



Management Discussion and Analysis

For the second quarter and the first six-month period ended 30 June 2011

(Audited Financial Statements)

Thanachart Capital Public Company Limited

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Thanachart Capital Public Company Limited and its Subsidiaries

Management Discussion and Analysis (Audited Financial Statements)

Economics Outlook and Competition in Banking Industry

During the second quarter of 2011, the Thai economy faced with various challenges, such as natural catastrophe in Japan which affected the investor's confidence in manufacturing capability, purchasing capability and automobile export sector. Other issues affecting Thai economy included European debt position and political instability in Thailand.

Nevertheless, a prompt corrective action plan has aided the business confidence index to be higher than 50. Overall, the Thai economy in the second quarter expanded in consumption, private investment, export and tourism.

However, inflation has increased and indicated high risk regarding price stability. Oil and agricultural product prices continued to increase consistently. During the second quarter of 2011, the Monetary Policy Committee issued a resolution to increase the policy interest rate twice by 0.25 percent each time, resulting in a 3.00 percent interest rate. Recently, on 13 July 2011, the Monetary Policy Committee issued a resolution to increase the policy interest rate again by another 0.25 percent, resulting in a 3.25 percent. Interest rate has a tendency to continue with upward trend in the future.

An upward trend of interest rate, intensified competition from government bank for special purpose, and a reduction in deposit guarantee limit to be effective in August 2011 have caused the commercial banks to increase their deposit base. Commercial banks compete with Innovative financial instruments and higher return. Lending side also experienced growth, coherently with recovery in the business confidence index, expansion in consumption and private investment, and recuperation from the natural catastrophe in Japan.

In conclusion, the economic outlook in Thailand for the second half of the year expects a steady growth, although it is still subject to inflation problem, unstable global economy and debt positioning in Europe. The commercial bank industry continues to be challenged by interest spread due to inflation problem and aggressive competition in acquiring deposit base to support loan growth.

Major Events

1. The entire business transfer (EBT) of Siam City Bank to Thanachart Bank is scheduled to be completed on 1 October 2011. The current status is on progress and on plan, due to collaboration between Siam City Bank, Thanachart Bank, Scotiabank, and technological partners. The transition is to cause minimal impact to the customers. EBT is estimated to complete within 1 year. Understanding the true importance and value of EBT, the Bank is dedicated and committed to see EBT succeed, and along with it, create strong foundation to support future business operation, improve service quality and growth, and focus on business expansion at the same time.
2. With regards to Thanachart Bank's holding of Siam City Bank shares, the Purchase Price Allocation (PPA) was conducted in accordance with the standards of Financial Reporting pertaining to Business Combinations. The Company and Thanachart Bank have made adjustments related to assets and liabilities effecting differences between the costs and fair values of assets, liabilities, contingent liabilities, and goodwill. The goodwill realized from business combinations in consolidated financial statements of Thanachart Bank was 15,740 million baht while Thanachart Capital's consolidated financial statement has 13,819 million baht in goodwill. The decrease in goodwill resulted in the increase in capital base and BIS ratio.
3. On 20 June 2011, Thanachart Bank issued subordinated debenture with a maturity in 2019. The issuance of debentures has the right to call before maturing in the amount of 10,000 million baht. The debentures have similar characteristics, conditions, credit line, and maturity as that of Siam City Bank, in order to allow for Siam City Bank debenture owners to switch to Thanachart Bank debentures. The debentures would be considered as capital base once the EBT is completed.
4. On 3 March 2011, Thanachart Bank has established TS AMC Company Limited, as a subsidiary company. This activity is part of the EBT, to support both non-performing loans (NPLs) and non-performing assets (NPAs) of Siam City Bank. During May and June of 2011, 11,777 million baht worth of NPLs and 4,361 million baht worth of NPAs have already been transferred to TS AMC.
5. To manage the companies in the Group, the Company has done the following details:
 - On 30 May 2011, Siam City Bank, a subsidiary of the Company, has sold all ordinary shares of Siam City Fund Management Company Limited held by it to the Government Pension Fund, according to the agreement between Siam City Bank and the Government Pension Fund. This is part of restructuring plan of Thanachart Group, in accordance with the EBT plan.
 - On 31 May 2011, Thanachart Bank has purchased shares of Siam City Leasing-Factoring Company Limited from Siam City Securities Company Limited. This activity was part of investment restructuring between subsidiaries of Thanachart Group.
6. On 8 April 2011, the Annual General Shareholders' Meeting of the Company had a resolution to approve dividend payment to ordinary shareholders and preferred shareholders from the performance of the second half of 2010. Dividend payment was in the amount of 0.70 baht per share or 894 million baht. Total dividend payment for the performance of the year 2010 was in the amount of 1.20 baht per share or 1,533 million baht. Dividend was paid on 3 May 2011.

