

Thanachart Capital Public Company Limited

Management Discussion and Analysis (Audited Financial Statements)

Key Events

1. On 29 September 2009, Thanachart Capital Public Company Limited held its Board of Directors Meeting No. 10/2009 and issued a resolution to approve the interim dividend payment from the operating results of the first 6 months of the year 2009 to common shareholders and preferred shareholders at the amount of THB0.35 per share, totaling dividend payout at approximately THB447 million. The name list of shareholders who have the right to receive interim dividend was specified on 14 October 2009. The names were compiled accordingly to Section 225 of the Securities and Exchange Act. The closing of registrar book to pause the share transfer was scheduled on 15 October 2009 and the interim dividend payment was scheduled to be on 28 October 2009.
2. An Extraordinary Meeting of Shareholders No. 3/2009, held on 6 October 2009, had a resolution to approve of the THB40,000 million capital increase which would total registered shares to THB59,346,192,720. A resolution also included that Thanachart Bank's Board of Directors had the authority to proceed with the sale of additional common shares to existing shareholders as deemed appropriate, in order to prepare for the bidding of Siam City Bank Public Company Limited's shares and to support business operations of Thanachart Bank.
3. On 5 November 2009, Thanachart Capital Public Company Limited held an Extraordinary Meeting of Shareholders No. 1/2009. The agendas and resolutions were as follows:
 1. Approval of the minutes of the Annual General Meeting of Shareholders of the year 2009.
 2. Approval for Thanachart Bank Public Company Limited, a subsidiary company, to participate in the bidding of the shares of Siam City Bank Public Company Limited from Financial Institutions Development Fund.
4. On 3 November 2009, TCAP's Board of Directors Meeting No. 11/2009 issued a resolution to approve the issuance and offering of the Company's debentures in the amount not exceeding THB9,000 million at face value of THB1,000 per unit, with 5 years maturity, an interest rate 4.9% per annum. The date of issuance was set to be on 12 November 2009. Such debentures would be due in the year 2014.

Operating results for the year 2009

Performance Overview of Thanachart Capital Public Company Limited and Its Subsidiaries

Being a conglomerate which offers a full financial service, with synergy among the group, and having a suitable strategic direction resulted in an outstanding 2009 performance compared to the previous year.

- Y2009 net profit amounted to THB5,109 million, an **increase** of 84.6% from the previous year.
- Basic earning per share in Y2009 was THB3.99 compared to THB2.08 of last year.
- Total revenue **increased** by THB13,716 million or 57.6%.
- Interest spread was 3.4%, **increased** from 3.1%.
- Non-interest income after net insurance premium income* amounted to THB9,777 million, an **increase** of 60.6% from the previous year.
- Bad debt and doubtful account expense **decreased** by THB784 million or 21.9%.
- Cost to income ratio after net insurance premium income was at 47.9%, **decreased** from 55.9%.
- ROAE for Y2009 was 17.1%, **increased** from 10.5% of Y2008
- ROAA for Y2009 was 1.2%, **increased** from 0.8% of the previous year.

*Net insurance premium income = insurance premium income – insurance underwriting expense.

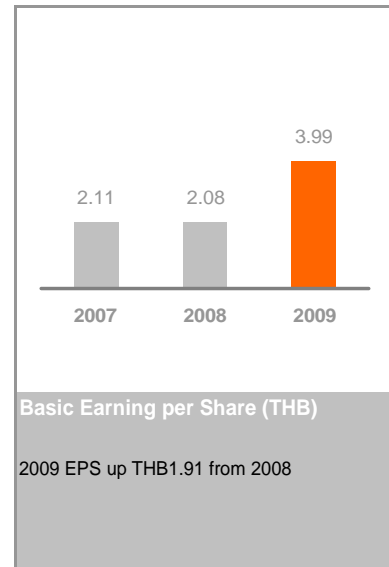
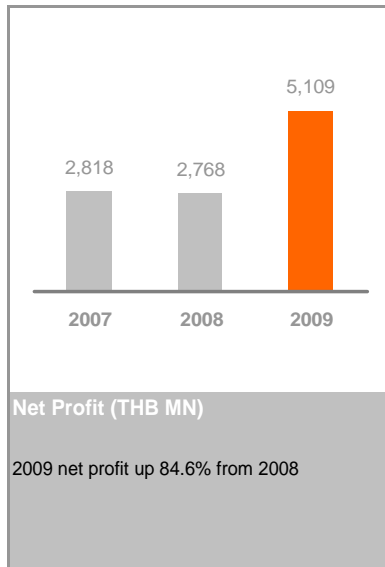
Operating Results

