	Directors with Stakeholding
Bangkok Aviation Fuel Services Public Company Limited (BAFS)	Spouse of a Director and Member of the Audit Committee of TCAP was a Non-signatory Director and Member of the Audit Committee of BAFS	Spouse of Mrs. Puntip Surathin

### Related Transaction

- Types and values of transaction TBANK gave loans to Bangkok Aviation Fuel Services Public Company Limited (BAFS). In 2010, loans outstanding amounted to 220 million baht while leasing credit amounted to 30 million baht.
- Necessities and rationales of the transaction These transactions were considered normal business operations of TBANK under the same terms and conditions, fees and interest rate 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 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 subject to unanimous approval by the Company's Board of Directors. The Company's directors or high-ranking executives having any conflict of interest are prohibited from participating in the approval process. The approval of the transaction has to be within the power and limit determined by TCAP and also in compliance with the requirements of the authorities concerned.

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

### **Policies and Trends on Related Party Transactions** in the Future

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

# General Information

# **Investment of Thanachart Capital Public Company Limited In Other Companies**

Information as at 31 December 2010

The Company has investments in other companies. The proportion of shareholding and values of shares the Company held at least 10 percent of other companies' paid-up shares were as follows :

Company / Location	Type of Business	Type of Shares	Registered Capital (Baht)	Paid-up Capital (Baht)	Number of Issued Shares	Number of Shares Held	Percentage of Shareholding
Thanachart Bank Public Company Limited 900 Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Tel: +66 (0) 2655 9000 Fax: +66 (0) 2655 9001	Banking	Ordinary	59,346,192,720	55,136,649,030	5,513,664,903	2,809,726,575	50.96
NFS Asset Management Company Limited 444 MBK Tower, 17th 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
MAX Asset Management Company Limited 444 MBK Tower, 17th 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
Thiravanit Company Limited 444 MBK Tower, 10th Floor (Zone C4), Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2611 6606 Fax: +66 (0) 2611 9516	Being Liquidated	Ordinary	6,250,000	6,250,000	1,000,000	998,993	99.90
Bangkok Home Company Limited 444 MBK Tower, 10th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2217 8000 Fax: +66 (0) 2611 9486	Being Liquidated	Ordinary	15,000,000	15,000,000	1,000,000	998,679	99.87

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

Note: Percentage of shareholding of each company shown above included shares held by related parties.

# Thanachart Capital Public Company Limited References

Head Office : 444 MBK Tower, 10th -11th and 15th -20th 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

# Office Name, Location, Contact, and Fax Number of Other References

Securities : Ordinary Shares and Preferred Shares

Securities Registrar : Thailand Securities Depository Company Limited

62 The Stock Exchange of Thailand Building,

Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND

Tel: +66 (0) 2229 2800 Fax: +66 (0) 2359 1259 Call Center: +66 (0) 2229 2888 Website: www.tsd.co.th

Securities Debenture Holders TCAP11NA

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 Citibank, N.A. Bangkok branch

Debenture Holders 399 Interchange Building, 21th Floor, Sukhumvit Road, Klongtoey Nua, Wattana,

Bangkok 10110, THAILAND Tel: +66 (0) 2788 2000 Fax: +66 (0) 2788 4851 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 7543 Website: www.cimbthai.com

: Ernst & Young Office Limited Auditor

193/136-137 Lake Ratchada Building, 33rd 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 Phayathai Plaza Building, 3rd 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

# Structure of Major Shareholders of Thanachart Capital Public **Company Limited**

Below was 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 13 October 2010 (which was the most recent closure date of the register book).

Name of Shareholders/ Group of Shareholders	Ordinary Shares	Preferred Shares	Total	Percentage
1. Thai NVDR Company Limited	132,347,591	_	132,347,591	9.93
MBK Public Company Limited	129,914,400	-	129,914,400	9.75
3. STATE STREET BANK AND TRUST COMPANY	59,337,132	-	59,337,132	4.45
4. Mr. Bhanapot Damapong	57,000,000	-	57,000,000	4.28
5. CHASE NOMINEES LIMITED 42	56,429,000	-	56,429,000	4.23
6. Thanachart Capital Public Company Limited	55,324,300	-	55,324,300	4.15
7. DAIWA SECURITIES SMBC CO., LTD-CLIENT ACCOUNT	42,000,000	-	42,000,000	3.15
8. NORTRUST NOMINEES LTD.	36,482,945	-	36,482,945	2.74
9. HSBC (SINGAPORE) NOMINEES PTE LTD	27,284,087	-	27,284,087	2.05
10. STATE STREET BANK AND TRUST COMPANY FOR AUSTRALIA	24,982,800	-	24,982,800	1.87
11.0ther Shareholders	712,035,892	15,856	712,051,748	46.59
Issued and Paid-up Shares	1,333,138,147	15,856	1,333,154,003	100.00
Thai Shareholders	821,626,621	15,796	821,642,417	61.63
Foreign Shareholders	511,511,526	60	511,511,586	38.37

Source: Report of the Company's Major Shareholders as at 13 October 2010, which was prepared by Thailand Securities Depository Company Limited.

