



Management Discussion and Analysis

For the three-month period ended 31 March 2011

(Reviewed 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: ir.nf@thanachart.co.th

Tel: 0 2613 6107

Thanachart Capital Public Company Limited

Management Discussion and Analysis (Reviewed Financial Statements)

Major Events

1. The year 2011 will be the year of important change of Thanachart Group. This is because in this year Thanachart Bank will proceed to merge with Siam City Bank and the date is set on 1 October 2011. In this regard, Thanachart Capital, Thanachart Bank, and Siam City Bank jointly formulated and submitted the project (the Entire Business Transfer Plan) which gave details on the transfers of all businesses of Siam City Bank to Thanachart Bank, to the Bank of Thailand (BOT) for approval. In this connection, the BOT already announced the approval in the Royal Thai Government Gazette on 10 March 2011. Moreover, on 7 April 2011, the Annual General Meetings of both Siam City Bank and Thanachart Bank had resolutions to approve the business transfer and acceptance of business transfer of all businesses of Siam City Bank to Thanachart Bank as well.
2. The impacts from implementation of the new accounting standard and the presentation of financial statements
 - Financial statements of the Company and its subsidiaries in the 1st quarter of 2011 were affected by the implementation of Thai Accounting Standard (TAS 19) on employee benefits. This accounting standard requires employee benefits to be recognized as expenses in the period that the Company employs the services of employees. In particular, the Company has to evaluate and record provisions regarding the retirement employee benefits by using actuarial techniques. Currently, the Company and its subsidiaries account for such employee benefits when they are incurred. Base on the management's preliminary assessment on the impact of implementation of this accounting standard in 2011, **retained earnings as at 1 January 2011 in separate and consolidated financial statements decreased in the amount of approximately 13 million baht and 1,170 million baht respectively.**
 - Presentation of financial statements in accordance with the notification of the BOT Re: the Preparation and Announcement of Financial Statements of Financial Institutions dated 28 December 2010 resulted in changes in various items in financial statements. However, the Company and its subsidiaries have revised financial statements for the 1st quarter of 2010 to be comparable to the current financial statements. As a result, some key financial ratios have been affected such as interest spread, non-interest income to total income ratio, and cost to income ratio, etc.
3. On 8 April 2011, the Annual General Shareholders Meeting for the year 2011 had a resolution to approve the dividend payment to the holders of both ordinary and preferred shares at the rate of 0.70 baht per share or 894 million baht in total for the operating results of the second half of the year 2010 from 1 July 2010 to 31 December 2010. Taking into account this round of the dividend payment and the interim dividend payment worth 0.50 baht per share or 639 million baht in total which was made for the operating results of the first half of the year 2010, the total dividend payment for the full year operating results amounted to 1.20 baht per share or 1,533 million baht in total. The Company prepared a list of shareholders eligible for the dividend payment on 20 April 2011 and gathered their names in pursuance to Section 225 of the Securities and Exchange Act B.E. 2535 (Additional Amendment to the Act B.E. 2551), by closing the register book for suspension of the share transfer on 21 April 2011, with the dividend payment to be made on 3 May 2011.

Operating results for the 1st quarter of 2011

Performance overview of Thanachart Capital Public Company Limited and its subsidiaries

Thanachart Capital Public Company Limited (“the Company”) and its subsidiaries’ loans continued growing and gained better loans distribution. As at the end of the 1st quarter 2011, loans of the Company and its subsidiaries amounted to 615,802 million baht, an increase of 6,156 million baht from 609,646 million baht at the end 2010. At the same time, deposits and short-term borrowings registered at 647,489 million baht, a slightly decrease from the end of last year. This was due to the liquidity adjustment within the Group. As a result, assets in the 1st quarter of 2011 amounted to 862,729 million baht.

Thanachart Group’s net profit in the 1st quarter of 2011 amounted to 1,144 million baht which was attributable to the net profit of Thanachart Bank and its subsidiaries and the net profit of the Company and asset management companies under the Group. Taking into account better performance of banking business and subsidiaries businesses, securities business improved in line with the better condition of the stock market and insurance business including Thanachart Insurance and Thanachart Life Assurance also had better performances from the same quarter last year. At the same time, the net profit of asset management companies, subsidiaries of the Company, decreased due to the reversal of allowance of impairment of promissory notes repayment from selling non-performing loans to Thai Asset Management Corporation (TAMC). Also, the net profit of the Company decreased due mainly to the decrease of business volume. As a result, the net profit in this quarter decreased by 199 million baht, comparing to the same quarter last year net profit of 1,343 million baht.

