



Management Discussion and Analysis

For the year ending 31 December 2010

(Audited Financial Statements)

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Thanachart Capital Public Company Limited

Management Discussion and Analysis (Audited Financial Statements)

Major Events

1. Thanachart Bank Public Company Limited purchased ordinary shares of Siam City Bank

Public Company Limited in order to conduct an entire business transfer. On 9 April 2010, the share purchase from Financial Institution Development Fund (FIDF) has been successful. A tender offer was conducted for general public shareholders in June and November 2010 at a price of THB 32.50 per share (the same price that Thanachart Bank paid to FIDF). Consequently, Thanachart Bank's shareholding was 99.95 percent of Siam City Bank's total issued and paid up shares. Thanachart Bank, together with Siam City Bank, submitted the entire business transfer plan to the Bank of Thailand. The plan is currently under the review and evaluation of the Bank of Thailand. The entire business transfer is expected to be completed within the year 2011, after which the Bank will return banking license of Siam City Bank to the Bank of Thailand.

2. On 8 – 19 April 2010, Thanachart Bank has increased capital in the amount of 3,579,045,631 shares at a price of THB10 per share, an equivalent of THB 35,790 million, in proportion to the existing shareholding structure. As a result, Thanachart Bank has THB 55,136,649,030 of total issued and paid-up shares. Thanachart Capital used the right of the Company and of the general shareholders who forgone their right to purchase THB 18,245,490,680 worth of shares, which resulted in an increase of Thanachart Capital's shareholding in Thanachart Bank from 50.92 percent to 50.96 percent.

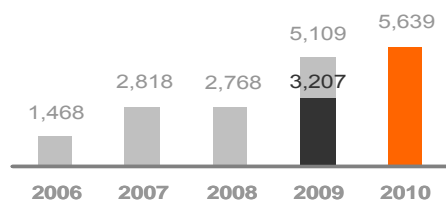
3. On 9 June 2010, Thanachart Bank's Board of Director issued a resolution to delist Siam City Bank's securities from the Stock Exchange of Thailand. This resolution had been approved at the Siam City Bank's Extraordinary Meetings of Shareholders. Afterward, the SET has had a resolution to delist and remove Siam City Bank's securities from the market since 13 December 2010.

4. Thanachart Capital Public Company Limited informed its intention to repurchase the Treasury Stock Project for the purpose of financial management. The repurchasing was done in the SET during the period of 15 June - 14 December 2010. However, Thanachart Capital did not repurchase any of its shares during such period. The Company then informed the expiration of the Treasury Stock Project for the purpose of financial management. The treasury stocks that were repurchased earlier in 2009 in the amount of approximately 55 million shares have not been sold during this year. The Company has rights to sell such stocks within 3-year period counting from the date of repurchase.

Operating Results in the past 5 years

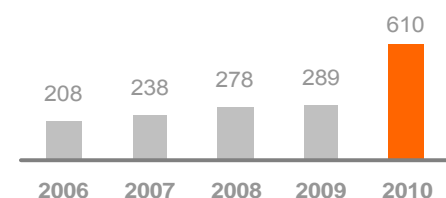
Net Profit (Million Baht)

Net profit grew strongly. 2010 net profit up 10.4% yoy and consistently increased for 5 consecutive years. In 2009, if excluding gain on selling TBANK to Scotiabank, net profit for the year would be 3,207 million Baht.



Loans (Billion Baht)

Loans significantly grew 110.9% from the end of last year, due to loans expansion and merging with Siam City Bank.



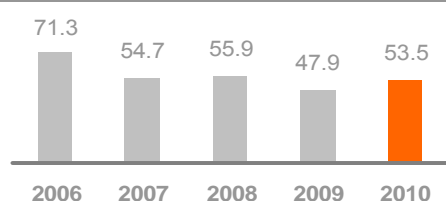
Provision to Loans (%)

Provision to Loans was relatively low, due to the efficiency of NPLs management.



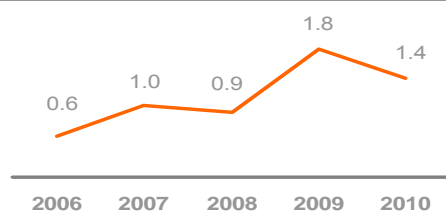
Cost to Income Ratio net Insurance/Life Insurance Expenses (%)

2010 cost to income ratio net insurance/life insurance expenses was at 53.5%, up from 47.9% last year.