# **Company's Ordinary Shares and Preferred Shares**

As at 31 December 2010, the Company had registered capital and paid-up capital as follows:

Registered Capital : 13,331,540,030 baht
Paid-up Capital : 13,331,540,030 baht
Ordinary Shares : 1,333,138,147 shares, per share value of 10 baht
Preferred Shares : 15,856 shares, per share value of 10 baht

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

# **Dividend Policy**

### Dividend Policy of the Company

In considering dividend payments, the Company takes into consideration its performance and the long-term benefits 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 2010 are as follows:

• At the Board of Directors' Meeting No. 11/2010 held on 27 September 2010, the Board adopted a resolution approving the payment of an interim dividend of 0.50 baht per share to shareholders on 26 October 2010 for the performance of the first half of the year from 1 January 2010 to 30 June 2010. The payment was paid to both ordinary shareholders and preferred shareholders at the same rate. The total payment amounted to 638,914,851.50 baht with 1,277,829,703 shares\* receiving the dividend.

Note: \* The calculation of the above dividend payment 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 2010 held on 7 April 2010, the shareholders adopted a resolution approving the final dividend payment for the second half year performance from 1 July 2009 to 31 December 2009 to both ordinary and preferred shareholders at the same rate of 0.60 baht per share. The dividend was made on 6 May 2010, to 1,277,829,703 shares in the total amount of 766,697,821.80 baht Taking into consideration the interim dividend payment of 0.35 baht per share or 447,240,396.05 baht in total, which was made on 28 October 2009, for the period from 1 January 2009 to 30 June 2009 of which the resolution was adopted at the Board of Directors' Meeting No. 10/2009 on 29 September 2009, the total dividend paid for the performance of 2009 amounted to 1,213,938,217.85 baht or 0.95 baht 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 Company Limited and NFS Asset Management Company Limited 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 Exhibits Significant 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 8000, 2217 8444

Fax: +66 (0) 2217 8312

Registration No. 0107536000510

www.thanachart.co.th

### Thanachart Bank Public Company Limited

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

Tel: +66 (0) 2655 9000 Fax: +66 (0) 2655 9001

Registration No. 0107536001401

www.thanachartbank.co.th

### Thanachart Securities Public Company Limited

444 MBK Tower, 14th, 18th and 19th Floor, Phayathai Road, Wangmai, Pathumwan,

Bangkok 10330, THAILAND Tel: +66 (0) 2217 8888, 2611 9222, 2217 9595

Fax: +66 (0) 2217 9642

Registration No. 0107547000591

www.tnsitrade.com

### Thanachart Fund Management Company Limited

898 Ploenchit Tower, 15th and 18th Floor, Ploenchit Road, Lumpini, Pathumwan,

Bangkok 10330, THAILAND Tel: +66 (0) 2126 8300

Fax: +66 (0) 2126 8398

Registration No. 0105535049696

www.thanachartfund.com

#### Thanachart Insurance Company Limited

1 Glas Haus Building, 10th Floor, Sukhumvit 25 Road, North Klongtoey, Wattana, Bangkok 10110, THAILAND

Tel: +66 (0) 2661 7999 Fax: +66 (0) 2665 7304

Registration No. 0105540060091 www.thanachartinsurance.co.th

# 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

### NFS Asset Management Company Limited

444 MBK Tower, 17th Floor,

Phayathai Road, Wangmai, Pathumwan,

Bangkok 10330, THAILAND Tel: +66 (0) 2217 8000

Fax: +66 (0) 2217 8289

Registration No. 0105540086022

www.amc\_nf@thanachart.co.th

### MAX Asset Management Company Limited

444 MBK Tower, 17th Floor,

Phavathai Road, Wangmai, Pathumwan,

Bangkok 10330, THAILAND Tel: +66 (0) 2661 9539-45

Fax: +66 (0) 2611 9494

Registration No. 0105540093282

www.amcmax@thanachart.co.th

### **Thanachart Contact Center 1770**

# Companies in Siam City Bank Group

### Siam City Bank Public Company Limited

1101 New Petchburi Road, Makkasan, Rajthevi Bangkok 10400, THAILAND Tel: +66 (0) 2208 5000 Fax: +66 (0) 2651 7836

Registration No. 0107537001072

www.scib.co.th

### Siam City Securities Company Limited

999/9 The Office Zephaniah a building at Central World

9th Floor, Rama 1 Road, Pathumwan Bangkok 10330, THAILAND Tel: +66 (0) 2624 8888, 2207 2888

Fax: +66 (0) 2624 8899

Registration No. 0105539091239

www.scis.co.th

#### Ratchthani Leasing Public Company Limited

77/35-36 Sinn Sathorn Tower, 11th Floor, UP Tower Road Thonburi, Ton Sai, Klong San

