



Management Discussion and Analysis

For the year ended 31 December 2011

(Audited Financial Statements)

Thanachart Capital Public Company Limited

Tel: 0 2217 8000, 0 2217 8444

Fax: 0 2217 8312

Website: www.thanachart.co.th

Investor Relations

Email: tcap_ir@thanachart.co.th

Tel: 0 2613 6107

Thanachart Capital Public Company Limited and its Subsidiaries

Management Discussion and Analysis (Audited Financial Statements)

Economics Outlook and Competition in Banking Industry

Thai economy in the 4th quarter of 2011 has contracted in all sectors. This was due to the flood crisis that happened in October. Agricultural and industrial estates were widely damaged, making the production output in both agricultural and industrial sectors to decrease. Export sector decreased due to a slowdown in production capacity, depressed global economy, and debt crisis in Europe and United States.

Under such circumstances, in November 2011, the monetary policy committee issued a resolution to decrease interest rate by 0.25 percent to 3.25 percent in order to stimulate the investment and consumption. This was to push the domestic economy forward and help alleviate the negative impact on export sector. Furthermore, the business confidence index in the month of November decreased to 39 from the aforementioned factors. The business confidence index is expected to improve in the year 2012. The future business sentiment index¹ has indicated positive sign as it has bounced back to 54.4. Business owners have confidence that the economy will improve and the inflation rate will decrease. Headline inflation rate in the 4th quarter was 3.97 percent, decreased from 4.13 percent. Core inflation was at 2.82 percent, increased from 2.79 percent.

Thai economy is expected to recover from the flood crisis by mid-year of 2012. GDP in 2012 is expected to grow by 5.5 - 6.5² percent, due to the flood recovery and restoration measures together with stimulating fiscal policy.

In 2012, however, Thailand has to face with various risks, including depressed global economy, political instability, and populist measures which can result in a budget deficit. Furthermore, the uncertainty in natural disaster and the change in the Royal Act regarding FIDF debt that the commercial banks would be responsible for presents as another risk.

¹ Future business sentiment index for the next 3 months includes December, January, and February

² Forecasted by the Office of National Economic and Social Development Board

Major Events

1. On 1 October 2011, TBANK has completed an entire business transfer of Siam City Bank Public Company Limited (SCIB), as all assets, liabilities, and obligations including the employees of SCIB were transferred at fair price on 30 September 2011, as recommended by both independent financial advisor. The business transfer was in a net value of 50,134 million baht, of which 381,077 million baht were assets and 330,943 million baht were liabilities. SCIB Extraordinary Shareholders Meeting No. 1/2011 on 6 December 2011 had a resolution for SCIB to cede all business operations and return its commercial banking license to Ministry of Finance after the entire business transfer was complete. The name “Siam City Bank Public Company Limited” was changed to “SCIB Public Company Limited” which is operating on the terminating the business operation. SCIB is currently in the process of liquidation.

2. On 21 October 2011, Thanachart Bank Public Company Limited (TBANK) (a subsidiary company) subscribed the newly issued ordinary shares for capital increase of Ratchthani Leasing Public Company Limited (THANI) according to the allocation of shares for capital increase offered to all shareholders proportionately. As a result, TBANK now holds ordinary shares of THANI in the amount of 874.97 million shares. As THANI's existing shareholders did not fully subscribe to their rights, the percentage of the ownership in THANI of TBANK increased from 48.35 percent to 65.18 percent of the total issued and paid-up shares.

3. On 16 January 2012, TRIS Rating Company Limited (TRIS) has upgraded the company rating of Thanachart Capital Public Company Limited (TCAP) to “A+” from “A”. This improvement reflects credibility as an investment holding company of TBANK and more involvement role in the management of TBANK through a shareholding of 50.96 percent. The rating also takes into consideration the capabilities of management team, the improvement in TCAP's standard of risk management system, the strong capital base, and the strong support in both business operation and financial from TCAP's strategic partner, the Bank of Nova Scotia (Scotiabank). Furthermore, TBANK's acquisition of SCIB has enhanced market position, the extent of business diversification, and positive future financial position, as a result of growing loan portfolio, deposit base, and branch network.