Operating results for the second quarter and the first six-month of 2011

Performance overview of Thanachart Capital Public Company Limited and its subsidiaries

In the second quarter of 2011, Thanachart Capital and its subsidiaries had the net profit of 1,583 million baht, representing an increase of 214 million baht or 15.6 percent from the same quarter last year. For the first six-month period of 2011, the net profit of the Company and its subsidiaries amounted to 2,727 million baht, a 0.6 percent increase from the same period last year. The performance was affected by a continuous increase in interest rate since the middle of last year as mentioned earlier. Thanachart Group continued to experience steady growth, regardless of the transitioning period, due to a good strategic plan and great support from our partner, “Scotiabank”. This enhanced the capability to compete in the future. The key drivers include the following:

- **Interest Spread** declined due to a consecutive increase in the policy interest rate. The interest spread in the second quarter of 2011 was at 2.93%, a decrease from 3.09% from the same quarter last year. Yield on earning assets was at 5.4%, a slight decrease, due to an aggressive competition. Cost of fund increased due to the increasing interest rate trend and the restructuring of deposits and bills of exchange as well as the adjustment of duration to be in line with the rising interest rate. As a result, the cost of fund increased higher than the yield. The Company and its subsidiaries adjusted the strategies in issuing new products and interest rates more suitable to the policy rate trend and competitive environment.
- **Growth in Non-interest Income** included net fees and service income, brokerage fees, gains on tradings and foreign exchange transactions, gain on investments, share of profit from investments in associated companies accounted for under equity method, dividend income, and net insurance/life insurance premium income. Non-interest income to net income (non-interest income ratio) was 31.0 percent while it was 31.5 percent at the same quarter last year.
- **Control and Management of Operating Expenses:** The other operating expenses to the net operating income (cost to income ratio) accounted for 56.1 percent, an increase from the same quarter last year, mainly due to the integration cost which included personnel training, branch redecoration, and etc.
- **Management of Non-Performing Loans:** Provision to total loans increased from 0.4 percent in the same quarter last year to 0.6 percent, mainly due to the increase in additional provision for Siam City Bank loans. The increase in provision increased coverage ratio, as a cushion to prevent potential risks that may arise in the future. This was a conservative policy of the Company in setting aside the provision.
- **Corporate Income Tax:** During May to June 2011, Siam City Bank (a subsidiary company) transferred non-performing assets to TS AMC. The provisions for such non-performing assets were taxable expense. Thus, the corporate income tax in the second quarter of 2011 was 415 million baht, a decrease of 996 million baht or 70.6 percent.

For the financial position, Thanachart Group continued to experience growth in lending side, regardless of the EBT transitioning activities during this period. In the second quarter of 2011, the Company and its subsidiaries' total loans registered at 633,123 million baht, an increase of 23,477 million baht from 609,646 million baht at the end of 2010. However, total assets amounted to 860,548 million baht, decreasing from the end of last year. This was attributable to the adjustment of liquidity to a suitable level for cost management under the upward trend of interest rate.

Earning per share (EPS) in the second quarter of 2011 was 1.24 baht, compared to 1.07 baht of the same quarter last year. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 1.27 percent and 17.59 percent, respectively.

EPS for the first six-month period of 2011 was 2.13 baht, compared to 2.12 baht in the same period last year. ROAA and ROAE were 1.15 percent and 15.21 percent, respectively.

Unit: Million Baht

| Consolidated Statements of Comprehensive Income | 2Q11 | 2Q10 | Change (%) | 6M11 | 6M10 | Change (%) |
|--|--------------|--------------|---------------|--------------|--------------|---------------|
| Interest Income | 10,762 | 9,681 | 11.2 | 20,930 | 15,342 | 36.4 |
| Interest Expenses | (4,444) | (3,268) | 36.0 | (8,338) | (5,105) | 63.3 |
| Net Interest Income | 6,318 | 6,413 | (1.5) | 12,592 | 10,237 | 23.0 |
| Net Fees and Service Income | 842 | 850 | (0.9) | 1,727 | 1,164 | 48.4 |
| Other Operating Income | 1,996 | 2,093 | (4.6) | 3,997 | 3,739 | 6.9 |
| Net Operating Income | 9,156 | 9,356 | (2.1) | 18,316 | 15,140 | 21.0 |
| Other Operating Expenses | (5,139) | (4,541) | 13.2 | (10,274) | (7,031) | 46.1 |
| Impairment Loss of Loans and Debt Securities | (869) | (631) | 37.7 | (1,589) | (750) | 111.9 |
| Profit before Corporate Income Tax | 3,148 | 4,184 | (24.8) | 6,453 | 7,359 | (12.3) |
| Corporate Income Tax | (415) | (1,411) | (70.6) | (1,485) | (2,353) | (36.9) |
| Net Profit before Non-controlling Interests | 2,733 | 2,773 | (1.4) | 4,968 | 5,006 | (0.8) |
| Non-controlling Interests | (1,150) | (1,404) | (18.1) | (2,241) | (2,294) | (2.3) |
| Net Profit | 1,583 | 1,369 | 15.6 | 2,727 | 2,712 | 0.6 |
| Earning per Share (THB) | 1.24 | 1.07 | 15.6 | 2.13 | 2.12 | 0.6 |
| Return on Average Equity (ROAE) (%) | 17.6 | 16.3 | 8.0 | 15.2 | 16.1 | (5.6) |
| Return on Average Assets (ROAA) (%) | 1.3 | 1.5 | (13.3) | 1.2 | 1.6 | (25.0) |
| Interest Spread (%) | 2.9 | 3.1 | (6.5) | 2.9 | 3.4 | (14.7) |
| Non-interest Income to Net Operating Income (Non-interest Income Ratio) (%) | 31.0 | 31.5 | 1.6 | 31.3 | 32.4 | (3.4) |
| Other Operating Expenses to Net Operating Income (Cost to Income Ratio) (%) | 56.1 | 48.5 | 15.7 | 56.1 | 46.4 | 20.9 |