Bangkok 10600, THAILAND Tel: +66 (0) 2440 0844 Fax: +66 (0) 2440 0848

Registration No. 0107545000209

www.ratchthani.com

### Siam City Life Assurance Company Limited

169 Siam City Bank Branch Building Sutthisan Suthisanwinitchai Road, Samsennai, Phayathai, Bangkok 10400, THAILAND

Tel: +66 (0) 2616 2324 Fax: +66 (0) 2616 2343

Registration No. 0105540057138

www.scilife.co.th

### Siam City Asset Management Company Limited

942/135 Charn Issara Tower 1, 4th Floor Rama 4 Road, Suriyawong, Bangrak

Bangkok 10500, THAILAND Tel: +66 (0) 2624 8555 Fax: +66 (0) 2624 8599

Registration No. 0105547010471

www.sci-asset.com

#### Siam City Insurance Company Limited

44/1 Building Thanakul Glorious, 12th Floor Ratchadapisek Road, Huay Kwang Bangkok 10310, THAILAND

Tel: +66 (0) 2202 9500 Fax: +66 (0) 2202 9555

Registration No. 0105491000166

www.scil.co.th

**Thanachart Contact Center 1770** 

# General Information

# **Investment of Thanachart Capital Public Company Limited In Other Companies**

Information as at 31 December 2010

The Company has investments in other companies. The proportion of shareholding and values of shares the Company held at least 10 percent of other companies' paid-up shares were as follows :

Company / Location	Type of Business	Type of Shares	Registered Capital (Baht)	Paid-up Capital (Baht)	Number of Issued Shares	Number of Shares Held	Percentage of Shareholding
Thanachart Bank Public Company Limited 900 Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Tel: +66 (0) 2655 9000 Fax: +66 (0) 2655 9001	Banking	Ordinary	59,346,192,720	55,136,649,030	5,513,664,903	2,809,726,575	50.96
NFS Asset Management Company Limited 444 MBK Tower, 17th 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
MAX Asset Management Company Limited 444 MBK Tower, 17th 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
Thiravanit Company Limited 444 MBK Tower, 10th Floor (Zone C4), Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2611 6606 Fax: +66 (0) 2611 9516	Being Liquidated	Ordinary	6,250,000	6,250,000	1,000,000	998,993	99.90
Bangkok Home Company Limited 444 MBK Tower, 10th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel: +66 (0) 2217 8000 Fax: +66 (0) 2611 9486	Being Liquidated	Ordinary	15,000,000	15,000,000	1,000,000	998,679	99.87

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

Note: Percentage of shareholding of each company shown above included shares held by related parties.

# Thanachart Capital Public Company Limited References

Head Office : 444 MBK Tower, 10th -11th and 15th -20th 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

# Office Name, Location, Contact, and Fax Number of Other References

Securities : Ordinary Shares and Preferred Shares

Securities Registrar : Thailand Securities Depository Company Limited

62 The Stock Exchange of Thailand Building,

Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND

Tel: +66 (0) 2229 2800 Fax: +66 (0) 2359 1259 Call Center: +66 (0) 2229 2888 Website: www.tsd.co.th

Securities Debenture Holders TCAP11NA

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 Citibank, N.A. Bangkok branch

Debenture Holders 399 Interchange Building, 21th Floor, Sukhumvit Road, Klongtoey Nua, Wattana,

Bangkok 10110, THAILAND Tel: +66 (0) 2788 2000 Fax: +66 (0) 2788 4851 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 7543 Website: www.cimbthai.com

: Ernst & Young Office Limited Auditor

193/136-137 Lake Ratchada Building, 33rd 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 Phayathai Plaza Building, 3rd 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

# Structure of Major Shareholders of Thanachart Capital Public **Company Limited**

Below was 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 13 October 2010 (which was the most recent closure date of the register book).

Name of Shareholders/ Group of Shareholders	Ordinary Shares	Preferred Shares	Total	Percentage
1. Thai NVDR Company Limited	132,347,591	_	132,347,591	9.93
MBK Public Company Limited	129,914,400	-	129,914,400	9.75
3. STATE STREET BANK AND TRUST COMPANY	59,337,132	-	59,337,132	4.45
4. Mr. Bhanapot Damapong	57,000,000	-	57,000,000	4.28
5. CHASE NOMINEES LIMITED 42	56,429,000	-	56,429,000	4.23
6. Thanachart Capital Public Company Limited	55,324,300	-	55,324,300	4.15
7. DAIWA SECURITIES SMBC CO., LTD-CLIENT ACCOUNT	42,000,000	-	42,000,000	3.15
8. NORTRUST NOMINEES LTD.	36,482,945	-	36,482,945	2.74
9. HSBC (SINGAPORE) NOMINEES PTE LTD	27,284,087	-	27,284,087	2.05
10. STATE STREET BANK AND TRUST COMPANY FOR AUSTRALIA	24,982,800	-	24,982,800	1.87
11.Other Shareholders	712,035,892	15,856	712,051,748	46.59
Issued and Paid-up Shares	1,333,138,147	15,856	1,333,154,003	100.00
Thai Shareholders	821,626,621	15,796	821,642,417	61.63
Foreign Shareholders	511,511,526	60	511,511,586	38.37

Source: Report of the Company's Major Shareholders as at 13 October 2010, which was prepared by Thailand Securities Depository Company Limited.

