



Management Discussion and Analysis

For the 2nd quarter and the first 6-month period ending 30 June 2010

(Audited Financial Statements)

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Key Events in the 2nd Quarter 2010

Thanachart Capital Public Company Limited “TCAP”

- TCAP sold its investment in Siam City Bank (“SCIB”) consisting of 104,964,000 shares, equivalent to 4.97% of the total paid-up capital, to TBANK during the Tender Offer period of 29 April 2010 to 9 June 2010 at a price of THB32.50 per share. The gain from sale of investment was THB2,136 million. Due to the Thai Accounting Standard No. 27 on the subject matter of Consolidated and Separated Financial Statements, this transaction is considered a related transaction, and thus, the amount cannot be realized in the Company’s consolidated financial statements yet. However, the gain can be recognized in the Company’s separate financial statements. (Consequently, the purchase cost in the consolidated financial statements was lower than that of TBANK, which caused the goodwill value in TCAP’s consolidated financial statements to be lower than the amount recorded in TBANK’s consolidated financial statements. This amount of goodwill is deducted from Tier 1 capital in when calculating the capital adequacy).

Thanachart Bank Public Company Limited “TBANK” (a subsidiary company)

1. The progress on the purchase of common shares of SCIB to transfer all businesses of SCIB to TBANK
 - 1.1 On 9 April 2010, TBANK purchased 1,005,330,950 shares of SCIB from the Financial Institutions Development Fund (FIDF), equivalent to 47.58% of the total paid-up shares. During 29 April 2010 to 9 June 2010 inclusive, TBANK carried out a tender offer for all remaining common shares of SCIB from other shareholders. The tender offer resulted in the acquisition of an additional 1,091,439,949 shares of SCIB. Consequently, TBANK’s shareholding in SCIB at the conclusion of the Tender Offer was 99.24% of total paid-up shares.
 - 1.2 After the purchase of shares from the FIDF on 9 April 2010, TBANK gained controlling authority over SCIB. TBANK and TCAP, a parent company, together have a total of 52.55% shareholding, exceeding 50%, the Thanachart’s management were assigned to be the SCIB’s directors at the portion that Thanachart has control over voting right of SCIB. From controlling power through shareholding and management, it is considered that SCIB is a subsidiary company of TCAP and TBANK since 9 April 2010. Consequently, TBANK and TCAP have to prepare consolidated financial statements which incorporate the performance of SCIB and its subsidiaries counting from the date of purchase. All items in the balance sheet are incorporated in the full amount, while the items in the income statement are partially recognized in proportion to the shareholding percentage counting from the date that the controlled authority was gained.

1.3 The Consolidate financial statements of TBANK's estimated the fair value of each assets and liabilities as at 9 April 2010, for the purpose of recording Purchase Price Allocation (PPA). The numbers and figures are being reviewed and evaluated by the certified auditors. The key items include the followings:

1.3.1 Assets and liabilities in SCIB's account: TBANK evaluated SCIB's assets and liabilities and noted that the fair value of assets and liabilities of SCIB as at investment payment date was THB45,685 million, which was THB1,314 million higher than book value.

1.3.2 Intangible assets in the amount of THB4,100 million: After recording the intangible assets, TBANK and TCAP will amortize this non-tax deductible expense according to the estimated cash inflow. TBANK and TCAP have started to realize such expense in the consolidated financial statements in the 2nd quarter of 2010. To comply with the accounting standard on this issue, TBANK and TCAP have 12 months counting from the date of acquisition, in other words 9 April 2010 to 8 April 2011, to make adjustments and improvements in the consolidated financial statements before finalizing intangible assets and goodwill. These items shall be reviewed and audited by the auditors.

1.3.3 Specific and contingent liabilities: TBANK estimated these and concluded that no contingent liabilities needed to be recognized.

Differences between the cost of business combination and the fair value of assets, liabilities, contingent liabilities and intangible assets in proportion to the shareholding, amounting to THB18,533 million, are recognized as goodwill from business combination in the consolidated financial statements.