Net Interest Income

In the second quarter of 2011, the net interest income of the Company and its subsidiaries was 6,318 million baht, a decrease of 95 million baht or 1.5 percent from the same quarter last year. Total interest income amounted to 10,762 million baht, an increase of 1,081 million baht or 11.2 percent while the interest expenses increased by 1,176 million baht or 36.0 percent from the same

quarter last year. As a result, the interest spread in the second quarter of 2011 stayed at 2.93 percent, a decrease from 3.09 percent in the same quarter last year according to the increasing interest rate condition and the fierce competition situation.

For the first six-month period of 2011, the net interest income was 12,592 million baht, an increase of 2,355 million baht or 23.0 percent from the same period last year. Total interest income amounted to 20,930 million baht, an increase of 5,588 million baht or 36.4 percent while the interest expenses increased by 3,233 million baht or 63.3 percent from the same period last year. As a result, the interest spread decreased from 3.38 percent at the same period last year to 2.94 percent.

Non-interest Income

Non-interest Income consists of net fees and service income and other operating income

■ **Net Fees and Service Income**

In the second quarter of 2011, the net fees and service income of the Company and its subsidiaries amounted to 842 million baht, representing a decrease of 8 million baht or 0.9 percent from the same quarter last year. Fees and service income amounted to 970 million baht, an increase of 80 million baht or 9.0 percent while fees and service expenses amounted to 128 million baht, an increase of 88 million baht or 220.0 percent. This increase in fees and service expenses in this quarter was a result of that some expenses items were reversed in the second quarter last year while the expenses in this quarter were at a normal level in line with the business transactions.

For the first six-month period of 2011, the Company and its subsidiaries had the net fees and service income of 1,727 million baht, an increase of 563 million baht or 48.4 percent from the same period last year. Fees and service income amounted to 1,997 million baht, an increase of 602 million baht or 43.2 percent while fees and service expenses amounted to 270 million baht, an increase of 39 million baht or 16.9 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. In the second quarter of 2011, the other operating income amounted to 1,996 million baht, a decrease of 97 million baht or 4.6 percent from the same quarter last year. This was attributable to the decrease in the brokerage fees and the gain on properties foreclosed and other assets while the net insurance/life insurance premium income increased. This was a result of synergy from member companies within the Group in order to cross-sell products through branch networks of Thanachart Bank and Siam City Bank.

For the first six-month period of 2011, the other operating income amounted to 3,997 million baht, an increase of 258 million baht or 6.9 percent from the same period last year. The increase was attributable to the increase in the dividend income by 310 million baht from 141 million baht to 451 million baht, due to the dividend income from Vayupak Fund that Siam City Bank has been holding. Also, the net insurance/life

insurance premium income increased by 274 million baht from 1,086 million baht to 1,360 million baht, due to the cross-selling of insurance products through the network of Siam City Bank since the third quarter of 2010.

Revenue Breakdown

In the second quarter of 2011, the proportion between the net interest income and the non-interest income was 69 percent to 31 percent.

Other Operating Expenses

In the second quarter of 2011, the other operating expenses of the Company and its subsidiaries amounted to 5,139 million baht, representing an increase of 598 million baht or 13.2 percent from the same quarter last year. This was mainly due to the consolidation of operating expenses of Siam City Bank into the Company and its subsidiaries. As a result, personnel expenses increased by 10.5 percent. In addition, a certain amount of integration cost was recorded at Thanachart Bank (a subsidiary company) in this quarter. As a result, the other operating expenses to the net operating income (cost to income ratio) accounted for 56.1 percent.

For the first six-month period of 2011, the other operating expenses were 10,274 million baht, an increase of 3,243 million baht or 46.1 percent from the same period last year. This was also mainly due to the consolidation of operating expenses of Siam City Bank into the Company and its subsidiaries. As a result, personnel expenses and premises and equipment expenses increased by 51.2 percent and 30.3 percent, respectively. The cost to income ratio accounted for 56.1 percent.