Income Statements	2009	2008	Unit: THB MN	
			Change	
			Amount	%
Interest and Dividend Income	22,112	21,413	699	3.3
Interest Expenses	6,892	9,506	(2,614)	(27.5)
Net Interest and Dividend Income	15,220	11,907	3,313	27.8
Non-Interest Income	22,310	11,907	10,403	87.4
Total Income	37,530	23,814	13,716	57.6
Operating Expenses	24,517	15,878	8,639	54.4
Bad Debts and Doubtful Accounts	2,796	3,580	(784)	(21.9)
Loss on Debt Restructuring	53	14	39	278.6
Corporate Income Tax	2,989	1,000	1,989	198.9
Minority Interest	2,066	574	1,492	259.9
Net Profit	5,109	2,768	2,341	84.6

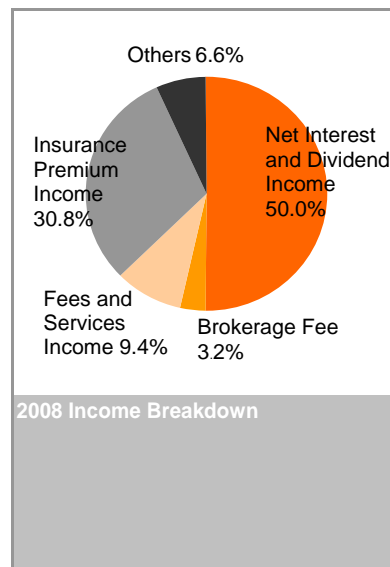
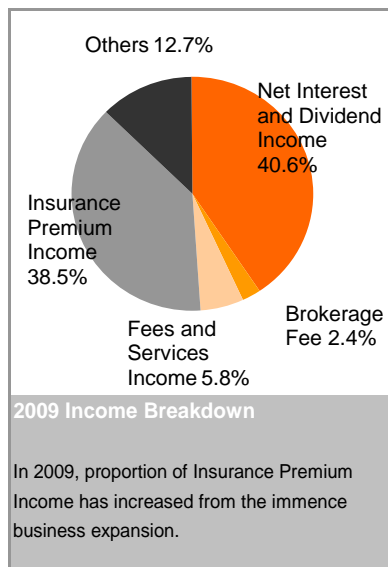
In 2009, Thanachart Capital Public Company Limited and its subsidiaries' net profit amounted to THB5,109 million, an increase of THB2,341 million or 84.6% from the end of last year. Net interest and dividend income increased by 27.8%, following the business expansion and the widening of loan spread from 4.0% in 2008 to 4.9%. At the same time, interest spread was at 3.4%, higher than 3.1% of the previous year. In addition, non-interest income continued to grow consistently with an

increase of 87.4%, due to strong growth in commercial bank, securities, fund management, life and non-life insurance businesses. Furthermore, the efficiency in debt collection and management resulted in substantial decrease in bad debt and doubtful account expenses compared to the previous year. The Company and its subsidiaries were also able to control cost productively which resulted in the decrease of cost to income ratio net insurance premium income from 55.9% to 47.9%.