1.4 Calculation of TBANK's post-acquisition capital adequacy is completed in accordance with the Bank of Thailand's guidelines which stipulate that the deduction of goodwill from Tier 1 capital will be effective upon completion of the merger of SCIB.

2. TBANK issued common shares and debentures to raise fund in order to transact the purchase of SCIB shares and the entire business transfer. The details are as follows:

- During 8 to 19 April 2010, TBANK increased its issued and paid-up share capital in the amount of THB35,790 million via rights offering to existing shareholders in proportion to the existing shareholding percentages. Consequently, TBANK has a total issued and paid-up share capital in the amount of THB55,137 million. TCAP fully exercised its right to purchase common shares of TBANK plus the excess from minority shareholders who ignored their right to purchase shares. As a result, TCAP's shareholding of TBANK increased from 50.92% to 50.96%.

- On 2 April 2010, TBANK issued a Lower Tier 2 debentures for the general public in the amount of THB6,000 million with a tenor of 10 years with interest rate at 5.00% in year 1-5 and at 5.50% in year 6-10.
- On 22 April 2010, TBANK issued Hybrid Tier 1 debentures for the two major shareholders, namely Thanachart Capital Public Company Limited and The Bank of Nova Scotia, in the amount of THB7,130 million. The corresponding interest rate of each period is equal to TBANK 's highest 6-month fixed deposit rate in that period plus an additional 6.00%.

Siam City Bank Public Company Limited “SCIB” (a subsidiary company)

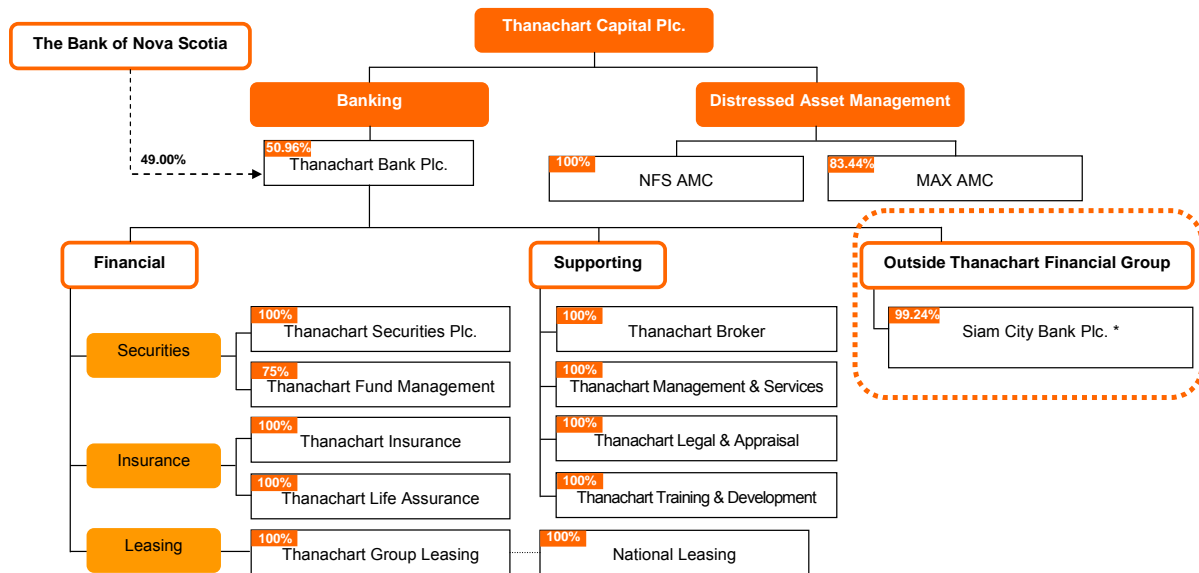
- The tender offer conducted by TBANK for SCIB's shares has reduced the minority shareholding to 0.76% of the total common shares. Voluntarily, SCIB is in the process of delisting from the Stock Exchange of Thailand. On 9 June 2010, SCIB's Board of Directors issued a resolution to delist its common shares from the Stock Exchange of Thailand and to call an Extraordinary Meeting of Shareholders No. 1/2010 which is scheduled to take place on 5 August 2010. TBANK's Board of Directors has issued a resolution to conduct a tender offer to purchase all of the remaining shares of SCIB at a price of THB32.50 per share in order to delist SCIB from the Stock Exchange of Thailand. The tender offer will commence after the Shareholders' Meeting of SCIB is held and after the approval is granted by the Stock Exchange of Thailand.