At the same time, TRIS has upgraded the company rating of TBANK to “AA-” from “A+”. The rating reflects stronger business operation after the acquisition of SCIB, which has been done seamlessly and successfully. TBANK is a medium bank with a large and well-diversified customer base.

Operating results for the year 2011

Performance overview of Thanachart Capital Public Company Limited and its subsidiaries

In the year 2011, the entire business transfer of SCIB was seamlessly and successfully completed. TBANK (a subsidiary company), a mid-sized bank, has acquired larger customer base and also broader branch and ATM network nationwide. Business has been growing consistently under the circumstances of competitive environment of commercial bank industry, increase interest rate, and flood crisis at the end of the year. In 2011, consolidated total assets and loans grew by 1.4 percent and 4.5 percent from the end of last year, to total to 895,157 million baht and 637,104 million baht respectively. Net profit amounted to 5,002 million baht.

“For business operation in the coming year, the Company and its subsidiaries will focus on “Transformation to Strength” by aiming at improving the IT system, service and work flow in order to meet the needs of the customers”

The key operating results are as follows:

- **Loans grew by 4.5 percent** from the end of last year. In particular, hire purchase loan grew by 19.4 percent from the end of last year, despite negative impact from the flood crisis in the last quarter of 2011. Ratio of retails loan to corporate and SME loan was at 62 percent to 38 percent.
- **Deposits and B/E decreased by 2.7 percent** from the end of last year. Current account deposits and savings account deposits (CASA) accounted for 26.9 percent of total deposits and bills of exchange while bills of exchange accounted for 33.4 percent.
- **Interest spread** decreased as the policy interest rate has been increasing continuously together with the flood crisis in the last quarter of the year 2011. Interest spread in 2011 was at 2.8 percent, decreased from 3.2 percent in the previous year. Yield on earning assets was 5.5 percent, an increase due to increase in market rate while the cost of fund increased to 2.7 percent as a result of competition in deposits and liquidity management.
- **Growth of non-interest income** is contributed by the net fees and service income, brokerage fees, gain on tradings and foreign exchange transactions, gain on investments, share of profit from investments in associated companies accounted for under equity method, dividend income, net insurance/life insurance premium income. Non-interest income to net operating income (Non-interest income ratio) was at 32.0 percent, as compared to 32.1 percent in the previous year.

■ **Other operating expenses control and management:**

Other operating expenses to net operating income (cost to income ratio) was at 60.9 percent, an increase from 50.5 percent in the previous year. This was mainly due to integration cost, which includes IT system improvement, employee benefits and trainings, branch decoration cost, including variable cost relied on business volume, and etc.

■ **Non-performing Loans management:**

Impairment loss of loans and debt securities expenses to total loans ratio was 0.3 percent, similar to that of the previous year. In this connection, TS AMC Company Limited (TS AMC) was set up to manage NPLs transferred from SCIB.

■ **Flood crisis impact in the last quarter of the year.** TBANK and its subsidiaries were also affected by the flood as well. The impacts on TBANK's assets and to loan portfolio were as follows.

1. **Impact on TBANK's assets:** A total of 57 branches and 228 ATMs were closed during the flood. All have assumed normal operation by the end of the year, whereas maintenance cost could be claimed from the insurance company.
2. **Impact on loan portfolio:** The flood affected hire purchase and SMEs loans but did not have a significant effect on the Bank's performance. Furthermore, the Bank has issued measures to help aid the customers accordingly, such as, debt restructuring, delay payment, and etc.

As for consolidated financial positions, Thanachart Group continued to grow consistently, especially in loan portfolio, despite the entire business transfer activities between TBANK and SCIB in 2011. Consolidated loans totaled to 637,104 million baht, an increase of 27,458 million baht or 4.5 percent from the end of 2010. Consequently, total assets at the end of 2011 amounted to 895,157 million baht, an increase of 12,400 million baht or 1.4 percent from the previous year.