Impairment Loss of Loans and Debt Securities Expenses

In the second quarter of 2011, the impairment loss of loans and debt securities expenses amounted to 869 million baht, an increase of 238 million baht. This was due to the expenses on bad debts and doubtful accounts which increased by 319 million baht. The increase was mainly from the provision provided for bad debts of Siam City Bank to insure against potential risks that may arise in the future according to the conservative policy of the Company in setting aside the provision.

For the first six-month period of 2011, the impairment loss of loans and debt securities expenses of the Company and its subsidiaries was 1,589 million baht, an increase of 839 million baht. This was due to the expenses on bad debts and doubtful accounts which increased by 803 million baht. The increase was mainly from the provision provided for bad debts of Siam City Bank as mentioned earlier.

Financial Position

Unit: Million Baht

| Consolidated Statements of Financial Position | 30 June 2011 | | 31 December 2010 | | Change |
|--|----------------|--------------|------------------|--------------|--------------|
| | Amount | % | Amount | % | % |
| Interbank and Money Market Items-net | 50,941 | 5.9 | 85,105 | 9.7 | (40.1) |
| Investment-net | 138,704 | 16.1 | 144,993 | 16.4 | (4.3) |
| Investment in Associated Company-net | 2,290 | 0.3 | 2,239 | 0.3 | 2.3 |
| Loans to Customers and Accrued Interest Receivables | 634,091 | 73.7 | 610,602 | 69.2 | 3.8 |
| Allowance for Doubtful Accounts and Revaluation allowance for Debt Restucturing | (29,147) | (3.4) | (27,959) | (3.2) | 4.2 |
| Intangible assets acquired in a business combination-net | 3,728 | 0.4 | 3,963 | 0.4 | (5.9) |
| Goodwill | 13,863 | 1.6 | 13,671 | 1.6 | 1.4 |
| Other Assets | 46,078 | 5.4 | 49,302 | 5.6 | (6.5) |
| Total Assets | 860,548 | 100.0 | 881,916 | 100.0 | (2.4) |
| Deposits | 444,907 | 51.7 | 532,382 | 60.4 | (16.4) |
| Interbank and Money Market Items | 48,495 | 5.6 | 40,545 | 4.6 | 19.6 |
| Debt Issued and Borrowings | 239,706 | 27.9 | 184,717 | 20.9 | 29.8 |
| Other Liabilities | 55,522 | 6.4 | 52,553 | 6.0 | 5.6 |
| Total Liabilities | 788,630 | 91.6 | 810,197 | 91.9 | (2.7) |
| Company's Shareholders' Equity | 36,625 | 4.3 | 36,092 | 4.1 | 1.5 |
| Non-controlling Interests | 35,293 | 4.1 | 35,627 | 4.0 | (0.9) |
| Total Shareholders' Equity | 71,918 | 8.4 | 71,719 | 8.1 | 0.3 |
| Total Liabilities and Shareholders' Equity | 860,548 | 100.0 | 881,916 | 100.0 | (2.4) |
| Book Value per Share (Baht) | 28.66 | | 28.24 | | 1.5 |

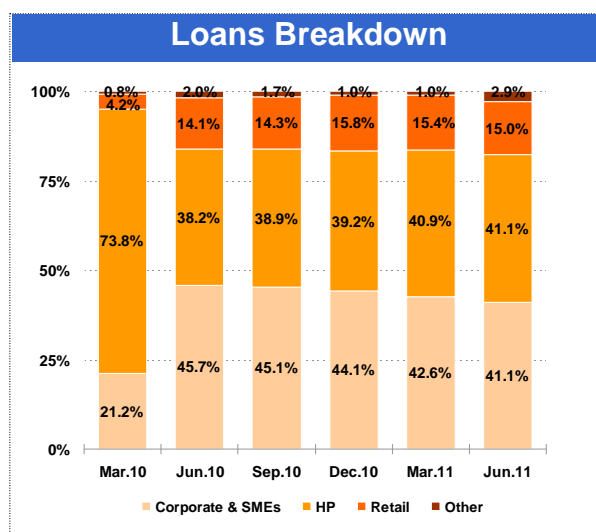
Consolidated Statements of Financial Position ended 31 Dec 2010 is revised for comparable with the financial position ended 30 Jun 2011

Assets

As at 30 June 2011, the Company and its subsidiaries' total assets amounted to 860,548 million baht, representing a decrease of 21,368 million baht or 2.4 percent from the end of 2010. However, the loans to customers and accrued interest receivables continued to grow by 3.8 percent during the period of entire business transfer from Siam City Bank to Thanachart Bank. The key contributing factors were:

- Net interbank and money market items amounted to 50,941 million baht, a decrease of 34,164 million baht or 40.1 percent from the excess liquidity management.
- Loans to customers and accrued interest receivables amounted to 634,091 million baht, an increase of 23,489 million baht or 3.8 percent from the end of last year. The proportion of retail loans to corporate and SME loans was 59 percent to 41 percent, which compares the

ratio of 56 percent to 44 percent at the end of last year. This was mainly due to the 8.7 percent growth of the hire purchase loans from the end of last year.