# **Company's Ordinary Shares and Preferred Shares**

As at 31 December 2010, the Company had registered capital and paid-up capital as follows:

Registered Capital : 13,331,540,030 baht
Paid-up Capital : 13,331,540,030 baht
Ordinary Shares : 1,333,138,147 shares, per share value of 10 baht
Preferred Shares : 15,856 shares, per share value of 10 baht

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

# **Dividend Policy**

### Dividend Policy of the Company

In considering dividend payments, the Company takes into consideration its performance and the long-term benefits 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 2010 are as follows:

• At the Board of Directors' Meeting No. 11/2010 held on 27 September 2010, the Board adopted a resolution approving the payment of an interim dividend of 0.50 baht per share to shareholders on 26 October 2010 for the performance of the first half of the year from 1 January 2010 to 30 June 2010. The payment was paid to both ordinary shareholders and preferred shareholders at the same rate. The total payment amounted to 638,914,851.50 baht with 1,277,829,703 shares\* receiving the dividend.

Note: \* The calculation of the above dividend payment 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 2010 held on 7 April 2010, the shareholders adopted a resolution approving the final dividend payment for the second half year performance from 1 July 2009 to 31 December 2009 to both ordinary and preferred shareholders at the same rate of 0.60 baht per share. The dividend was made on 6 May 2010, to 1,277,829,703 shares in the total amount of 766,697,821.80 baht Taking into consideration the interim dividend payment of 0.35 baht per share or 447,240,396.05 baht in total, which was made on 28 October 2009, for the period from 1 January 2009 to 30 June 2009 of which the resolution was adopted at the Board of Directors' Meeting No. 10/2009 on 29 September 2009, the total dividend paid for the performance of 2009 amounted to 1,213,938,217.85 baht or 0.95 baht 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 Company Limited and NFS Asset Management Company Limited 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 Exhibits Significant 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 8000, 2217 8444

Fax: +66 (0) 2217 8312

Registration No. 0107536000510

www.thanachart.co.th

### Thanachart Bank Public Company Limited

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

Tel: +66 (0) 2655 9000 Fax: +66 (0) 2655 9001

Registration No. 0107536001401

www.thanachartbank.co.th

#### Thanachart Securities Public Company Limited

444 MBK Tower, 14th, 18th and 19th Floor, Phayathai Road, Wangmai, Pathumwan,

Bangkok 10330, THAILAND

Tel: +66 (0) 2217 8888, 2611 9222, 2217 9595

Fax: +66 (0) 2217 9642

Registration No. 0107547000591

www.tnsitrade.com

### Thanachart Fund Management Company Limited

898 Ploenchit Tower, 15th and 18th Floor, Ploenchit Road, Lumpini, Pathumwan,

Bangkok 10330, THAILAND Tel: +66 (0) 2126 8300

Fax: +66 (0) 2126 8398

Registration No. 0105535049696

www.thanachartfund.com

#### Thanachart Insurance Company Limited

1 Glas Haus Building, 10th Floor, Sukhumvit 25 Road, North Klongtoey, Wattana, Bangkok 10110, THAILAND

Tel: +66 (0) 2661 7999 Fax: +66 (0) 2665 7304

Registration No. 0105540060091 www.thanachartinsurance.co.th

# 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

### NFS Asset Management Company Limited

444 MBK Tower, 17th Floor,

Phayathai Road, Wangmai, Pathumwan,

Bangkok 10330, THAILAND Tel: +66 (0) 2217 8000

Fax: +66 (0) 2217 8289

Registration No. 0105540086022

www.amc\_nf@thanachart.co.th

### MAX Asset Management Company Limited

444 MBK Tower, 17th Floor,

Phavathai Road, Wangmai, Pathumwan,

Bangkok 10330, THAILAND

Tel: +66 (0) 2661 9539-45

Fax: +66 (0) 2611 9494

Registration No. 0105540093282

www.amcmax@thanachart.co.th

**Thanachart Contact Center 1770** 

# Companies in Siam City Bank Group

### Siam City Bank Public Company Limited

1101 New Petchburi Road, Makkasan, Rajthevi Bangkok 10400, THAILAND Tel: +66 (0) 2208 5000 Fax: +66 (0) 2651 7836

Registration No. 0107537001072

www.scib.co.th

### Siam City Securities Company Limited

999/9 The Office Zephaniah a building at Central World

9th Floor, Rama 1 Road, Pathumwan Bangkok 10330, THAILAND Tel: +66 (0) 2624 8888, 2207 2888

Fax: +66 (0) 2624 8899

Registration No. 0105539091239

www.scis.co.th

#### Ratchthani Leasing Public Company Limited

77/35-36 Sinn Sathorn Tower, 11th Floor, UP Tower Road Thonburi, Ton Sai, Klong San

Bangkok 10600, THAILAND Tel: +66 (0) 2440 0844 Fax: +66 (0) 2440 0848

Registration No. 0107545000209

www.ratchthani.com

### Siam City Life Assurance Company Limited

169 Siam City Bank Branch Building Sutthisan Suthisanwinitchai Road, Samsennai, Phayathai, Bangkok 10400, THAILAND

Tel: +66 (0) 2616 2324 Fax: +66 (0) 2616 2343

Registration No. 0105540057138

www.scilife.co.th

### Siam City Asset Management Company Limited

942/135 Charn Issara Tower 1, 4th Floor Rama 4 Road, Suriyawong, Bangrak

Bangkok 10500, THAILAND Tel: +66 (0) 2624 8555 Fax: +66 (0) 2624 8599

Registration No. 0105547010471

www.sci-asset.com

#### Siam City Insurance Company Limited

44/1 Building Thanakul Glorious, 12th Floor Ratchadapisek Road, Huay Kwang Bangkok 10310, THAILAND