Earning per share for the 1st quarter of 2011 was at 0.90 baht per share, comparing with the earning per share of 1.05 baht per share in the same quarter last year. Return on average assets (ROAA) and return on average equity (ROAE) were 1.0 percent and 12.8 percent respectively.

Operating Results

Unit: Million Baht

Consolidated Statements of Comprehensive Income	1Q11	1Q10	Change YoY (%)
Interest Income	10,168	5,661	79.6
Interest Expenses	(3,894)	(1,837)	112.0
Net Interest Income	6,274	3,824	64.1
Net Fees and Service Income	885	314	181.8
Other Operating Income	1,928	1,682	14.6
Other Operating Expenses	(5,061)	(2,526)	100.4
Impairment Loss of Loans and Debt Securities	(721)	(119)	505.9
Profit before Corporate Income Tax	3,305	3,175	4.1
Corporate Income Tax	(1,070)	(942)	13.6
Net Profit	2,235	2,233	0.1
The Company	1,144	1,343	(14.8)
Non-controlling Interest	1,091	890	22.6
	2,235	2,233	0.1
Earning per share (THB)	0.90	1.05	(14.3)
Return on Average Equity (ROAE) (%)	12.8	15.8	(19.0)
Return on Average Assets (ROAA) (%)	1.0	2.0	(50.0)
Interest Spread (%)	3.0	3.3	(9.1)
Other Operating Expenses to Net Operating Income (Cost to Income Ratio) (%)	55.7	43.4	28.3

Net Interest Income

In the 1st quarter of 2011, net interest income of the Company and its subsidiaries amounted to 6,274 million baht, representing an increase of 2,450 million baht or 64.1 percent compared to the same quarter last year. Interest income was 10,168 million baht, an increase of 4,507 million baht or 79.6 percent while interest expenses were 3,894 million baht, an increase of 2,057 million baht or 112.0 percent. Interest spread from earning assets in the 1st quarter of 2011 was 3.0 percent, a decrease from 3.3 percent in the same quarter last year in accordance with the increasing interest rate condition. In this connection, the policy interest rate has been increasing from 1.25 percent since the end of June 2010 to 2.50 percent at the end of March 2011. The impact of such up-trend interest rate was reduced by the adjustment of loans proportion to better distribution.

Non-interest Income

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

Net Fees and Service Income

In the 1st quarter of 2011, net fees and service income of the Company and its subsidiaries amounted to 885 million baht, representing an increase of 571 million baht or 181.8 percent. Fees and service income amounted to 1,028 million baht, an increase of 523 million baht or 103.6