Earning per share (EPS) in 2011 was 3.91 baht, compared to 4.41 baht in the previous year. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 1.00 percent and 13.66 percent respectively.

Consolidated Statements of Comprehensive Income	2011	2010	Change (%)
Interest Income	44,419	35,027	26.8
Interest Expenses	(20,104)	(11,998)	67.6
Net Interest Income	24,315	23,029	5.6
Net Fees and Service Income	3,372	2,881	17.0
Other Operating Income	8,058	7,998	0.8
Net Operating Income	35,745	33,908	5.4
Other Operating Expenses	(21,760)	(17,109)	27.2
Impairment Loss of Loans and Debt Securities	(2,077)	(1,653)	25.7
Profit before Income Tax	11,908	15,146	(21.4)
Income Tax	(3,136)	(4,844)	(35.3)
Net Profit before Non-controlling Interests	8,772	10,302	(14.9)
Non-controlling Interests	(3,770)	(4,663)	(19.2)
Net Profit	5,002	5,639	(11.3)
Earning per Share (THB)	3.91	4.41	(11.3)
Return on Average Equity (ROAE) (%)	13.7	16.5	(17.0)
Return on Average Assets (ROAA) (%)	1.0	1.4	(28.6)
Interest Spread (%)	2.8	3.2	(12.5)
Non-interest Income to Net Operating Income			
(Non-interest Income Ratio) (%)	32.0	32.1	(0.3)
Other Operating Expenses to Net Operating Income			
(Cost to Income Ratio) (%)	60.9	50.5	20.6

Net Interest Income

In 2011, net interest income of the Company and its subsidiaries amounted to 24,315 million baht, representing an increase of 1,286 million baht or 5.6 percent compared to the last year. Total interest income amounted to 44,419 million baht, an increase of 9,392 million baht or 26.8 percent while interest expenses increased by 8,106 million baht or 67.6 percent from the last year. As a result, interest spread in 2011 stayed at 2.8 percent, a decrease from 3.2 percent from the last year according to the increasing interest rate condition and the fierce competition situation.

Non-interest Income

Non-interest Income consists of net fees and service income and other operating income. The ratio of net interest income to non-interest income in 2011 was at 68 percent to 32 percent.

■ Net Fees and Service Income

For the year 2011, the Company and its subsidiaries had net fees and service income of 3,372 million baht, representing an increase of 491 million baht or 17.0

compared to the last year. Fees and service income amounted to 3,873 million baht, an increase of 471 million baht or 13.8 percent while fees and service expenses amounted to 501 million baht, a decrease of 20 million baht or 3.8 percent. This was attributable to the increase in the Group financial products offered to the customers.

■ Other Operating Income

Other operating income includes gain on tradings and foreign exchange transactions, gain on investments, share of profit from investments in associated companies accounted for under equity method, dividend income, brokerage fees, net insurance/life insurance premium income, and other income.

For the year 2011, other operating income of the Company and its subsidiaries amounted to 8,058 million baht, representing an increase of 60 million baht or 0.8 percent compared to the previous year. The increase was attributable to an increase in gain on investment of 616 million baht or 117.8 percent. Dividend income increased by 263 million baht from 492 million baht to 755 million baht while brokerage fees amounted to 1,071 million baht, a decrease of 19.4 percent from the fluctuation of the capital market in this year. Net insurance/life insurance premium income decreased by 224 million baht from 2,351 million baht to 2,127 million baht, a decrease of 9.5 percent, due to some of insurance products were expired in this year as well as the impacts from the economic and the flood crisis.

Other Operating Expenses

For the year 2011, other operating expenses of the Company and its subsidiaries were 21,760 million baht, an increase of 4,651 million baht or 27.2 percent from the previous year. This was mainly due to personnel expenses which increased by 26.5 percent. In addition, a certain amount of integration cost was recorded at TBANK such as information technology improvement cost, branch redecoration cost, as well as the MSP cost. As a result, other operating expenses to net operating income (cost to income ratio) accounted for 60.9 percent.