Tel: +66 (0) 2202 9500 Fax: +66 (0) 2202 9555

Registration No. 0105491000166

www.scil.co.th

**Thanachart Contact Center 1770** 

# Corporate Social Responsibility

# **Corporate Social Responsibility**

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

### **CSR-in-Process**

This type of CSR focuses on conducting business affairs with responsibility towards society. In this connection, Thanachart Group has been embracing the principles of corporate social responsibility for a long time. We treat all groups of stakeholders including shareholders, customers, consumers, and business counterparts in a fair and equitable manner. Recognizing the importance of good corporate governance, we also place strong emphasis on transparent and fair information disclosure. We regularly and continuously organize training activities for our staffs on the corporate governance with the support of Chulalongkorn University's Continuing Education Center. As regards our employees, we have been taking good care of our staffs in the areas of remuneration, welfare benefits, and work environment. In addition, as part of its energy policy, Thanachart Group encourages the staffs to participate in activities aimed at saving electricity and using less paper. The objectives are to save energy and preserve the environment.

In 2010, many provinces in Thailand were hard hit by floods. Thanachart Group together with Siam City Bank launched several measures aimed at helping customers nationwide who were victims of the floods. The customers could request for delay in their repayments. As well, they could request for extension of their repayment period, with no change in the interest rate stipulated in the original loan agreements. They were also given waivers for late charges imposed on overdue debts as well as for fees charged for issuing reminding letters and default notices. Moreover, the customers having the established qualification standards could apply for "Thanachart FLASH Credit Cards" which would provide them with an emergency credit line to be used as a revolving fund.

## **CSR-after-Process**

This type of CSR covers corporate social responsibility activities undertaken in addition to those undertaken in the ordinary course of business. Thanachart Group had involved in this type of activities for a long time. However, since the banking services become one of Thanachart Group's main businesses with an extensive branch network nationwide, the corporate social responsibility activities have been divided to those undertaken by regional hubs (Hub CSR) and those by the center (Central CSR).

### **Hub CSR Activities**

The CSR activities undertaken by the regional hubs are based on the concept that each area's social problems are different from the others. Moreover, Thanachart Group would like the staff of each regional hub to participate in the study of the problems and to propose activities to the center where the CSR Committee considers and approves the proposals and the related budgets. The staffs of Thanachart Bank and member companies of Thanachart Group in each region will then proceed with the joint implementation of the approved CSR activities. In this connection, their customers, trading partners, and members of the general public living in the communities will also be invited to participate in these activities. As part of its support, Thanachart Group has defined a scope of social problems which serve as guidelines for activities to be undertaken by the regional hubs. These social problems could be divided into 3 main groups as follows:

- 1. Development of the youth and the underprivileged,
- 2. Public health and community sanitation, and
- 3. Environment.

Moreover, there are also ad hoc CSR activities organized for the purpose of relieving community distress caused by natural disasters. The following are examples of the key CSR activities that have been continuously undertaken by Thanachart Bank's regional hubs.

### • "Getting motorcycles helmets for kids—an expression of Thanachart's concern for them"

This activity is carried out by several hubs such as Hatyai Hub, Phitsanulok Hub, and Nakhonsawan Hub. The objective is to promote observance of traffic discipline with respect to the requirement that kids sitting in the rear of motorcycles have to wear helmets every time. The helmets will help mitigate serious injuries, especially damages caused to the brain which is a very important organ, due to road traffic accidents. Moreover, the activity helps inculcate in the parents the importance of their children wearing safety helmets for protection. As part of the activity, the local police are also invited to speak to the parents about observance of traffic rules and demonstrate to them how to drive motorcycles safely. This activity has been undertaken continuously for 4 years. In 2010, 3,000 motorcycle helmets were given to the schools in the areas covered by the hubs.

#### • "These bicycles are for young children"

This activity has been implemented continuously by the Chiangmai Hub for 3 years. During the period, 600 bicycles were delivered to schools in rural areas. The poor students whose houses are far away can borrow the bicycles and ride them to their schools. The schools are also responsible for maintaining the bicycles in good condition. In the past, the bicycles were given to schools in Amphur Chomthong and Amphur Fang in Chiangmai as well as Amphur Thoeng in Chiangrai. This activity is always organized in winter every year. In this connection, invitations are extended to the hub's customers and trading partners to donate clothes and blankets to children living in the rural areas. They also donated stationery and sports equipment to the schools.

### "Thanachart's kids camps"

This activity has been implemented continuously by Suratthani Hub for 3 years. As part of the activity, coaches of national team and the country's leading soccer referees helped teach basic soccer techniques and the international rules of soccer to the kids joining the camps. The activity also supports soccer scholarship tournaments, the objectives of which are to inculcate sportsmanship and solidarity among young children and to keep them away from drugs.