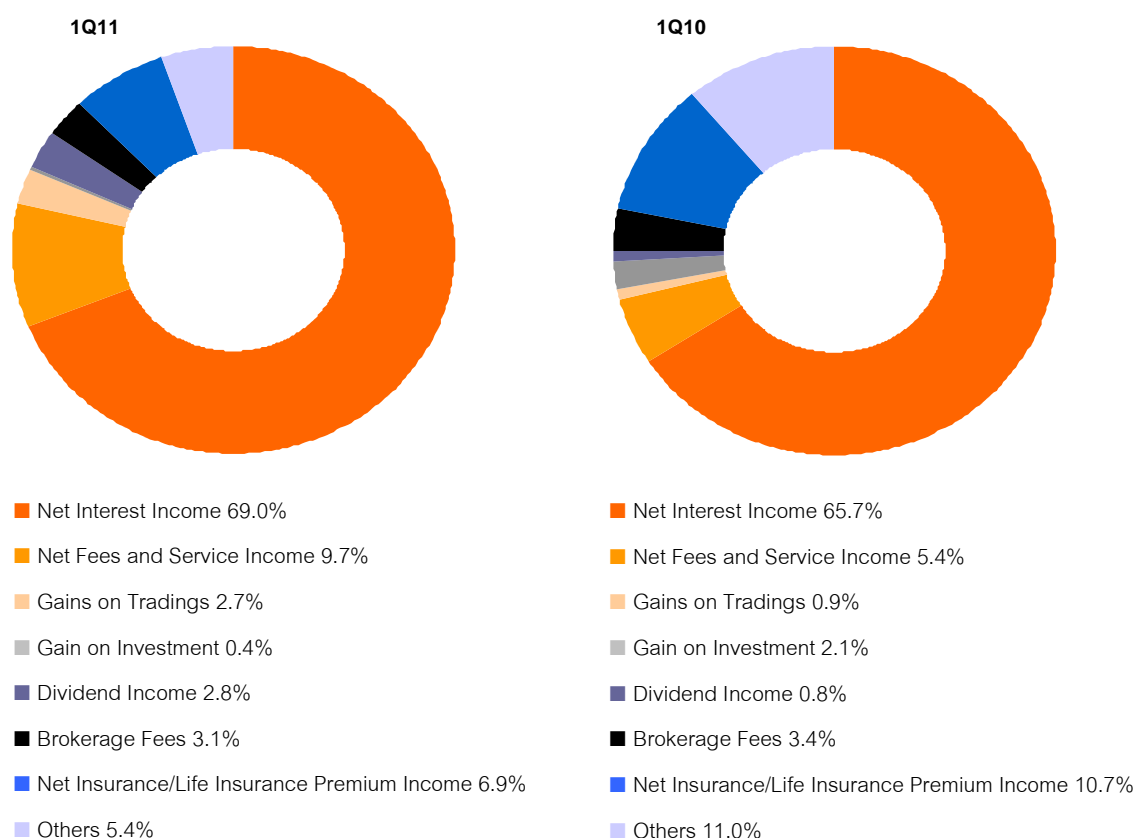
percent while fee and services expenses amounted to 143 million baht, a decrease of 48 million baht or 25.1 percent from the increasing of financial products of Thanachart Group.

Other Operating Income

Other operating income includes gain on tradings and foreign exchange transactions, gain on investments, share of income 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 1st quarter of 2011, other operating income amounted to 1,928 million baht, an increase of 246 million baht or 14.6 percent from the same quarter last year. The increase was from the increase of dividend income by 205 million baht or 410.0 percent and the increase of gain on tradings and foreign exchange transactions by 188 million baht or 361.5 percent. As a result of synergy from member companies within the Group and higher cross-selling through branch networks of Thanachart Bank and Siam City Bank, other operating income to net operating income (non-interest income ratio) accounted for 21.2 percent.

Revenue Breakdown

In the 1st quarter of 2011, the proportion between net interest income and non-interest income was 69 percent to 31 percent.



Other Operating Expenses

In the 1st quarter of 2011, other operating expenses of the Company and its subsidiaries amounted to 5,061 million baht, representing an increase of 2,535 million baht or 100.4 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 and land and equipment

expenses increased by 129.5 percent and 99.3 percent respectively. In addition, a certain amount of integration cost was recorded at Thanachart Bank (a subsidiary company) in this quarter. As a result, other operating expenses to net operating income (cost to income ratio) accounted for 55.7 percent.

Impairment Loss of Loans and Debt Securities

In the 1st quarter of 2011, impairment loss of loans and debt securities expenses amounted to 721 million baht, an increase of 602 million baht. This was due to the expenses on bad debts and doubtful accounts which increased by 484 million baht, owing to the provision provided for bad debts of Siam City Bank.