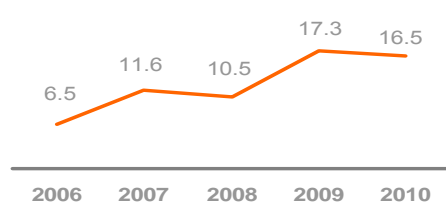
Return on Average Assets (ROAA) (%)

ROAA decreased according to the assets growth after transferring of SCIB and its subsidiaries to Thanachart Group.



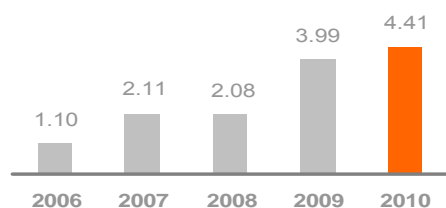
Return on Average Equity (ROAE) (%)

ROAE was at 16.5%, down from 17.3% last year as the capital injection into TBANK for buying SCIB's shares.



Earning per Share (EPS) (Baht)

EPS also has a consistent growth from the continuously development of the Group's performance.



In 2010, consolidated financial statements of the Company and its subsidiaries have included SCIB and its subsidiaries financial performance in accordance with the shareholding proportion.

Operating results for the year 2010

Performance overview of Thanachart Capital Public Company Limited and its subsidiaries

The year 2010 was a year of significant growth of Thanachart Group. The success was mainly contributed from Thanachart Bank, a subsidiary of Thanachart Capital, who has successfully acquired the shares of Siam City Bank Public Company Limited from Financial Institution Development Fund and has conducted a tender offer to the general public. Consequently, Thanachart Bank's shareholding in Siam City Bank was 99.95 percent of the total issued and paid-up shares of Siam City Bank. As a result, the assets of Thanachart Capital, a parent company of Thanachart Bank, have grown drastically by 91.7 percent, from THB 459,965 million to THB 881,915 million. Total loans increased as much as 110.9 percent and the portfolio has improved, as a result of a diversification from the hire purchase loan cluster. Deposits expanded by more than 100 percent, making a total deposit increased from THB 265,871 million to THB 532,382 million.

Net profit in 2010 was THB 5,639 million, an increase of 10.4 percent. According to the accounting standard, the performance shown in the consolidated financial statements has accounted the income and expense recognition in proportion to the shareholding in Siam City Bank, while the assets and liabilities were recognized in the whole amounts. Assets grew by almost 100 percent while the Company still generated good growth in net profit. In 2009, the Company's extraordinary profit from sale of Thanachart Bank's ordinary shares to Scotiabank in the amount of THB 1,902 million (after tax). Without such extraordinary item, the net profit of the Company and its subsidiaries grew by 75.8 percent in the year 2010.

A key driver of Thanachart Capital's net profit was the ability to manage non-performing assets even more efficiently. In 2010, the Company's bad debts and doubtful account expenses decreased significantly. The provisions to loans ratio decreased from 1.0 percent to 0.3 percent. Even though the Company was negatively affected by the flooding incident and the increasing interest rate in the second half of the year, the Company and its subsidiaries were able to maintain interest spread at 3.5 percent, similar to that of the previous year. However, with continuous capital market recovery, the brokerage fee increased by more than 50 percent and other fee income increased by 65.6 percent. Consequently, the Company's non-interest income ratio was 44.5 percent. In addition, the Company was able to control operation expense with its cost to income ratio decreasing from 65.3 percent in 2009 to 62.6 percent in 2010. The cost to income ratio net insurance/life insurance expenses would be 53.5 percent. Thanachart Capital's ROAA and ROAE were, respectively, 1.4 percent and 16.5 percent.