- Goodwill from acquiring Siam City Bank amounted to 13,819 million baht from the adjustment of the Purchase Price Allocation (PPA) as mentioned earlier.

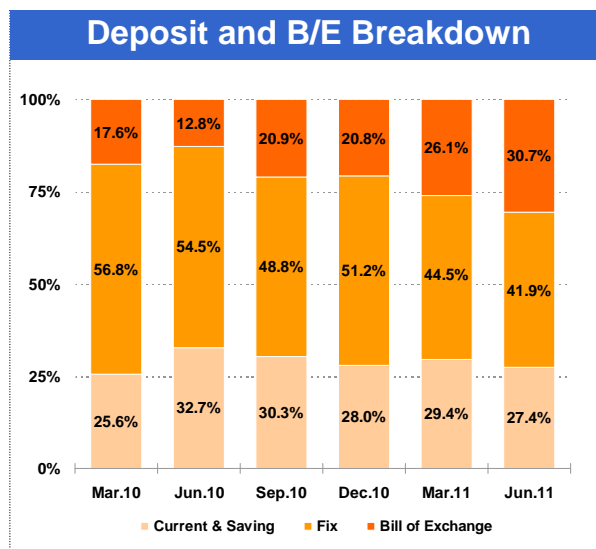
Liabilities

Total liabilities of the Company and its subsidiaries as of 30 June 2011 amounted to 788,630 million baht, representing a decrease of 21,567 million baht or 2.7 percent from the end of 2010. The main factors were as follows:

Unit: Million Baht

| Consolidated Statements of Financial Position | 30 June 2011 | | 31 December 2010 | | Change |
|---|--------------|-------|------------------|-------|--------|
| | Amount | % | Amount | % | % |
| Deposits and Bills of Exchange | | | | | |
| At Call | 7,124 | 1.1 | 7,205 | 1.1 | (1.1) |
| Savings | 168,642 | 26.4 | 181,106 | 26.9 | (6.9) |
| Fixed Deposits | 265,576 | 41.5 | 338,713 | 50.4 | (21.6) |
| Bills of Exchange | 194,542 | 30.4 | 139,534 | 20.8 | 39.4 |
| Others | 3,565 | 0.6 | 5,358 | 0.8 | (33.5) |
| Total Deposits and Bills of Exchange | 639,449 | 100.0 | 671,916 | 100.0 | (4.8) |

- Total deposits and bills of exchange amounted to 639,449 million baht, a decrease of 32,467 million baht or 4.8 percent from the end of last year. Out of the total deposits and bills of exchange, savings deposits and current account deposits (CASA) accounted for 27.5 percent of total deposits and bills of exchange while bills of exchange accounted for 30.4 percent, an increase from 20.8 percent as of the end of 2010. The increase in the bills of exchange was for supporting the reduction in deposit protection which will be implemented in 2011 as well as having more choices for depositors.



- Interbank and money market items amounted to 48,495 million baht, an increase of 7,950 million baht or 19.6 percent from the end of last year. This was due to the liquidity management of the Bank.

Shareholders' Equity

Total shareholders' equity amounted to 71,918 million baht, representing an increase of 199 million or 0.3 percent from the end of 2010. This was mainly due to the increase in the Company and its subsidiaries' net profit of 2,727 million baht in the first six-month period of 2011 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 894 million baht paid in the second quarter of 2011 for the performance during the second half of 2010.

Non-performing Loans: NPLs

| | TBANK | | SCIB | | TCAP (Consol.) | |
|--------------------------------|-----------|-----------|-----------|-----------|----------------|-----------|
| | 30-Jun-11 | 31-Dec-10 | 30-Jun-11 | 31-Dec-10 | 30-Jun-11 | 31-Dec-10 |
| NPL-gross (Million Baht) | 7,820 | 7,648 | 18,475 | 27,872 | 41,981 | 39,663 |
| Total Allowance (Million Baht) | 7,908 | 7,432 | 12,212 | 16,964 | 28,903 | 27,657 |
| NPL-gross to Total Loans (%) | 2.1 | 2.3 | 6.0 | 8.8 | 6.3 | 6.0 |
| NPL-net to Total Loans (%) | 0.5 | 0.6 | 3.4 | 4.7 | 2.9 | 2.7 |
| Reserve to Requirement (%) | 106.6 | 107.1 | 128.5 | 115.8 | 113.4 | 113.1 |
| Coverage Ratio (%) | 101.1 | 97.2 | 66.1 | 60.9 | 68.9 | 69.7 |

At the end of the second quarter of 2011, NPLs amounted to 41,981 million baht, an increase of 2,318 million baht or 5.8 percent. This was attributable to the change in loans classification standard of Siam City Bank to be in line with Thanachart Bank's standard. This change was to prepare as part of the entire business transfer.

As a result, non-performing loans to total loans to customers (NPL ratio) was at 6.3 percent, compared to 6.0 percent as at the end of 2010. Non-performing loans after provision (NPL-net) was 19,032 million baht with NPL-net to total loans accounted for 2.9 percent.