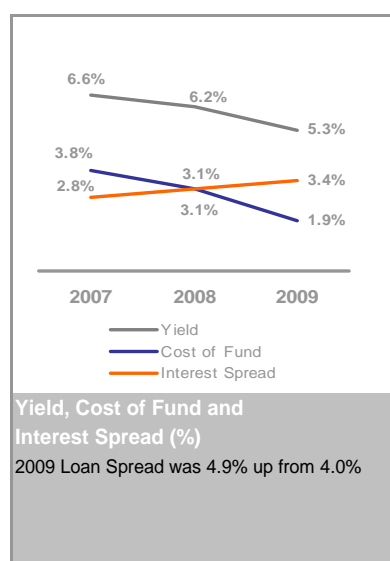
Basic earning per share for Y2009 was THB3.99 compared to THB2.08 in the previous year. Y2009 ROAE was 17.1% while Y2009 ROAA was 1.2%.



Income Breakdown



Net Interest and Dividend Income



In 2009, net interest and dividend income amounted to THB15,220 million, an increase of THB3,313 million or 27.8% compared to Y2008. Interest and dividend income was THB22,112 million, an increase of THB699 million or 3.3% while interest expenses were THB6,892 million, decreased by THB2,614 million or 27.5%, as a result of interest rate downward trend and good cost of fund management which reduced cost of fund from 3.1% in Y2008 to 1.9%. Consequently, interest spread increased from 3.1% of the previous year to 3.4%.

Non-interest Income

Unit: THB MN

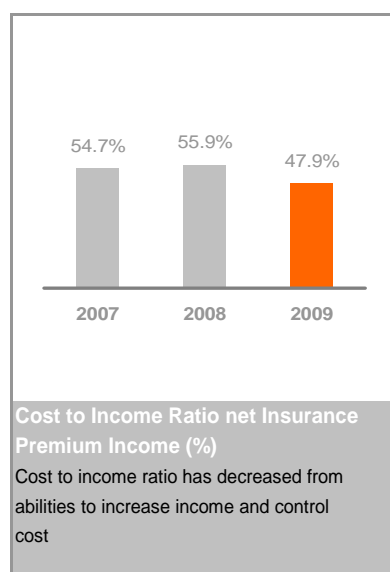
Non-Interest Income	2009	2008	Change	
			Amount	%
Brokerage Fee	885	756	129	17.1
Gain on Investment	2,722	(302)	3,024	1,001.3
Share of Income from Investments in				
Associated Company	257	335	(78)	(23.3)
Fees and Services Income	2,189	2,241	(52)	(2.3)
Gain on Exchange and Financial Derivatives	148	223	(75)	(33.6)
Gain on Property Foreclosed	312	249	63	25.3
Gain on Debt Settlements	326	241	85	35.3
Insurance/Life Insurance Premium Income	14,465	7,340	7,125	97.1
Other Income	1,006	824	182	22.1
Total	22,310	11,907	10,403	87.4

In 2009, Thanachart Group's non-interest income amounted to THB22,310 million, an increase of THB10,403 million or 87.4%, due to continuous business expansion of the subsidiary companies. Insurance premium income, from life and non-life business, increased by THB7,125 million or 97.1% from the previous year. The one-off gains from the sale of Thanachart Bank's common shares to Scotiabank was in the amount of THB2,805 million. After net insurance premium income, the Company's non-interest income in 2009 amounted to THB9,777 million, an increase of 60.6% from the previous year.

Operating Expenses

Unit: THB MN

Operating Expenses	2009	2008	Change	
			Amount	%
Personnel Expenses	4,435	3,660	775	21.2
Premises and Equipment Expenses	1,779	1,516	263	17.3
Taxes and Duties	234	222	12	5.4
Fees and Services Expenses	790	273	517	189.4
Directors' Remuneration	42	41	1	2.4
Fund contributed to the Financial Institutions				
Development Fund/Deposit Protection Agency	1,072	823	249	30.3
Insurance/Life Insurance Expenses	12,533	5,818	6,715	115.4
Other Expenses	3,632	3,525	107	3.0
Total	24,517	15,878	8,639	54.4



In 2009, the Company and its subsidiaries' operating expenses were THB24,517 million, an increase of THB8,639 million or 54.4% from the previous year. This was mainly due to life and non-life insurance underwriting expenses which increased by 115.4%, as a result of business volume expansion. Personal and premises expenses increased by 21.2% and 17.3% respectively. This was mainly due to the Bank's branch network expansion. The total number of branch increased from 213 branches in the previous year to 256 branches by 31 December 2009. However, the Company and its subsidiaries were able to efficiently control operating expenses.