Operating Results

Unit: THB MN

Consolidated Income Statements	2010	2009	Change (%)
Net Interest and Dividend Income	25,168	15,220	65.4
Non-Interest Income	20,179	22,310	(9.6)
Operating Expenses	28,381	24,517	15.8
Operating Profit	16,966	13,013	30.4
Bad Debts and Doubtful Accounts	1,689	2,796	(39.6)
Loss on Debt Restructuring	131	53	147.2
Profit before Corporate Income Tax and Minority Interest	15,146	10,164	49.0
Corporate Income Tax	4,844	2,989	62.1
Minority Interest	4,663	2,066	125.7
Net Profit	5,639	5,109	10.4
Earning per share (THB)	4.41	3.99	10.5
Return on Average Equity (ROAE) (%)	16.5	17.3	
Return on Average Assets (ROAA) (%)	1.4	1.8	
Interest Spread (%)	3.5	3.6	
Provision to Loans (%)	0.3	1.0	
Non-interest Income Ratio (%)	44.5	59.4	
Cost to Income Ratio (%)	62.6	65.3	
Cost to Income Ratio net insurance/life insurance expenses (%)	53.5	47.9	

Net Interest and Dividend Income

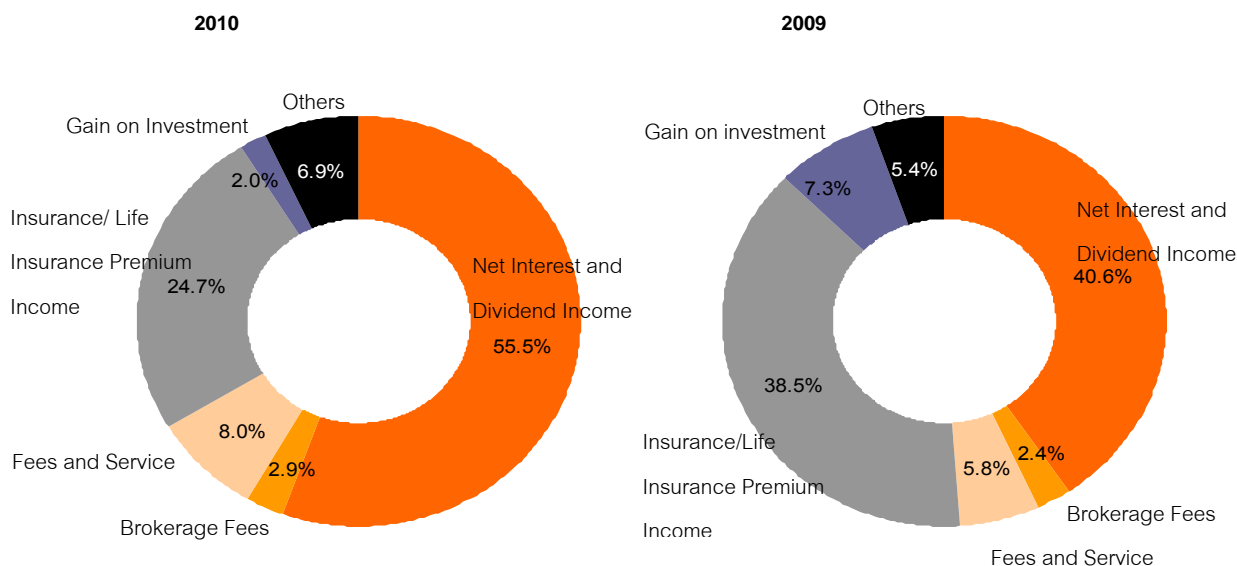
In the year 2010, net interest and dividend income of the Company and its subsidiaries amounted to THB 25,168 million, representing an increase of THB 9,948 million or 65.4 percent compared to the last year. Interest and dividend income was THB 35,252 million, an increase of THB 13,140 million or 59.4 percent while interest expenses were THB 10,084 million, an increase of THB 3,192 million or 46.3 percent. Cost of fund decreased from 2.0 percent in the last year to 1.6 percent in this year, due to the proper management of deposits structure during the up-trend interest rate environment. Moreover, interest spread was at 3.5 percent, close to 3.6 percent of the previous year.