Operating results of the subsidiaries

Unit: Million Baht

| Subsidiaries | % holding Direct/Indirect | Net Profit (Loss) | | | |
|--|------------------------------|---------------------|-------|-------|-------|
| | | 2Q11 | 2Q10 | 6M11 | 6M10 |
| Thanachart Bank Public Company Limited | | | | | |
| Bank only | 50.96% | 4,977 | 1,959 | 6,242 | 3,356 |
| Thanachart Securities Public Company Limited | 50.96% | 66 | 131 | 143 | 175 |
| Thanachart Fund Management Company Limited | 38.22% | 32 | 33 | 63 | 67 |
| Thanachart Insurance Company Limited | 50.96% | 117 | 95 | 230 | 172 |
| Thanachart Life Assurance Company Limited | 50.96% | 170 | 153 | 344 | 317 |
| TS AMC Company Limited | 50.96% | 20 | - | 22 | - |
| Thanachart Group Leasing Company Limited | 50.96% | 26 | 47 | 57 | 111 |
| Thanachart Broker Company Limited | 50.95% | 16 | 15 | 37 | 35 |
| Siam City Bank Public Company Limited* | | | | | |
| Bank only | 50.93% | 1,075 | 1,205 | 1,840 | 2,244 |
| NFS AMC Company Limited | 100.00% | 37 | 10 | 51 | 168 |
| MAX AMC Company Limited | 83.44% | 60 | 10 | 63 | 60 |

* Siam City Bank Public Company Limited and its subsidiaries have become Thanachart Bank's subsidiaries since 9 April 2010.

Operating results of the Bank and its subsidiaries

(comparison of operating performance according to the consolidated financial statements of the second quarters of 2011 and 2010)

For the first six-month period of 2011, Thanachart Bank and its subsidiaries' net profit amounted to 4,536 million baht, an increase of 524 million baht or 13.1 percent from the same period last year. In the second quarter of 2011, Thanachart Bank and its subsidiaries' net profit was 2,328 million baht, an increase of 91 million baht or 4.1 percent from the same quarter last year. The details of the operating results were as follows:

- Loans grew by 2.84 percent** from the previous quarter or 3.90 percent from the beginning 2011. Hire purchase loans expanded by 3.31 percent from the previous quarter. The outstanding of hire purchase loans were in the amount of 259,249 million baht, an increase of 8,312 million baht. The ratio of the Bank new car lending and the industry new car sale (Penetration Rate) in the first six-month period of 2011 was 19.0 percent. Retail loans to corporate and SME loans to other loans ratio was 56 to 41 to 3.
- Deposits and bills of exchange declined by 0.62 percent** from the previous quarter or 3.80 percent from the beginning of 2011. This was mainly due to the excess liquidity management and competitive environment. However, the Bank and its subsidiaries have restructured the deposit structure, including the adjustment of the duration to be more coherent with the policy interest rate trend. The ratio of current accounts and saving accounts to total deposits and bills of exchange (CASA) was 27.4% while bills of exchange to total deposits and bills of exchange accounted for 30.7 percent, an increase from 20.8 percent as of the end of last year.

- **Interest Spread** was at 3.14 percent, an increase from 3.04 percent from the same quarter last year. Yield on earning assets was at 5.48 percent while the cost of fund was 2.34 percent.
- **Growth in Non-interest Income** included net fees and service income, brokerage fees, gains on tradings and foreign exchange transactions, gains on investments, share of profit from investments in associated companies accounted for under equity method, dividend income, and net insurance/life insurance premium income. Non-interest income to net operating income (non-interest income ratio) was 27.3 percent, an increase from 25.7 percent in the same quarter last year.
- **Operating Expense Control and Management:** The other operating expenses to the net operating income (cost to income ratio) accounted for 57.6 percent, an increase from the same quarter last year, mainly due to the integration cost which included personnel training, branch redecoration, and etc.
- **Management of Non-Performing Loans:** Provision to total loans increased from 0.45 percent in the same quarter last year to 0.68 percent, mainly due to the increase in additional provision for Siam City Bank loans. The increase in provision increased coverage ratio, as a cushion to prevent potential risks that may arise in the future. This was a conservative policy of the Company in setting aside the provision.
- **Capital Adequacy:** The Bank's total capital registered at 88,884 million baht, of which 71,136 million baht was Tier 1 capital and 17,748 million baht was Tier 2 capital. The ratio of capital to risk weighted assets (BIS ratio) was at 13.92 percent. However, the goodwill of 15,740 million baht has not been deducted from the current calculation of the BIS ratio until the entire business transfer is complete (1 October 2011) according to the Bank of Thailand's guidelines.