Ratchthani Leasing Public Company Limited “THANI” (an associated company)

- During 29 April 2010 to 9 June 2010, TBANK has conducted a tender offer for the shares of THANI from all of the other shareholders, accordingly to the Chain Principle. The amount purchased from the shareholders of THANI totaled to 215,000 shares, making TBANK's shareholding in THANI 0.03%. If include the shareholding of SCIB, the shareholding percentage totaled to 48.35% of total paid-up capital.

Operating results as recorded in the consolidated financial statements for the 2nd quarter and first 6-month period of the year 2010

Operating results overview of Thanachart Capital Public Company Limited and its subsidiaries



Remark: *Assets and liabilities of Siam City Bank Public Company Limited and its subsidiaries will be counted as part of Thanachart Group after the Entire Business Transfer is done.

Thanachart Group has a vision to continue its business operation with clear direction focusing on long-term continuous, strong and sustainable growth. A strategy coherent to the changes of global economic climate resulted in the expansion of asset size. As of the 2nd quarter of 2010, Thanachart Group has incorporated the performance and financial positions of SCIB and its subsidiaries into Thanachart Group's operating results. Total assets of Thanachart Group increased to THB838,775 million and is ranked as the 6th largest commercial bank in Thailand. The unified cooperation of Thanachart Group has resulted in a significant growth in the performance.

Since the 3rd quarter of 2010 Thanachart Group has prepared itself for the integration plan and the entire business transfer in order to further enhance its capability and competitive competence. The process of integration and the entire business transfer is expected to be completed within the end of 2011.

■ Operating results of TCAP in the 2nd quarter of 2010 are as follows:

The operating results of TCAP have integrated the performances of SCIB and its subsidiaries. In the 2nd quarter of 2010, TCAP's net income in the consolidated financial statements totaled to THB1,369 million, an increase of THB625 million or 84.0% from the same period last year. This was due to the interest spread which was maintained through the deposit restructure. The portions of current account and saving account deposits, which are the deposits with low cost of fund, have increased. Another key reason was the increase in cross-selling within the products of Thanachart Group, which resulted in a 14.2% increase in the non-interest income. Furthermore, the cost to income ratio was 58.9% as a result of the economy of scale advantage. At the same time, the improvements in the credit risk management, efficiency enhancement and debt collection had a tremendous positive impact on the performance. ROAA was 0.7% and ROAE was 16.3%. ROAA and ROAE were affected by the recognition of the balance sheet items in full while the recognition of the income statement is still partial in proportion to the shareholding percentage. However, these key financial ratios will better reflect the actual performance in the 3rd quarter of 2010.

■ Operating results of TCAP in the first half of 2010 are as follows:

In the first half of 2010, TCAP had a net income in the consolidated financial statements in the amount of THB2,712 million. Net income number did not include the THB2,136 million gains from sale of SCIB's shares, as explained in the Key Events above. Net income in the same period last year has included the gains from sale of TBANK's common shares to Scotiabank in the amount of THB1,902 million (after income tax). Excluding these extraordinary items, net income for the first 6-month period of 2010 had a significant increase. The key drivers were as follows:

- Interest spread was 3.6%, similar to that of the same period last year.
- Non-interest income, excluding gains from sale of TBANK's common shares to Scotiabank, grew by 20.0%.
- Cost to income ratio in 2010 was 59.0%, a decrease from 66.1% in 2009 (after adjustment of the extraordinary items mentioned above).
- Provision to total loan was 0.3%, a decrease from 1.7% in the same period last year.