Non-interest Income

In the year 2010, non-interest income of the Company and its subsidiaries amounted to THB 20,179 million, representing a decrease of THB 2,131 million or 9.6 percent. This was mainly due to the extra gain on selling the ordinary shares of Thanachart Bank to Scotiabank in 2009 in the amount of THB 2,805 million (the profit after tax was THB 1,902 million). If excluding the extra gain, non-interest income in 2010 decreased only 3.5 percent from the previous year. This was mostly due to insurance/life insurance premium income which decreased by THB 3,280 million or 22.7 percent according to the expiration of some insurance products. Fees and service increased by THB 1,436 million or 65.6 percent from the synergies within Thanachart Group. Non-interest income had a consistent growth from cross-selling through the network of Thanachart Bank and Siam City Bank including the increase in brokerage fee in line with the better capital market condition.

Revenue Breakdown

At the end of 2010, the proportion between net interest and dividend income and non-interest income was 56 percent to 44 percent.



Operating Expenses

For the year 2010, operating expenses amounted to THB 28,381 million, representing an increase of THB 3,864 million or 15.8 percent from the last year. This was mainly due to the consolidation of operating expenses of Siam City Bank into the Company and its subsidiaries' income statements. As a result, personnel expenses and premise and equipment expenses increased by 93.4 percent and 88.1 percent respectively. At the same time, the insurance/life insurance expenses decreased by THB 3,699 million or 29.5 percent. From effective cost management, cost to income ratio in this year accounted for 62.6 percent while cost to income ratio net insurance/life insurance expenses was at 53.5 percent.

Bad Debts and Doubtful Accounts

For the year 2010, bad debts and doubtful accounts expenses amounted to THB 1,689 million, a decrease of THB 1,107 million or 39.6 percent. This was attributable to the effective adjustment in strategies and policies to manage and collect debts in an efficient manner, resulted in the ratio of provision to loans of 0.3 percent, a decrease from 1.0 percent in the previous year.

Financial Position

Unit: THB MN

Consolidated Balance Sheets	31 December 2010		31 December 2009		Change
	Amount	%	Amount	%	%
Interbank and Money Market Item-net	85,105	9.7	64,867	14.1	31.2
Investment-net	145,168	16.5	97,113	21.1	49.5
Loans and Accrued Interest Receivables	610,602	69.2	289,423	62.9	111.0
Allowance for Doubtful Accounts and					
Revaluation allowance for Debt Restructuring	(27,959)	(3.2)	(10,534)	(2.3)	165.4
Intangible assets acquired in a business combination – net	3,963	0.4	-	0.0	100.0
Goodwill	16,620	1.9	44	0.0	37,672.7
Other Assets	48,416	5.5	19,052	4.2	154.1
Total Assets	881,915	100.0	459,965	100.0	91.7
Deposits	532,382	60.4	265,871	57.8	100.2
Interbank and Money Market Item	40,545	4.6	20,939	4.5	93.6
Short Term Borrowings	136,319	15.4	74,928	16.3	81.9
Long term Borrowings	48,398	5.5	22,377	4.9	116.3
Other Liabilities	52,553	6.0	28,443	6.2	84.8
Total Liabilities	810,197	91.9	412,558	89.7	96.4
Company's Shareholders' Equity	36,092	4.1	33,323	7.2	8.3
Minority Interest	35,626	4.0	14,084	3.1	153.0
Total Shareholders' Equity	71,718	8.1	47,407	10.3	51.3
Total Liabilities and Shareholders' Equity	881,915	100.0	459,965	100.0	91.7
Book Value per Share (THB)	28.24		26.08		8.3

Assets

As at 31 December 2010, Thanachart Capital and its subsidiaries' total assets amounted to THB 881,915 million, representing an increase of THB 421,950 million or 91.7 percent from the end of 2009. This was mainly due to the consolidation of Siam City Bank's balance sheets into the Company and its subsidiaries' balance sheets. The key contributing factors were:

- Net interbank and money market items amounted to THB 85,105 million, an increase of THB 20,238 million or 31.2 percent from the end of last year.
- Loans amounted to THB 609,646 million, an increase of THB 320,534 million or 110.9 percent from the end of last year. The purchasing of Siam City Bank's ordinary shares has caused Thanachart Capital and its subsidiaries' loans portfolio to be better diversified with proportion of retail loans to corporate and SME loans was 57 percent to 43 percent, comparing to 79 percent to 21 percent at the end of previous year.
- Net investments amounted to THB 145,168 million, an increase of THB 48,055 million or 49.5 percent from the end of last year.