Impairment Loss of Loans and Debt Securities Expenses

For the year 2011, impairment loss of loans and debt securities expenses of the Company and its subsidiaries amounted to 2,077 million baht, an increase of 424 million baht or 25.7 percent. This was due to expenses on bad debts and doubtful accounts which increased by 444 million baht or 26.3 percent.

Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	31 December 2011		31 December 2010		Change
	Amount	%	Amount	%	%
Interbank and Money Market Items-net	63,232	7.1	85,105	9.6	(25.7)
Investment-net	152,511	17.0	145,376	16.5	4.9
Investment in Associated Company-net	1,673	0.2	2,239	0.3	(25.3)
Loans to Customers and Accrued Interest Receivables	638,084	71.3	610,602	69.2	4.5
Allowance for Doubtful Accounts and Revaluation allowance for Debt Restructuring	(27,286)	(3.1)	(27,959)	(3.2)	(2.4)
Intangible assets acquired in a business combination-net	3,498	0.4	3,963	0.4	(11.7)
Goodwill	13,981	1.6	13,671	1.6	2.3
Other Assets	49,464	5.5	49,760	5.6	(0.6)
Total Assets	895,157	100.0	882,757	100.0	1.4
Deposits	435,865	48.7	532,382	60.3	(18.1)
Interbank and Money Market Items	60,151	6.7	40,545	4.6	48.4
Debt Issued and Borrowings	262,653	29.3	184,717	20.9	42.2
Other Liabilities	60,807	6.8	53,394	6.1	13.9
Total Liabilities	819,476	91.5	811,038	91.9	1.0
Company's Shareholders' Equity	38,259	4.3	36,092	4.1	6.0
Non-controlling Interests	37,422	4.2	35,627	4.0	5.0
Total Shareholders' Equity	75,681	8.5	71,719	8.1	5.5
Total Liabilities and Shareholders' Equity	895,157	100.0	882,757	100.0	1.4
Book Value per Share (Baht)	29.94		28.24		6.0

Consolidated Statements of Financial Position ended 31 Dec 2010 is revised for comparable with the financial position ended 31 Dec 2011

Assets

As at 31 December 2011, Thanachart Group's total assets amounted to 895,157 million baht, representing an increase of 12,400 million baht or 1.4 percent from the end of 2010. This was mainly due to the increase in loans to customers and accrued interest receivables which continued to grow by 4.5 percent. The key contributing factors were:

- Net interbank and money market items amounted to 63,232 million baht, a decrease of 21,873 million baht or 25.7 percent from the end of last year, due to the excess liquidity management.
- Loans to customers and accrued interest receivables amounted to 638,084 million baht, an increase of 27,482 million baht or 4.5 percent from the end of last year. The proportion of retail loans to corporate and SME loans was 62 percent to 38 percent.

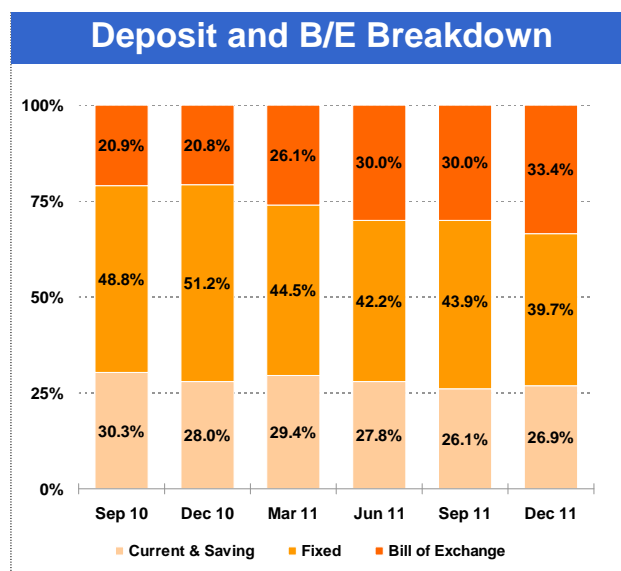
Liabilities

Total liabilities of Thanachart Group as of 31 December 2011 amounted to 819,476 million baht, representing an increase of 8,438 million baht or 1.0 percent from the end of 2010. The main factors were as follows:

Unit: Million Baht

Consolidated Statements of Financial Position	31 December 2011		31 December 2010		Change
	Amount	%	Amount	%	%
Deposits and Bills of Exchange					
At Call	7,117	1.1	7,205	1.1	(1.2)
Savings	169,051	25.8	181,106	26.9	(6.7)
Fixed Deposits	259,634	39.7	338,713	50.4	(23.3)
Bills of Exchange	218,224	33.4	139,534	20.8	56.4
Others	63	0.0	5,358	0.8	(98.8)
Total Deposits and Bills of Exchange	654,089	100.0	671,916	100.0	(2.7)

- Total deposits and bills of exchange amounted to 654,089 million baht, a decrease of 17,827 million baht or 2.7 percent from the end of last year. Out of the total deposits and bills of exchange, current account deposits and savings account deposits (CASA) accounted for 26.9 percent of total deposits and bills of exchange while bills of exchange accounted for 33.4 percent of total deposits and bills of exchange, an increase from 20.8 percent as of the end of 2010.



- Interbank and money market items amounted to 60,151 million baht, an increase of 19,606 million baht or 48.4 percent from the end of last year. This was due to the liquidity management of TBANK.

Shareholders' Equity

Total shareholders' equity amounted to 75,681 million baht, representing an increase of 3,962 million or 5.5 percent from the end of 2010. This was mainly due to the increase in the Company and its subsidiaries' net profit in 2011 of 5,002 million baht and also the impact of the accounting standard on employee benefits (TAS 19) which caused the retained earnings to decrease by 1,170 million baht as well as the dividend payment of 1,533 million baht paid for the performance of the second half of 2010 and the first half of 2011.

Non-performing Loans: NPLs

	TBANK		TCAP (Consol.)	
	31-Dec-11	31-Dec-10	31-Dec-11	31-Dec-10
NPL-gross (Million Baht)	17,989	7,648	40,188	39,663
Total Allowance (Million Baht)	12,680	7,432	27,093	27,657
NPL-gross to Total Loans (%)	2.7	2.3	5.9	6.0
NPL-net to Total Loans (%)	1.5	0.6	2.8	2.7
Reserve to Requirement (%)	116.1	107.1	107.7	113.1
Coverage Ratio (%)	70.5	97.2	67.4	69.7

At the end of 2011, NPLs amounted to 40,188 million baht, an increase of 525 million baht or 1.3 percent from the end of last year. This was mainly from consolidating NPLs of THANI into the Company's consolidated financial statements. However, the outstanding of NPLs decreased by 2,281 million baht or 5.4 percent from the previous quarter. Most of the decrease was from the success of NPLs management under TS AMC.

As a result, non-performing loans to total loans to customers (NPL ratio) was at 5.9 percent, compared to 6.0 percent as at the end of 2010. Non-performing loans after provision (NPL-net) was 18,633 million baht with NPL-net to total loans accounted for 2.8 percent.

Coverage ratio of TBANK in 2011 accounted for 70.5 percent, a decrease from 97.2 percent in the previous year. This was due to the entire business transfer of SCIB and most of loans are collateralized.

Operating results of the subsidiaries

Unit: Million Baht

Subsidiaries	% holding Direct/Indirect	Net Profit (Loss)	
		2011	2010
Thanachart Bank Public Company Limited			
Consolidated Financial Statements		7,671	8,777
Separate Financial Statements	50.96%	6,668	5,719
Thanachart Securities Public Company Limited	50.96%	293	391
Thanachart Fund Management Company Limited	38.22%	89	131
Thanachart Insurance Company Limited	50.96%	436	352
Thanachart Life Assurance Company Limited	50.96%	770	688
TS AMC Company Limited	50.96%	91	-
Thanachart Group Leasing Company Limited	50.96%	99	214
Thanachart Broker Company Limited	50.95%	75	68
Ratchthani Leasing Public Company Limited*	33.22%	205	-
NFS AMC Company Limited	100.00%	446	461
MAX AMC Company Limited	83.44%	120	108