### · Blood donation in honor of His Majesty the King and Her Majesty the Queen

These are activities which have been implemented continuously for many years by several hubs including, among others, Khonkaen Hub, Ayutthaya Hub, Nakhon Si Thammarat Hub, Saraburi Hub, Udonthani Hub, Thonburi Hub, and Rachada Hub. The blood is donated in honor of His Majesty the King and Her Majesty the Queen Sirikit. Helping alleviate blood shortage in hospitals, the activities have always been supported by the Thai Red Cross Society who provided assistance in organizing the donation. Financial health check-up is also given to members of the general public who participated in the activities. Tree seedlings are also distributed by agencies of the Royal Forest Department

during the activities. The objectives are to support global warming prevention campaigns and to motivate people to help protect the environment. As a result of the activities organized in 2010, about 2,000 people donated approximately 800,000 cc of blood to the Thai Red Cross Society.

### • "Bicycling...to reduce pollution and global warming"

Thanachart Bank's Ngamwongwan Hub continuously cooperates with state agencies, the private sector, and people living in Pakkred Municipal District in organizing activities aimed at promoting the use of bicycles in replacement of personal vehicles to reduce global warming on the World Environment Day, 5 June every year. In 2010, 3rd Anniversary Bicycling...to reduce pollution and global warming was held. As part of the activity, parking spaces for bicycles are made available at a number of spots in Pakkred Municipal District. Those who participated in the activity also released fishes into Chao Phraya River in order to increase the number of aquatic animals in the river.

### Central CSR

This type of CSR activities are divided into 3 main groups including those continuously undertaken by Thanachart Group, those undertaken in cooperation with other agencies, and ad hoc activities organized for the purpose of relieving public distress due to natural disasters. The scope of most CSR activities undertaken by the center also follows the same guidelines given for CSR activities undertaken by the regional hubs, which cover development of the youth and the underprivileged, public health, and community sanitation, as well as the environment. The CSR activities implemented by the center in 2010 can be summarized as follows:

## CSR activities undertaken by Thanachart Group

These activities act as mouthpiece for enhancing awareness of the society about the various social problems as well as presenting work of individuals, groups of people or organizations who are continuously helping solve the problems or reducing their seriousness. They are presented in documentary film series entitled "Initiated and fulfilled by Thanachart Bank" through TV Burabha's Kon Kon Kon Program. The year 2010 was the third year in a row that the documentary film series were broadcast. Through the series, we acted as mouthpiece for telling people about several social problems. In addition, as part of our efforts to address them, we made donations and our staff participate in the related activities. The objective was to enhance the awareness of the society about the actual causes of the problems so that they could be solved or their seriousness could be reduced. We also made suggestions for solutions that directly address the root causes of each problem. We hoped that this mouthpiece would help bridge the gap between givers and receivers, the results of which would help enhance the strength and sustainability as well as the sense of well-being among people living in Thai society.

Moreover, Thanachart Bank has provided customers who hold its ATM cards with convenience in accumulating merits. They can make cash donations to charitable organizations through Thanachart Bank's ATMs, regardless of the quantity or frequency of the donations. Charging no fee for the services, we serve as a bridge for our customers' merit making. We also make available donation boxes at all our branches which act as the channel for raising funds to support the Foundation for Slum Child Care under the Patronage of Her Royal Highness Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra. The purpose is for Thanachart Group's customers, executives and staffs to make donations together for supporting the education and wellbeing of the children as well as their development and quality of life so that they will grow up to become the country's high-quality youth in the future.

In 2010, the broadcast documentary film series entitled "Initiated and fulfilled by Thanachart Bank Year 3" which helped enhance the awareness of the society about many problems included, among others, the following:

Angel Penlakana--a nurse with golden heart Penlakana dedicates herself to helping patients who are poor and live in remote areas far from hospitals. With a heart full of nursing professionalism that is not merely attached to the uniform, she regularly travels to the remote areas to look after these patients. In this connection, Thanachart Bank and its Ayutthaya Hub together with state agencies and the private sector in Ayutthaya and neiboring provinces jointly donated medical equipment to hospitals, which could be used for treating patients. The donated medical equipment included, among others, blood pressure gauges and bedsore prevention air mattress.

### Suthasinee Noiin Foundation for Children and Youths (Orphan Home) in Yasothon Province

Suthasinee Noiin is a teacher who gives relentless love to disadvantaged children despite the fact that she is faced with both physical and financial problems. In this connection, Thanachart Bank makes contributions in the form of drinking waters and necessary personal effects such as clothes and overcoats to volunteer groups and children living at Orphan Home. As well, cash donations are given to Mae Tiew or Mae Toi (Suthasinee Noiin) for supporting the Foundation's various activities.

### Police Senior Sergeant Major Somsak Boonrat the nation's angel

Somsak Boonrat is a street cop teacher of Bang Sue Police Station. After work, he spends time teaching underprivileged children living in crowded slums. Being a genuine teacher, he teaches them from the heart. To support his teaching activities and provide the slum children with educational opportunities for advancement in the future, Thanachart Bank and its staff donated funds, stationery, sports equipment, and textbooks.