Financial Position

Unit: Million Baht					
Consolidated Statements of Financial Position	31 March 2011		31 December 2010		Change
	Amount	%	Amount	%	%
Interbank and Money Market Items-net	64,909	7.5	85,105	9.7	(23.7)
Investment-net	139,271	16.1	142,929	16.2	(2.6)
Investment in Associated Company-net	2,247	0.3	2,239	0.3	0.4
Loans to Customers and Accrued Interest Receivables	616,795	71.5	610,602	69.2	1.0
Allowance for Doubtful Accounts and					
Revaluation allowance for Debt Restructuring	(28,472)	(3.3)	(27,959)	(3.2)	1.8
Intangible assets acquired in a business combination-net	3,843	0.5	3,963	0.4	(3.0)
Goodwill	16,620	1.9	16,620	1.9	0.0
Other Assets	47,516	5.5	48,416	5.5	(1.9)
Total Assets	862,729	100.0	881,915	100.0	(2.2)
Deposits	481,391	55.8	532,382	60.4	(9.6)
Interbank and Money Market Items	38,336	4.4	40,545	4.6	(5.4)
Debt Issued and Borrowings	214,257	24.8	184,717	20.9	16.0
Other Liabilities	57,293	6.7	52,553	6.0	9.0
Total Liabilities	791,277	91.7	810,197	91.9	(2.3)
Company's Shareholders' Equity	36,002	4.2	36,092	4.1	(0.3)
Non-controlling Interest	35,450	4.1	35,626	4.0	(0.5)
Total Shareholders' Equity	71,452	8.3	71,718	8.1	(0.4)
Total Liabilities and Shareholders' Equity	862,729	100.0	881,915	100.0	(2.2)
Book Value per Share (Baht)	28.17		28.24		(0.2)

Assets

As at 31 March 2011, Thanachart Capital and its subsidiaries' total assets amounted to 862,729 million baht, representing a decrease of 19,186 million baht or 2.2 percent from the end of 2010. The key contributing factors were:

- Net interbank and money market items amounted to 64,909 million baht, a decrease of 20,196 million baht or 23.7 percent from the end of last year.
- Loans to customers amounted to 615,802 million baht, an increase of 6,156 million baht or 1.0 percent from the end of last year. The proportion of retail loans to corporate and SME loans was 56 percent to 44 percent.
- Net investments amounted to 139,271 million baht, a decrease of 3,658 million baht or 2.6 percent from the end of last year.
- Goodwill amounted to 16,620 million baht which was due to the purchase of Siam City Bank's shares in the previous year.

(As at 31 March 2011, according to Thanachart Capital's separate financial statements, the assets of the Company amounted to 42,021 million baht, a decrease of 6,721 million baht or 13.8 percent from the end of the 1st quarter of 2010.)

Liabilities

Total liabilities of the Company and its subsidiaries as of 31 March 2011 amounted to 791,277 million, representing a decrease of 18,920 million baht or 2.3 percent from the end of 2010, mainly due to the followings:

- Deposits amounted to 481,391 million baht, a decrease of 50,991 million or 9.6 percent. Out of the total deposits, savings deposits accounted for 38.2 percent, fixed deposits accounted for 60.3 percent, and current account deposits accounted for 1.5 percent.
- Interbank and money market items amounted to 38,336 million baht, a decrease of 2,209 million or 5.4 percent from the end of last year.
- Debt issued and borrowings were 214,257 million baht, an increase of 29,540 million baht or 16.0 percent. The increase was mainly from the increase of bills of exchange.

Shareholders' Equity

Total shareholders' equity amounted to 71,452 million baht, representing a decrease of 266 million or 0.4 percent from the end of 2010. This was mainly due to the decrease in non-controlling interest which was down from 35,626 million baht to 35,450 million baht, the increase in the Company and its subsidiaries' operating profit in the 1st quarter 2011 which amounted to 1,144 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.

Non-performing Loans: NPLs

	TBANK		SCIB		TCAP (Consol.)	
	31-Mar-11	31-Dec-10	31-Mar-11	31-Dec-10	31-Mar-11	31-Dec-10
NPL-gross (Million Baht)	7,641	7,648	29,851	27,872	41,427	39,557
Total Allowance (Million Baht)	7,644	7,432	17,418	16,964	28,161	27,657
NPL-gross to Total Loans (%)	2.2	2.3	9.4	8.8	6.4	6.0
NPL-net to Total Loans (%)	0.5	0.6	5.3	4.7	3.0	2.7
Coverage Ratio (%)	100.0	97.2	58.3	60.9	68.0	69.9

At the end of the 1st quarter of 2011, NPLs amounted to 41,427 million baht, with non-performing loans to total loans to customers (NPL ratio) at 6.4 percent, an increase from 6.0 percent at the end of 2010. Non-performing loans after provision (NPL-net) was 18,857 million baht with NPL-net to total loans accounted for 3.0 percent.