*TBANK has been holding 65.18% in Ratchthani Leasing since November 2011

Operating results of the Bank and its subsidiaries

(Comparison of operating performance according to the consolidated financial statements of 2011 and 2010)

The year 2011 marks the completion of the entire business transfer of Siam City Bank Public Company. The Bank has carried on the entire business transfer activities together with focus on a consistent business expansion. Despite various influential factors such as the increase in policy rate, flood crisis during the last quarter of the year, and also strong market competition, total assets and loans of the Bank and its subsidiaries in 2011 grew from 2010 by 1.5 percent. Net profit of the Bank in 2011 was 7,671 million baht. The key operating results were as follows.

- **Loans grew by 4.7 percent** from year 2010. In particular, hire purchase loans grew by 14.8 percent from the end of the previous year and TBANK remains a market leader. Despite the flood crisis in the last quarter, the hire purchase outstanding totaled to 273,019 million baht with the penetration rate in 2011 of 19.1 percent. Furthermore, the acquisition of SCIB resulted in a more diversified loan portfolio. Retail to corporate and SMEs loan ratio stood at 62 percent to 38 percent.
- **Deposits and B/E decreased by 2.6 percent** from 2010. The new strategy in product offerings and suitable interest rates were implemented to be more in line with the policy rate and the competitive environment. CASA accounted for 26.9 percent of total deposits and bills of exchange.

- **Interest spread was 2.9 percent**, a decrease from 3.3 percent in the previous year. Yield on earning assets increased to 5.5 percent from 5.1 percent in the previous year as the market interest rate increased. In the last quarter, TBANK and its subsidiaries have deferred to realize interest income from certain customers that were affected by flood. Such interest income is expected to be realized in the next quarter. However, after consolidating the performance of THANI as mentioned before, loan yield slightly increased in the last quarter. Cost of fund also increased to 2.6 percent from 1.8 percent in the previous year. This was due to the increase in market interest rate and intensified market competition.

- **Non-performing Loans management:**

Impairment loss of loans and debt securities expenses to total loans ratio was 0.4 percent, slightly increased from 0.3 percent of the previous year, despite TBANK were affected from the flood occurred in the last quarter. In addition, TS AMC, a subsidiary of TBANK, has been closely and effectively managing the NPLs through debt restructuring and debt settlement from corporate clients. Consequently, provision and NPLs have tended to be improved. At the end of 2011, TBANK and its subsidiaries incurred NPLs in a total of 37,677 million baht with the gross NPL to total loan ratio at 5.6 percent.

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

- **Other operating expenses control and management:**

Other operating expenses to net operating income (Cost to income ratio) was at 62.4 percent, an increase from 51.5 percent in the previous year. This was mainly due to the decrease in the interest spread as well as the integration cost, which includes IT system improvement, employee benefits and trainings, branch decoration cost, mutual separation program, and etc.

- **Corporate income tax:**

TBANK and its subsidiaries' corporate income tax in 2011 totaled to 2,948 million baht. Tax rate was 27.7 percent, a decrease from 33.2 percent. This was due to the NPA transferred to TS AMC in the 2nd quarter and the sale of investment in Siam City

Securities Company Limited in the 3rd quarter, which the provision could be considered as tax deductible expenses.

■ **Capital Adequacy:**

TBANK's total capital amounted to 91,093 million baht, of which 61,638 million baht was Tier 1 and 29,455 million baht was Tier 2. BIS ratio was 13.7 percent. The capital consideration has deducted 15,740 million baht of goodwill from acquiring SCIB shares and included 10,000 million baht subordinated debentures transferred from SCIB. This has been done in accordance with a waive granted by the Bank of Thailand which stipulate such consideration for capital after the completion of the entire business transfer (1 October 2011).