### A teacher who puts a school back to life, using traditional Thai music

Teacher Sopon (or Police Sergeant Major Sopon Rithisarn) devotes his whole life to teaching students at Chong Lab Temple School in Ratchaburi Province. With a teacher's heart, he thinks about putting back to life an almost deserted school in a remote and deprived area by using traditional Thai music. Thanks to his unwavering dedication, he manages to raise its status to become a role model for school development. To support him in his efforts, Thanachart Bank and its

staff raised funds to buy Thai musical instruments which Chong Lab Temple School was still lacking.

#### Angel Kru A -a teacher with art at heart

Kru A (or Pirapong Wongsrijan) is a teacher at Submongkol Wittaya School, Amphur Tepsatit, in Chaiyaphum Province. With art at heart, he is determined to help disadvantaged students make their dreams come true and create a future by using arts. He hopes that the students will be able to earn a living as artists. To support his efforts, Thanachart Bank and its staff provided him with funds and construction materials for building an art training center for children. As a result, Kru A won the Good Citizen Award from the Ministry of Justice in 2010. Back in 1994, he also won an award at the First Awards Ceremony for 'Teachers in Our Hearts', which was organized by the Office of the Basic Education Commission (OBEC).

### Activities undertaken with other organizations

These are activities undertaken with Thanachart Bank's business alliances or social welfare organizations. The activities are not continuously implemented but they are considered useful for the society, the disadvantaged, the youth, and even the elderly. These include, among others, the following:

- Miracle of Thai kids knowing how to preserve and protect the beautiful world (under the theme of joining force to give color to the environment to build a beautiful world) The activity was jointly organized by Thanachart Bank and MBK Plc at MBK Center on the occasion of Children's Day. The objective was to encourage children and the youth to express themselves creatively through various activities.
- Thanachart Bank initiates and fulfills the imagination of Thai children This activity was jointly organized by Thanachart Bank and BEC-Tero Entertainment Public Company Limited. The objectives were to enhance the ability and skills of children aged less than 12 in making models using Plasticine and to inspire imagination in the children on the occasion that Thanachart Bank was the key sponsor in bringing to Thai people the world-renowned Walking With Dinosaurs - The Arena Spectacular. As part of this activity, experts were invited to provide the children with the related knowledge and techniques before they participated in a competition of making creative models using Plasticine under the theme of 'My Dinosaur'. The winners of the competition were awarded scholarships worth over 40,000 baht in total and also tickets to watch Walking With Dinosaurs.
- Thanachart Bank and Thammasat University Law Association jointly implemented a used computer project aimed at promoting education in rural and remote areas. Forty used computers were given to students in the rural and remote areas.
- Thanachart Bank gave its second year support to cultural activities jointly organized by the Siam Society under Royal Patronage and the College of Music, Mahidol University. The activities served as platforms for a new generation of Thai musicians to give their performances to members of communities around the world. They also helped raise the musicians'

performance standards to the level on a par with the international ones. The music performances were free and open to members of the general public throughout

#### · Ad hoc CSR activities to help victims of natural disasters

- In 2010, many provinces in Thailand were hard hit by floods. Ayutthaya and Angthong which were the two provinces that helped store floodwaters to prevent flooding in Bangkok and its environs suffered severely from the disaster. As a result, Thanachart Bank gave its assistance to the disaster victims during the period when the two provinces were harshly affected by the floods. It gave 250 fiberglass boats worth one million baht in total and 300 dozens of bottles of drinking water to the governors of the two provinces, which would be sent to those people who had suffered heavily from the floods for a long time.
- The network of over 670 branches of Thanachart Bank and Siam City Bank was also used as a channel for receiving cash donations for the flood victims. Moreover, the branch network in various provinces assisted in receiving relief materials and drinking water for the victims.
- Thanachart Bank and MBK Plc jointly provided schools in Ayutthaya Province with post-flood assistance by organizing a contest entitled "Initiate and fulfill in order to strengthen Thailand's foundation for sustainable development". The contest gave opportunities for the children and the youth to think together and create ideas to rehabilitate their own schools and communities. Or they could also propose guidelines to rehabilitate the schools and communities after being hit by the floods. Students in Mathayomsuksa 1-6 were invited to participate in the essay contest on the formulation of rehabilitation projects based on the

sustainable economic development approach. The winners of the contest were awarded scholarships worth 2 million baht in total. They also received honorary plates from the Governor of Ayutthaya Province.

#### Activities undertaken to maintain and support Buddhism

Thanachart Bank annually hosts the presentation of royal Krathin robes. In 2010, Thanachart Bank was graciously bestowed by His Majesty the King to offer the royal robes at Wat Phothisomphon, Pho Niyom Road, Tambon Makkhaeng, Amphur Muang, Udonthani Province. In this connection, member companies of Thanachart Group, their customers, trading partners, executives, and staffs as well as members of the general public jointly donated 5,687,343.47 baht in good faith to the temple as part of the funds to be used for constructing Phra Barom That Tham Chedi to house Lord Buddha's relics which His Holiness Somdet Phra Nyanasamvara, Supreme Patriarch of Thailand, kindly granted to Phra Udomyanmoli, the abbot of Wat Phothisomphon, for the good luck of Bhuddhists in Udonthani Province and neighboring provinces.