Operating results of the Bank and its subsidiaries

(including the operating results of SCIB and its subsidiaries according to proportion of shares held)

In the 1st quarter of 2011, Thanachart Bank and its subsidiaries had their net profit attributable to owners of the company shareholders' equity of 2,208 million baht, of which 1,265 million baht was the Bank's net profit while 943 million baht was the net profit of subsidiaries (Siam City Bank and its subsidiaries' net profit has been included according to proportion of shares held since 9 April 2010).

The key drivers of strong operating results included the following:

- **Non-performing loan management** resulted in the provisions to total loans ratio to decrease to 0.48 percent from 0.51 percent in the same quarter last year.
- **Growth of non-interest income** includes net fees and service income, brokerage fees, gain on tradings and foreign exchange transactions, gain on investments, share of income from investments in associated companies accounted for under equity method, dividend income, and net insurance/life insurance premium income. Other operating income to net operating income ratio accounted for 26.4 percent which was close to the same quarter last year.
- **Interest Spread** decreased in line with the increasing interest rate condition. In this connection, the policy interest rate has been increasing from 1.25 percent since the end of June 2010 to 2.50 percent at the end of March 2011. The impact of such up-trend interest rate was reduced by the adjustment of loans proportion to better distribution. Interest spread in the 1st quarter 2011 was at 3.20 percent, a decrease from 3.61 percent in the same quarter last year. However, loans continuously expanded by 3.43 percent from the end of last year or 16.19 percent from the end of the 1st quarter 2010.
- **Operating expense management and control** resulted in a 55.9 percent of other operating expenses to net operating income (cost to income ratio), an increase from the same quarter last year. The increase in cost to income ratio was due to the increase in normal operating expenses which was in accordance with the business transactions. Also, the Bank and its subsidiaries recorded a certain amount of integration cost in this quarter.

Financial Highlights		(Consolidated figures)		
	1Q11	1Q10	% Change	
Operating results (Million Baht)				
Interest income	10,164	5,583	82.1%	
Interest expenses	3,809	1,696	124.6%	
Net interest income	6,355	3,887	63.5%	
Net fees and service income	880	308	186.1%	
Other operating income	1,786	1,203	48.5%	
Other operating expenses	5,015	2,435	106.0%	
Profit before impairment loss of loans and debt securities	4,006	2,962	35.2%	
Impairment loss of loans and debt securities	738	369	100.1%	
Profit before corporate income tax	3,268	2,593	26.0%	
Corporate income tax	1,052	810	29.9%	
Net Profit	2,216	1,783	24.3%	
The company	2,208	1,775	24.4%	
Non-controlling interest	8	8	-1.8%	
	2,216	1,783	24.3%	

	Mar 11	Dec 10	% Change
Key financial position (Million Baht)			
Loans	613,155	606,851	1.0%
Total assets	853,208	872,654	-2.2%
Deposits and short-term borrowings	646,167	667,570	-3.2%
- Deposit	481,525	532,656	-9.6%
-Short-term borrowings	164,642	134,914	22.0%
Total liabilities	781,155	800,262	-2.4%
Shareholders' equity ⁽¹⁾	71,875	72,183	-0.4%
(excluding non-controlling interest)			

	1Q11	1Q10	% Change
Key financial ratios			
Return on average assets (ROAA)	1.0%	1.7%	-0.7%
Return on average equity (ROAE) ⁽²⁾	12.5%	25.0%	-12.5%
Interest Spread	3.2%	3.6%	-0.4%
Other operating income to net operating income (non-interest income ratio)	26.4%	26.4%	0.0%
Other operating expenses to net operating income (cost to income ratio)	55.9%	40.6%	15.3%
Provision to total loan	0.48%	0.51%	0.0%
Loans to deposits and short-term borrowings ratio	94.9%	90.9% ⁽³⁾	4.0%
Total capital ratio	14.4%	14.8% ⁽³⁾	-0.4%

⁽¹⁾ Total shareholders' equity as of 31 March 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 as of 31 December 2010

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.