Although the business continued to grow consistently, the cost to income ratio net insurance premium income decreased from 55.9% in the previous year to 47.9%. The Company's operating expenses net insurance premium expense in 2009 was THB11,984 million, increased by 19.1% from the previous year.

Bad Debts and Doubtful Accounts

In 2009, the improvement in working process enhanced efficiency in debt collection and management despite the slowdown in the economy. Consequently, bad debt and doubtful account expenses in 2009 amounted to THB2,796 million, a decrease of THB784 million or 21.9% from the previous year.

Financial Position

Unit: THB MN

Consolidated Balance Sheets	31 December 2009		31 December 2008		Change
	Amount	%	Amount	%	(%)
Interbank and Money Market Item-net	64,867	14.1	65,790	16.7	(1.4)
Investment-net	97,113	21.1	39,385	10.0	146.6
Loans and Accrued Interest Receivables	290,115	63.1	279,774	71.0	3.7
Allowance for Doubtful Accounts and					
Revaluation allowance for Debt Restructuring	(10,534)	(2.3)	(10,008)	(2.5)	5.3
Other Assets	18,404	4.0	19,149	4.8	(3.9)
Total Assets	459,965	100.0	394,090	100.0	16.7
Deposits and Short Term Borrowings	340,799	74.1	316,382	80.3	7.7
Interbank and Money Market Item-net	20,939	4.5	7,293	1.8	187.1
Long term Borrowings	22,377	4.9	18,811	4.8	19.0
Other Liabilities	28,443	6.2	19,243	4.9	47.8
Total Liabilities	412,558	89.7	361,729	91.8	14.1
Company's Shareholders' Equity	33,323	7.2	26,592	6.7	25.3
Minority Interest	14,084	3.1	5,769	1.5	144.1
Total Shareholders' Equity	47,407	10.3	32,361	8.2	46.5
Total Liabilities and Shareholders' Equity	459,965	100.0	394,090	100.0	16.7

Assets

The Company and its subsidiaries' total assets amounted to THB459,965 million, an increase of THB65,875 million or 16.7% from the year-end 2008. The key contributing factors were:

- Net Interbank and money market items amounted to THB64,867 million, a decrease of THB923 million or 1.4% from the end of last year.
- Loans amounted to THB289,804 million, an increase of THB10,354 million or 3.7% from the end of last year, which mainly due to the increase of corporate loans.
- Net investments amounted to THB97,113 million, an increase of THB57,728 million or 146.6% from the end of last year.

Liabilities

Total liabilities of the Company and its subsidiaries as of 31 December 2009 amounted to THB412,558 million, an increase of THB50,829 million or 14.1% from the end of 2008, mainly due to the following:

- Deposits and short-term borrowings were THB340,799 million, an increase of THB24,417 million or 7.7% from THB316,382 million at year-end 2008.
- Net Interbank and money market items amounted to THB20,939 million, an increase of THB13,646 million or 187.1%, a result of liquidity management.
- Long-term borrowings were THB22,377 million, an increase of THB3,566 million or 19.0% from the year-end 2008. This was mainly due to the certain portion of long-term borrowings that had remaining maturity less than 1 year was re-recorded as short-term borrowings. Also, Thanachart Capital Public Company Limited issued name-registered certificate of unsubordinated unsecured debentures during the year 2009 and there were THB9,000 million worth of debenture representatives which would be due in the year 2014. In addition, Thanachart Bank (a subsidiary company) also issued subordinated debentures

in the amount of THB7,000 million, of which THB2,000 million were unsecured unconvertible subordinated debentures and THB5,000 million were subordinated debentures with a due date in the year 2019 and 2024.