Financial Highlights		(Consolidated figures)	
	2011	2010	% Change
Operating results (Million Baht)			
Interest income	44,214	34,781	27.1%
Interest expenses	(19,797)	(11,566)	71.2%
Net interest income	24,416	23,216	5.2%
Net fees and service income	3,358	2,850	17.8%
Operating income	17,927	15,441	16.1%
Insurance/Life insurance expenses	(10,726)	(8,834)	21.4%
Net operating income	34,975	32,673	7.0%
Other operating expenses	(21,841)	(16,824)	29.8%
Profit before impairment loss of loans and debt securities	13,134	15,849	(17.1%)
Impairment loss of loans and debt securities	(2,504)	(2,149)	16.5%
Profit before income tax	10,630	13,701	(22.4%)
Income tax	(2,948)	(4,548)	(35.2%)
Net Profit	7,682	9,152	(16.1%)
Owners of the company shareholders' equity	7,671	8,776	(12.6%)
Non-controlling interest	10	376	(97.2%)
	7,682	9,152	(16.1%)

	Dec.11	Dec.10	% Change
Key balance sheets (Million Baht)			
Loans	635,220	606,851	4.7%
Total assets	886,060	873,203	1.5%
Deposits and bills of exchange	655,206	672,475	(2.6%)
- Deposit	436,040	532,656	(18.1%)
- Bills of exchange	219,167	139,819	56.8%
Total liabilities	810,526	800,809	1.2%
Shareholders' equity	⁽¹⁾ 74,848	⁽²⁾ 72,183	3.7%
<i>(excluding non-controlling interest)</i>			

	2011	2010	% Change
Key financial ratios			
Return on average assets (ROAA)	0.9%	1.2%	(0.3%)
Return on average equity (ROAE) ⁽²⁾	10.6%	15.5%	(4.9%)
Interest Spread	2.9%	3.3%	(0.4%)
Non-interest income ratio	30.2%	28.9%	1.2%
(net insurance premium income)			
Cost to income ratio	62.4%	51.5%	11.0%
(net insurance premium income)			
Provision to total loan	0.39%	0.35%	0.0%
Loan to deposit ratio inclusive bill of exchange	96.9%	90.2%	6.7%
Total capital ratio	13.7%	14.8%	(1.0%)

⁽¹⁾ Total equity as of December 31, 2011 was affected by the recognition of accounting standard on employee benefits (TAS 19)

⁽²⁾ TBANK increased its issued and paid-up share capital in the amount of 35,790 million baht during the year ended Y2010

Thanachart Securities Public Company Limited

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

For the year 2011, TNS had a net profit of 293 million baht, a decrease of 98 million baht or 25.0 percent from the previous year. Total income increased by 3.7 percent, due to brokerage fee from derivative business increased by 52 million baht or 115.5 percent, interest income from margin loan increased by 51 million baht or 75.1 percent, and interest and dividend income increased by 35.7

million baht. However, fees and service income decreased by 27.1 percent. The total expenses increased by 20.6 percent.

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

Thanachart Fund Management Company Limited

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

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

Thanachart Insurance Company Limited

For the year 2011, Thanachart Insurance Company Limited (TNI) has a net income of 436 million baht, an increase of 84 million baht or 23.8 percent from the previous year. The key contributing factors included an increase in premium received through bancassurance channel in the amount of around 40 percent compared to the last year and efficiency in claim management.

Furthermore, in May 2011, TNI paid out dividend in the amount of 4.05 baht per share which amounted to 300 million baht. The capital ratio at the end of 2011 was at 505.0 percent which was higher than the minimum requirement of the Office of Insurance Commission (OIC) of 125.0 percent.

Thanachart Life Assurance Company Limited

For the year 2011, Thanachart Life Assurance Company Limited (TLIFE) had a net profit of 770 million baht, an increase of 82 million baht or 11.9 percent from the previous year. Insurance premium income increased due to a growing customer base. Investment income increased by 202 million baht or 29.9 percent. Income on underwriting remained the same as last year. The capital ratio was at 278.0 percent which was higher than the minimum requirement of the OIC of 125.0 percent.