| Financial Highlights | | (Consolidated Figures) | | | | |
|---|---------|------------------------|----------|----------|---------|----------|
| | 2Q11 | 2Q10 | % Change | 1H11 | 1H10 | % Change |
| Operating Results (Million Baht) | | | | | | |
| Interest Income | 10,716 | 9,670 | 10.8% | 20,879 | 15,253 | 36.9% |
| Interest Expenses | (4,366) | (3,148) | 38.7% | (8,175) | (4,844) | 68.7% |
| Net Interest Income | 6,350 | 6,521 | -2.6% | 12,704 | 10,408 | 22.1% |
| Net Fees and Service Income | 838 | 840 | -0.2% | 1,718 | 1,147 | 49.7% |
| Other Operating Income | 1,772 | 1,620 | 9.4% | 3,571 | 2,822 | 26.5% |
| Other Operating Expenses | (5,223) | (4,413) | 18.3% | (10,251) | (6,848) | 49.7% |
| Profit before Impairment Loss of Loan and Debt Securities | 3,736 | 4,568 | -18.2% | 7,742 | 7,530 | 2.8% |
| Impairment Loss of Loans and Debt Securities | (1,061) | (649) | 63.5% | (1,799) | (1,018) | 76.7% |
| Profit before Corporate Income Tax | 2,675 | 3,918 | -31.7% | 5,943 | 6,511 | -8.7% |
| Corporate Income Tax | (338) | (1,336) | -74.7% | (1,390) | (2,146) | -35.2% |
| Net Profit | 2,337 | 2,582 | -9.5% | 4,553 | 4,365 | 4.3% |
| Owners of the company shareholders' equity | 2,328 | 2,237 | 4.1% | 4,536 | 4,011 | 13.1% |
| Non-controlling interests | 9 | 345 | -97.5% | 17 | 354 | -95.3% |
| | 2,337 | 2,582 | -9.5% | 4,553 | 4,365 | 4.3% |

| | Jun.11 | Mar.11 | % Change | Dec.10 | % Change |
|--|---------|---------|----------|---------|----------|
| Key balance sheets (Million Baht) | | | | | |
| Loans | 630,541 | 613,155 | 2.8% | 606,851 | 3.9% |
| Total Assets | 851,071 | 853,208 | -0.3% | 872,656 | -2.5% |
| Deposits and Bills of Exchange | 642,175 | 646,167 | -0.6% | 667,570 | -3.8% |
| - Deposit | 445,056 | 481,525 | -7.6% | 532,656 | -16.4% |
| -Bills of Exchange | 197,120 | 164,642 | 19.7% | 134,914 | 46.1% |
| Total Liabilities | 779,263 | 781,155 | -0.2% | 800,262 | -2.6% |
| Shareholders' Equity ⁽¹⁾ | 71,742 | 71,875 | -0.2% | 72,183 | -0.6% |
| <i>(excluding Non-controlling Interests)</i> | | | | | |

| | 2Q11 | 2Q10 | % Change | 1H11 | 1H10 | % Change |
|--|-------|----------------------|----------|-------|----------------------|----------|
| Key Financial Ratios (Percent) | | | | | | |
| Return on Average Assets (ROAA) | 1.1% | 1.1% | 0.0% | 1.1% | 1.3% | -0.3% |
| Return on Average Equity (ROAE) ⁽²⁾ | 13.1% | 14.1% | -1.0% | 12.8% | 18.1% | -5.2% |
| Interest Spread | 3.1% | 3.0% | 0.1% | 3.2% | 3.3% | -0.1% |
| Non-interest Income Ratio (net Operating Income) | 27.3% | 25.7% | 1.6% | 26.2% | 25.1% | 1.2% |
| Cost to Income Ratio (net Operating Income) | 57.6% | 52.0% | 5.5% | 57.3% | 47.2% | 10.2% |
| Provision to Total Loan | 0.7% | 0.5% | 0.2% | 0.6% | 0.4% | 0.2% |
| Loans to Deposits and Bills of Exchange Ratio | 98.2% | 92.5% ⁽³⁾ | 5.7% | 98.2% | 92.5% ⁽³⁾ | 5.7% |
| Total Capital Ratio | 13.9% | 14.9% ⁽³⁾ | -1.0% | 13.9% | 14.9% ⁽³⁾ | -1.0% |

⁽¹⁾ Total equity as of March 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

⁽³⁾ Information at the end of the quarter

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.

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

Appendix

Comparison of Dividend Payments from 2008-2010

| | | 2008 | 2009 | 2010 |
|---|--------|-------|-------|-------|
| Net Profit (Consolidated Financial Statements) | (MB) | 2,768 | 5,109 | 5,639 |
| Net Profit (Separate Financial Statements) | (MB) | 1,366 | 3,527 | 2,818 |
| Dividend per Share | (Baht) | 0.90 | 0.95 | 1.20 |
| Dividend Payment for the 1st half of the Year Performance | (Baht) | 0.30 | 0.35 | 0.50 |
| Dividend Payment for the 2nd half of the Year Performance | (Baht) | 0.60 | 0.60 | 0.70 |
| Total Dividend Payment Amount (Consolidated Financial Statements) | (MB) | 1,167 | 1,214 | 1,533 |
| Dividend Payout Ratio (Consolidated Financial Statements) | (%) | 42.16 | 23.76 | 27.19 |
| Dividend Payout Ratio (Separate Financial Statements) | (%) | 85.41 | 34.42 | 54.42 |