Shareholders' Equity

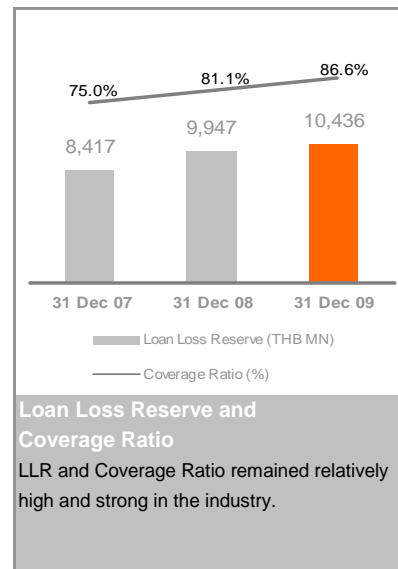
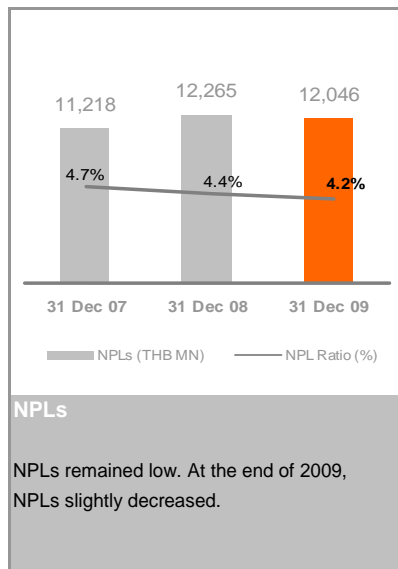
Total shareholders' equity amounted to THB47,407 million, an increase of THB15,046 million or 46.5% from the year-end 2008. The key items were:

- The Company's equity amounted to THB33,323 million, an increase of THB6,731 million or 25.3% from the end of 2008.
- Equity attributable to minority shareholders of subsidiaries increased by THB8,315 million from the year-end 2008, mainly due to Scotiabank's shareholding in Thanachart Bank increased to 49.0% during this year.

Non-performing Loans (NPLs)

In 2009, NPLs amounted to THB12,046 million, with NPL ratio at 4.2%, a decrease from 4.4% at year-end 2008. NPL-net was THB3,148 million with NPL-net to total loan ratio ended at 1.1%.

Provisions for bad debt and doubtful account amounted to THB10,436 million, an increase of THB489 million or 4.9% from the end of last year. Coverage ratio (loan loss reserve to NPLs) ended at 86.6% which was higher than 81.1% of 2008.

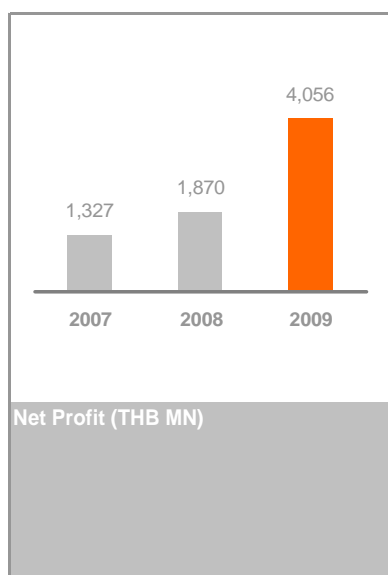


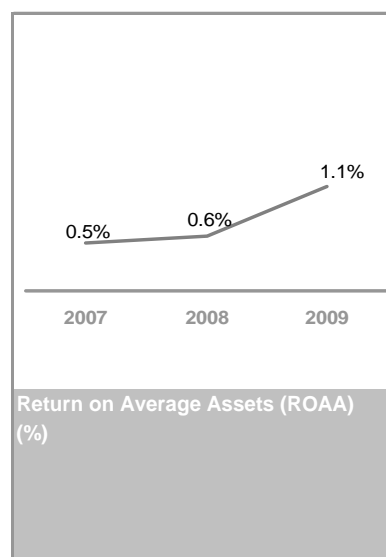
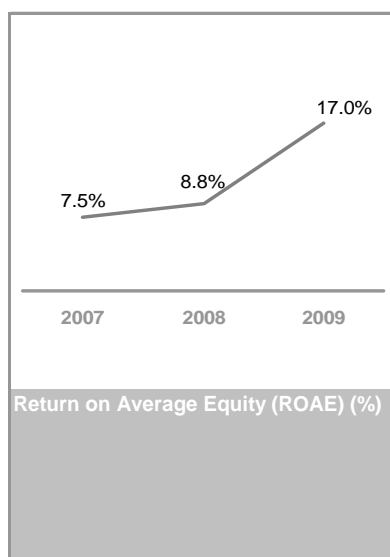
Operating Results of Subsidiary Companies