### CSR activities undertaken by staffs

Thanachart Bank and member companies of Thanachart Group encourage their staffs to participate in CSR activities. As a result, they have jointly established Thanachart CSR Club whose objective is to participate in CSR activities themselves or join the organization in implementing CSR activities. The club members' voluntary participation depends on each club member's own free will and convenience. A lot of employees have become members of the club. The following are their activities in 2010.

"Cruising canals to collect garbage" Thanachart CSR Club joined Bangkok Metropolitan Administration, Klong Lad Mayom Community, and Kwaeng Bang Ramad Community in organizing









- 1. Thanachart Group participated in the presentation of royal Krathin robes to Wat Phothisomphon in Udonthani Province. Thanachart Group, their customers, trading partners, executives, and staffs as well as members of the general public jointly donated 5,687,343.47 baht in good faith to the temple as part of the funds to be used for constructing "Phra Barom That Tham
- Thanachart Bank and MBK Plc jointly gave out 2 million baht in scholarships to 19 schools in Ayutthaya Province after floods receded, through a program entitled "Initiate and fulfill in order to strengthen Thailand's foundation for sustainable development".
- Suphadej Poonpipat, Thanachart Bank's Chairman of the Executive Committee invited the Bank's customers, executives, and staffs of Thanachart Group to make donations to charitable organizations through the Bank's ATMs.
- Thanachart Bank gave 1 million baht for the purchases of 250 fiberglass boats, which were sent to people who suffered from the floods in Ayutthaya Province and Angthong Province.
- 3 4

activities which included cleaning of canals and construction of dams to block water hyacinths for the communities along Klong Kwaeng Bang Ramad and Klong Lad Mayom Floating Market in Taling Chan District. The objective was to make the surrounding landscape look beautiful and pleasant to live.

- "Used books for young children nationwide" Staffs of Thanachart Group's member companies donated used books to Wat Chatyai School in Ratchaburi Province. As well, they gave stationery, sports equipment, and two book cases to the students at the school. Over 60 staff members participated in the activity and joined the Mirror Foundation in hosting lunches for the students.
- "Computer classroom renovation" Members of Thanachart CSR Club helped renovate the computer classroom of Wat Chatyai School in Ratchaburi Province. They repainted the classroom, creating an atmosphere conducive to both teaching and learning. Apart from 30 office equipment units and computers, they donated 30,000 baht for the purpose of improving the computer classroom.
- "Teaching art to young children—dress paintings" Thanachart CSR Club provided students of Wat Pichai School in Bangkok with an opportunity to learn about the art and techniques of painting color and drawing dinosaurs on dresses. Over 50 staff members participated in the activity and helped coach the children when they were painting. The children also received special prizes from Thanachart Bank.

## • CSR activities undertaken by other member companies of Thanachart Group

- Thanachart Insurance Company Limited and Thanachart Life Assurance Company Limited jointly donated 160,000 baht to Mahavachiralongkorn Foundation for making artificial limbs for the physically disabled who are under the Project entitled "Insurance of Thai Society". The project was established by the Office of Insurance Commission to honor Her Royal Highness Princess Maha Chakri Sirindhorn.
- Thanachart Securities Public Company Limited organized an activity entitled 'Help Young Children Year 7'. The company donated 135,000 baht for supporting orphaned students who were poor and lived in remote areas. The support included repairment of student dormitories and purchases of books for libraries of Ban Mare Mae School in Chiangmai Province and Ban Na Maew School in Khonkaen Province respectively.
- Thanachart Life Assurance Company Limited organized a program entitled 'Thanachart initiates and fulfills' under the theme of Scholarship Awarding No. 8/2010. The company awarded 60 scholarships worth 270,000 baht in total to students in Mathayomsuksa 1-6 from 10 secondary schools under the Department of General Education. Thanachart Life Assurance has been awarding the scholarships since 2002











- 5. Thanachart Bank gave educational support funds to students who won in a competition of making creative art models using Plasticine under the theme of "My Dinosaur". The activity was part of the program entitled "Thanachart Bank initiates and fulfills the imagination of Thai children"
- Thanachart Bank gave motorcycle helmets to students in Songkhla Province Phitsanulok Province and Nakhonsawan Province. The activity was part of its program entitled "Getting motorcycle helmets for kids—an expression of Thanachart's concern for them"
- Thanachart Bank gave bicycles to poor students in Chiangrai Province and Chiangmai Province, whose houses were far away from their schools. The students could ride the bicycles to the schools. The activity was part of the Bank's program entitled "These bicycles are for young children".
- Thanachart Bank's Ubonratchathani Hub and its 40 staff members gave necessary personal effects and cash donation to Suthasinee Noiin Foundation for Children and Youths (Orphan
- 9. Thanachart CSR Club organized an activity entitled "Teaching art to young children-dress paintings". Over 50 volunteer staff members participated in the activity which provided students of Wat Pichai School in Bangkok with an opportunity to learn about the art and techniques of painting color and drawing dinosaurs