Comparison of Past Performance

Unit: Million Baht

| Consolidated Statements of Comprehensive Income | 2Q11 | 2Q10 | Change (%) | 6M11 | 6M10 | Change (%) |
|--|----------------|----------------|---------------|----------------|----------------|---------------|
| Interest Income | 10,762 | 9,681 | 11.2 | 20,930 | 15,342 | 36.4 |
| Interbank and Money Market Items | 422 | 302 | 39.7 | 796 | 387 | 105.7 |
| Investments for trading | 32 | 35 | (8.6) | 52 | 39 | 33.3 |
| Investments for debts securities | 987 | 1,045 | (5.6) | 1,924 | 1,718 | 12.0 |
| Loans | 5,133 | 4,512 | 13.8 | 9,970 | 5,580 | 78.7 |
| Hire Purchase and Financial Leases | 4,188 | 3,787 | 10.6 | 8,188 | 7,618 | 7.5 |
| Interest Expenses | (4,444) | (3,268) | 36.0 | (8,338) | (5,105) | 63.3 |
| Deposits | (1,919) | (1,682) | 14.1 | (3,831) | (2,607) | 47.0 |
| Interbank and Money Market Items | (222) | (148) | 50.0 | (409) | (198) | 106.6 |
| Fund Contributed to the DPA | (474) | (579) | (18.1) | (1,004) | (848) | 18.4 |
| Debts Issued | (1,828) | (851) | 114.8 | (3,092) | (1,443) | 114.3 |
| Borrowing | - | (1) | (100.0) | - | (1) | (100.0) |
| Borrowing Fee | (1) | (7) | (85.7) | (2) | (8) | (75.0) |
| Net Interest Income | 6,318 | 6,413 | (1.5) | 12,592 | 10,237 | 23.0 |
| Fees and Service Income | 970 | 890 | 9.0 | 1,997 | 1,395 | 43.2 |
| Fees and Service Expenses | (128) | (40) | 220.0 | (270) | (231) | 16.9 |
| Net Fees and Service Income | 842 | 850 | (0.9) | 1,727 | 1,164 | 48.4 |
| Gains on Tradings and Foreign Exchange Transactions | 210 | 166 | 26.5 | 450 | 218 | 106.4 |
| Gain on Investments | 203 | 244 | (16.8) | 239 | 368 | (35.1) |
| Share of Profit from Investments in Associated Companies | | | | | | |
| Accounted for under Equity Method | 63 | 193 | (67.4) | 155 | 249 | (37.8) |
| Gain on Properties foreclose and Other Assets | (30) | 188 | (116.0) | 68 | 412 | (83.5) |
| Insurance Premium/ Life Insurance Premium Income | 3,354 | 2,179 | 53.9 | 6,255 | 4,875 | 28.3 |
| Dividend Income | 195 | 91 | 114.3 | 451 | 141 | 219.9 |
| Other Operating Income | 669 | 747 | (10.4) | 1,274 | 1,265 | 0.7 |
| Total Operating Income | 11,824 | 11,071 | 6.8 | 23,211 | 18,929 | 22.6 |
| Insurance/Life Insurance Expenses | (2,668) | (1,715) | 55.6 | (4,895) | (3,789) | 29.2 |
| Net Operating income | 9,156 | 9,356 | (2.1) | 18,316 | 15,140 | 21.0 |
| Personnel Expenses | 2,635 | 2,384 | 10.5 | 5,395 | 3,569 | 51.2 |
| Directors' Remuneration | 42 | 40 | 5.0 | 53 | 47 | 12.8 |
| Premises and Equipment Expenses | 877 | 907 | (3.3) | 1,751 | 1,344 | 30.3 |
| Taxes and Duties | 208 | 194 | 7.2 | 415 | 246 | 68.7 |
| Other Expenses | 1,377 | 1,016 | 35.5 | 2,660 | 1,825 | 45.8 |
| Total Other Operating Expenses | 5,139 | 4,541 | 13.2 | 10,274 | 7,031 | 46.1 |
| Impairment Loss of Loans and Debt Securities | (869) | (631) | 37.7 | (1,589) | (750) | 111.9 |
| Profit before Corporate Income Tax | 3,148 | 4,184 | (24.8) | 6,453 | 7,359 | (12.3) |
| Corporate Income Tax | (415) | (1,411) | (70.6) | (1,485) | (2,353) | (36.9) |
| Profit before Non-controlling Interest | 2,733 | 2,773 | (1.4) | 4,968 | 5,006 | (0.8) |
| Non-controlling Interest | (1,150) | (1,404) | (18.1) | (2,241) | (2,294) | (2.3) |
| Net Profit | 1,583 | 1,369 | 15.6 | 2,727 | 2,712 | 0.6 |