Unit: THB MN

Subsidiaries	% of direct and indirect holding	Net profit (loss)	
		2009	2008
Thanachart Bank Plc.			
Consolidated Financial Statements		4,056	1,870
Separate Financial Statements	50.9%	3,547	1,304
Thanachart Securities Plc.	50.9%	274	97
Thanachart Fund Management	38.2%	111	123
Thanachart Insurance	50.9%	225	63
Thanachart Life Assurance	50.9%	120	350
NFS-AMC	100.0%	395	253
MAX-AMC	83.4%	115	130

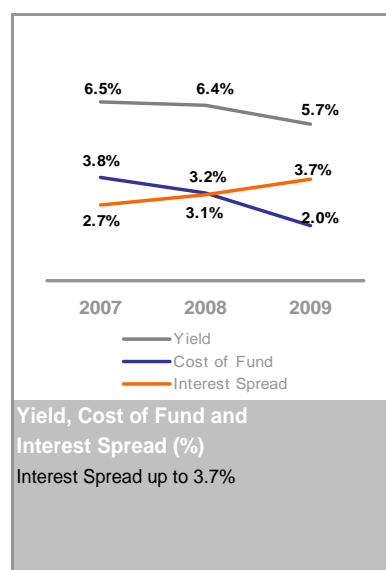
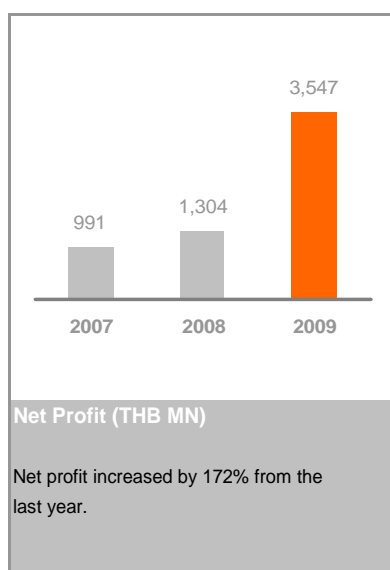
The synergy among Thanachart Financial Conglomerate, which included commercial bank, securities, fund management, life and non-life, and supporting businesses resulted in tremendous improvement in the performance results of the Bank and its subsidiaries in 2009, despite the economic instability in the first half of the year. The Bank and its subsidiaries had a net profit of THB4,056 million in 2009, an increase of THB1,870 million from 2008. ROAA and ROAE was 1.1% and 17.0% respectively, an increase from 0.6% and 8.8% in 2008.



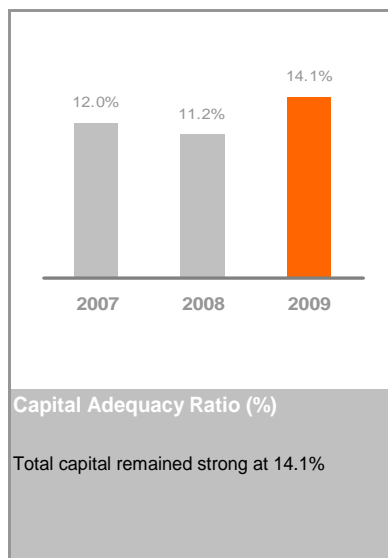
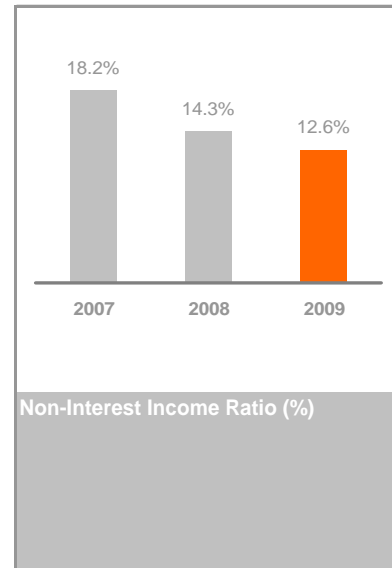
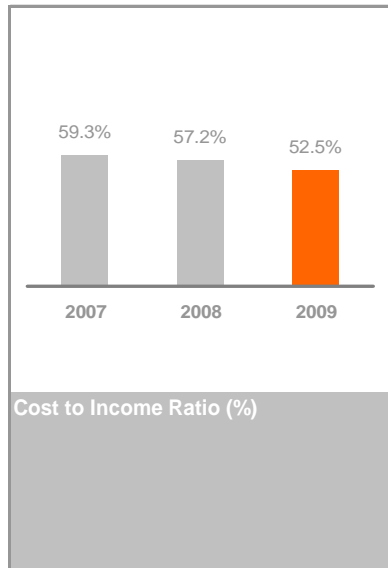