- Goodwill amounted to THB 16,620 million, an increase of THB 16,576 million, due to the purchase of Siam City Bank's shares.

Liabilities

Total liabilities of the Company and its subsidiaries as of 31 December 2010 amounted to THB 810,197 million, representing an increase of THB 397,639 million or 96.4 percent from the end of 2009, mainly due to the followings:

- Deposits amounted to THB 532,382 million, an increase of THB 266,511 million or 100.2 percent. Out of the total deposits, savings accounted for 34.0 percent, fixed deposits accounted for 64.6 percent, and current account deposit accounted for 1.4 percent.
- Interbank and money market items amounted to THB 40,545 million, an increase of THB 19,606 million or 93.6 percent from the end of last year.
- Short-term borrowings were THB 136,319 million, an increase of THB 61,391 million or 81.9 percent.
- Long-term borrowings were THB 48,398 million, an increase of THB 26,021 million. In the year 2010, TCAP issued THB 3,000 million worth of debentures and TBANK issued THB 6,000 million worth of Lower Tier 2 debentures with name registered subordinated, unsecured, and unconvertible and THB 7,130 million worth of Hybrid Tier 1 with perpetual, name registered, non-cumulative, and subordinated.

Shareholders' Equity

Total shareholders' equity amounted to THB 71,718 million, representing an increase of THB 24,311 million or 51.3 percent from the year-end 2009. This was mainly due to the increase in minority interest which rose from THB 14,084 million to THB 35,626 million, due to the proportionately purchase of Thanachart Bank's shares for capital increase by Scotiabank. The increase was also from this year performance of the Company and its subsidiaries net dividend paid to shareholders which increased by THB 4,093 million.

Non-performing Loans: NPLs

	TBANK		SCIB		TCAP (Consol.)	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
NPL-gross (THB MN)	7,648	8,359	27,872	24,840	39,557	12,046
Total Allowance (THB MN)	7,432	7,718	16,964	15,908	27,657	10,436
NPL-gross to Total Loans (%)	2.3	2.5	8.8	7.8	6.0	3.5
NPL-net to Total Loans (%)	0.6	0.6	4.7	4.2	2.7	0.9
Coverage Ratio (%)	97.2	92.3	60.9	64.0	69.9	86.6

At the end of 2010, NPLs amounted to THB 39,557 million, with NPL ratio at 6.0 percent, an increase from 3.5 percent at year-end 2009. NPL-net was THB 17,214 million with NPL-net to total loans ratio ending at 2.7 percent.

Provisions for bad debt and doubtful accounts amounted to THB 27,657 million, an increase of THB 17,221 million or 165.0 percent from the end of last year. Coverage ratio (loan loss reserve to NPLs ratio) accounted for 69.9 percent.

Operating results of the subsidiaries

Unit: THB MN

Subsidiaries	% holding	Net Profit (Loss)	
	Direct/Indirect	2010	2009
Thanachart Bank Public Company Limited			
Bank only	50.96%	5,719	3,547
Thanachart Securities Public Company Limited	50.96%	391	274
Thanachart Fund Management Company Limited	38.22%	131	111
Thanachart Insurance Company Limited	50.96%	356	225
Thanachart Life Assurance Company Limited	50.96%	688	120
Thanachart Group Leasing Company Limited	50.96%	214	156
Thanachart Broker Company Limited	50.95%	68	68
Siam City Bank Public Company Limited*			
Bank only	50.93%	4,333	3,956
Siam City Life Assurance Company Limited	50.93%	156	137
SCIB Services Company Limited	50.93%	3	4
Siam City Securities Company Limited	50.82%	(19)	20
Siam City Assets Management Company Limited	30.56%	(3)	8
NFS AMC Company Limited	100.00%	461	395
MAX AMC Company Limited	83.44%	108	115

* 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

(including the operating results of SCIB and its subsidiaries)

At year-end 31 December 2010, Thanachart Bank and its subsidiaries continued to grow strong in terms of assets and operating results, despite the negative effect of flooding incident in the last quarter of the year. Net profit of the year 2010 (excluding minority interest) was THB 8,777 million, an increase of THB 4,721 million or 116.4 percent from the previous year. The key drivers of strong operating results include the following:

- **Non-performing loan management** resulted in the provisions to total loans ratio to decrease from 1.1 percent to 0.4 percent, despite the negative effect of flooding incident in the last quarter of the year.
- **Interest Spread** was at 3.3 percent, although the cost of fund was affected by the increase in interest rate in the later half of the year 2010. The proportion of fixed-rate loans and floating-rate loans were better balanced and helped aid the negative effect of interest rate fluctuation.
- **Non-interest rate income (net insurance/life insurance expenses)** grew by 67.7 percent, which was a result of cross-selling and an increase in brokerage fee in accordance with the capital market improvement.
- **Operating expense management and control was efficient** and resulted in 63.4 percent of cost to income ratio. If excluding insurance/life insurance expenses, the cost to income ratio would be at 54.1 percent.

Loans in the last quarter of the year had a tremendous growth of 4.4 percent or THB 25,541 million from the 3rd quarter. Hire purchase loans, in particular, performed well despite aggressive competition. The market share of new car hire purchase loans in 2010 was 19.2 percent, compared to 19.7 percent in 2009.

In 2010, loans grew by THB 321,336 million or 112.6 percent from the previous year. Hire purchase, corporate, SMEs, housing, and other retail loans all have grown continuously, resulting in a ratio of retail to corporate and SME loans to be 57 to 43, as compared to 79 to 21 in 2009.

Asset quality has improved, as a result of a policy to focus on a long-term asset quality maintenance, better loan approval process, as well as, better expertise and management in debt collection within Thanachart Group. Non-performing loans of Thanachart Bank and its subsidiaries (including Siam City Bank and its subsidiaries) was THB 37,054 million. Gross NPL to total loans ratio was 5.6 percent and the coverage ratio was at 70.8 percent.

In terms of **capital adequacy**, Thanachart Bank has planned its capital structure to be adequate and appropriate to the business expansion. Currently, Thanachart Bank's capital has the capacity to strongly support the business operation and expansion. In 2010, the total capital fund of the Bank was THB 89,898 million with BIS ratio of 14.7 percent, of which 11.7 percent was Tier 1 and 3.0 percent was Tier 2. The calculation of BIS ratio was done under the waiver of the BOT that Thanachart Bank is not obliged to deduct the goodwill from its capital up until the date which the amalgamation is complete.

Financial Highlights		(Consolidated figures)	
	Y2010	Y2009	% Change
Operating results (Million Baht)			
Total income			
- Net interest income	25,324	14,734	71.9%
- Non-interest income	18,676	18,403	1.5%
Non-interest expenses	28,151	24,177	16.4%
Profit before provision and tax	15,849	8,960	76.9%
Provision	2,149	3,107	-30.9%
Profit before tax	13,701	5,852	134.1%
Tax	4,548	1,769	157.2%
Minority interest	376	28	1252.2%
Net profit	8,777	4,056	116.4%

	Dec.10	Dec.09	% Change
Key balance sheets (Million Baht)			
Loans	606,851	284,823	113.1%
Total assets	872,654	432,970	101.6%
Deposits and short-term borrowings	667,570	341,496	95.5%
- Deposit	532,656	266,296	100.0%
-Short-term borrowings	134,914	75,200	79.4%
Total liabilities	800,262	405,098	97.5%
Shareholders' equity (excluding minority interest)	72,183	27,811	159.5%

	Y2010	Y2009	% Change
Key financial ratios (Percent)			
Return on average assets (ROAA)	1.2%	1.1%	0.2%
Return on average equity (ROAE)	15.5%	17.0%	-1.5%
Interest Spread	3.3%	3.7%	-0.4%
Non-interest income ratio	41.5%	54.4%	-12.9%
Non-interest income ratio (net insurance premium income)	26.0%	25.5%	0.5%
Cost to income ratio	63.4%	72.6%	-9.1%
Cost to income ratio (net insurance premium income)	54.1%	55.2%	-1.1%
Provision to total loan	0.4%	1.1%	-0.6%
Loans to deposits and short-term borrowings ratio	90.9%	83.4%	7.5%
Total capital ratio	14.7%	14.1%	0.6%

* TBANK increased its issued and paid-up share capital in the amount of THB35,790 million during the year ended Y2010

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.