TS Asset Management Company Limited

TS AMC Company Limited (TS AMC) was established on 3 March 2011, as part of the entire business transfer project of SCIB to TBANK. NPLs and NPA were transferred to TS AMC in order to manage and restructure debt. This will allow the debtor to settle its debt accordingly to a debt-service capability and turn them into performing loans. TS AMC is also responsible for effectively managing assets waiting for sales.

As of 2011, TS AMC's total assets amounted to 12,178 million baht. During the year, TS AMC has managed 460 million baht of corporate debts and restructured 36 accounts, which was in the amount of 1,819 million baht. Furthermore, 98 accounts were settled which was in the amount of 812 million baht. Consequently, net profits in 2011 was 91 million baht.

Risk Management and Risk Factor

The Company and its subsidiaries had put in place systematic risk management procedure. Risk management policy and guideline were approved by the Company's Board of Directors and were supervised and monitored by a specific unit consistently. Tools and analysis of various risks were conducted, such as, credit risk, market risk, interest rate risk, operational risk and etc, in order to calculate appropriate risk limit and warning signal which will allow officers to proceed under acceptable risk limit level. The Company's Executive Committee and Board of Directors are committed to monitor and supervise risk management performance every month.

In the forth quarter 2011, the Company and its subsidiaries' loans portfolio has continuously grown especially the hire purchase loans. In addition, the Company and its subsidiaries made more investments in government bonds, state owned enterprise bonds, corporate bonds, and listed securities, resulted in the increase in credit risks, market risks, and operational risks.

Overall, the Company and its subsidiaries' risks are under the established risk limit. Consequently, the Company and its subsidiaries' capital after risk allocation were adequate to accommodate the established future plan of business expansion.

Comparison of 2011 and 2010 Performance

Unit: Million Baht

Consolidated Statements of Comprehensive Income	2011	2010	Change (%)
Interest Income	44,419	35,027	26.8
Interbank and Money Market Items	2,237	1,057	111.6
Investments for trading	86	90	(4.4)
Investments for debts securities	4,143	3,666	13.0
Loans	20,942	14,952	40.1
Hire Purchase and Financial Leases	17,011	15,262	11.5
Interest Expenses	(20,104)	(11,998)	67.6
Deposits	(8,969)	(5,953)	50.7
Interbank and Money Market Items	(1,288)	(511)	152.1
Fund Contributed to the DPA	(1,955)	(1,914)	2.1
Debts Issued	(7,888)	(3,616)	118.1
Borrowing	(1)	(3)	(66.7)
Borrowing Fee	(3)	(1)	200.0
Net Interest Income	24,315	23,029	5.6
Fees and Service Income	3,873	3,402	13.8
Fees and Service Expenses	(501)	(521)	(3.8)
Net Fees and Service Income	3,372	2,881	17.0
Gains on Tradings and Foreign Exchange Transactions	891	571	56.0
Gain on Investments	1,139	523	117.8
Share of Profit from Investments in Associated Companies			
Accounted for under Equity Method	258	369	(30.1)
Gain on Properties Foreclose and Other Assets	47	663	(92.9)
Insurance Premium/ Life Insurance Premium Income	12,853	11,185	14.9
Dividend Income	755	492	53.5
Brokerage Fees	1,071	1,329	(19.4)
Other Operating Income	1,770	1,700	4.1
Total Operating Income	46,471	42,742	8.7
Insurance/Life Insurance Expenses	(10,726)	(8,834)	21.4
Net Operating income	35,745	33,908	5.4
Personnel Expenses	10,849	8,576	26.5
Directors' Remuneration	68	66	3.0
Premises and Equipment Expenses	3,438	3,092	11.2
Taxes and Duties	912	635	43.6
Other Expenses	6,493	4,740	37.0
Total Other Operating Expenses	21,760	17,109	27.2
Impairment Loss of Loans and Debt Securities	(2,077)	(1,653)	25.7
Profit before Income Tax	11,908	15,146	(21.4)
Income Tax	(3,136)	(4,844)	(35.3)
Profit before Non-controlling Interest	8,772	10,302	(14.9)
Non-controlling Interest	(3,770)	(4,663)	(19.2)
Net Profit	5,002	5,639	(11.3)