Banking Business

In 2009, the separate financial statements of the Bank showed its net profit of THB3,547 million, an increase of THB2,243 million or 172.0%, of which THB3,080 million was from the Bank's performance, an increase of THB1,995 million, and THB467 million was from dividend payment from subsidiary companies' operating results in the year 2008, an increase of THB248 million.



The operating results in 2009 improved significantly mainly because of the efficient management in NPLs, a result of suitable strategy and policy adjustment and better debt collection. As aforementioned, bad debt and doubtful account expenses substantially decreased by THB718 million. Moreover, loan spread increased from 3.7% in 2008 to 4.7% while interest spread increased from 3.1% to 3.7%. The Bank also continued to generate non-interest income which expanded by 27.8% along with consistent cost control which resulted in the cost to income ratio which decreased from 57.2% in the last year to 52.5%.



- At the end of 2009, the Bank's total assets were THB413,878 million, an increase of THB45,664 million or 12.4% from the end of 2008. This was mainly due to the increase in deposits and short-term borrowings which caused the Bank's liquidity to increase. The Bank has put in the investment to increase rate of return. Long-term and short-term investments increased by THB38,057 million and loans increased by THB9,651 million, particularly in HP and corporate loans, following the policy to distribute risk through the Bank's loan portfolio diversification.

- Total liabilities amounted to THB387,523 million, an increase of THB40,579 million or 11.7%, mainly due to the deposits and short-term borrowings which increased by THB23,904 million and interbank and money market items which increased by THB14,496 million. These aforementioned changes were in accordance with the cost of fund management suitable with maturity date of the Bank.
- Shareholders' equity amounted to THB26,355 million, an increase of THB5,085 million or 23.9%, mainly due to profitable operating results of the Bank. In addition, the Bank had increased its paid-up capital in the amount of THB2,000 million in May 2009. The Bank also paid its common shareholders dividend from the profit of Y2008 operating results at THB0.56 per share, totaling the amount to THB971 million.
- Capital fund of the Bank was strong and adequate for business expansion. As the end of 2009, BIS ratio was at 14.1%.

Subsidiary Companies

Overall, the operating results of the subsidiary companies all improved although the economy was in its slowdown in the first half of the year. The appropriate and prompt adjustment in various strategies and policies, including the focus of cross-selling through all channels especially the 256 branches nationwide, enhanced the profit which amounted to THB1,037 million, an increase of THB215 million or 26.2% from 2008.

Risk Management and Risk Factors

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 4th quarter of 2009, the Company and its subsidiaries' loan portfolio has grown from the previous quarter. The Company and its subsidiaries have invested more in government and state enterprise securities, corporate bonds, treasury bills and listed securities, which resulted in the increase in credit, market and operational risk.

Overall, the Company and its subsidiaries' risks are under the established risk limit. Moreover, the Bank of Thailand has allowed the Bank to classify the THB5,000 million Upper Tier 2 as Tier 2 capital. Consequently, the Company and its subsidiaries' capital after risk allocation was adequate to accommodate the established future plan of business expansion.