Income Statements Extract

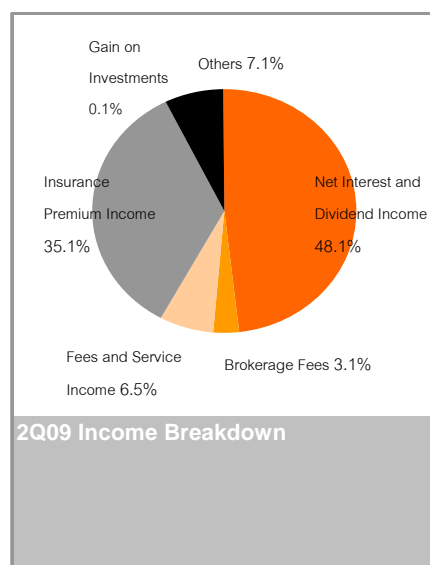
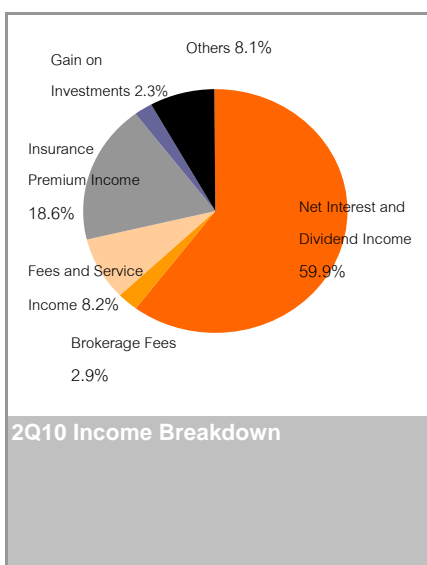
Unit: THB MN

Consolidated Income Statements	2Q10	2Q09	Change (%)	6M10	6M09	Change (%)
Interest and Dividend Income	9,686	5,468	77.1	15,397	11,000	40.0
Interest Expenses	2,682	1,666	61.0	4,249	3,942	7.8
Net Interest and Dividend Income	7,004	3,802	84.2	11,148	7,058	57.9
Non-Interest Income	4,690	4,108	14.2	9,021	10,325	(12.6)
Total Income	11,694	7,910	47.8	20,169	17,383	16.0
Operating Expenses	6,882	5,025	37.0	11,907	9,635	23.6
Bad Debts and Doubtful Accounts	622	1,345	(53.8)	861	2,603	(66.9)
Loss on Debt Restructuring	6	17	(64.7)	42	17	147.1
Corporate Income Tax	1,411	438	222.1	2,353	1,641	43.4
Minority Interest	1,404	341	311.7	2,294	553	314.8
Net Profit	1,369	744	84.0	2,712	2,934	(7.6)
Earning per share (THB)	1.07	0.58	84.5	2.12	2.29	(7.4)

Key Financial Ratios

	3-month period of		6-month period of	
	2Q10	2Q09	2010	2009
Operating Results Evaluation				
Return on Average Assets	0.7%	0.8%	0.9%	1.5%
Return on Average Equity	16.3%	10.4%	16.1%	21.1%
Yield on Earning Assets	5.4%	5.7%	5.2%	5.7%
Cost of Fund	1.7%	2.0%	1.6%	2.3%
Interest Spread	3.7%	3.7%	3.6%	3.4%
Loan Spread	4.8%	4.8%	4.7%	4.5%
Provision to Total Loans	0.4%	1.8%	0.3%	1.7%
Non-interest income Ratio	40.1%	51.9%	44.7%	59.4%
Cost to Income Ratio	58.9%	63.5%	59.0%	55.4%
Cost to Income Ratio after Extra Item	58.9%	63.5%	59.0%	66.1%

Revenue Breakdown

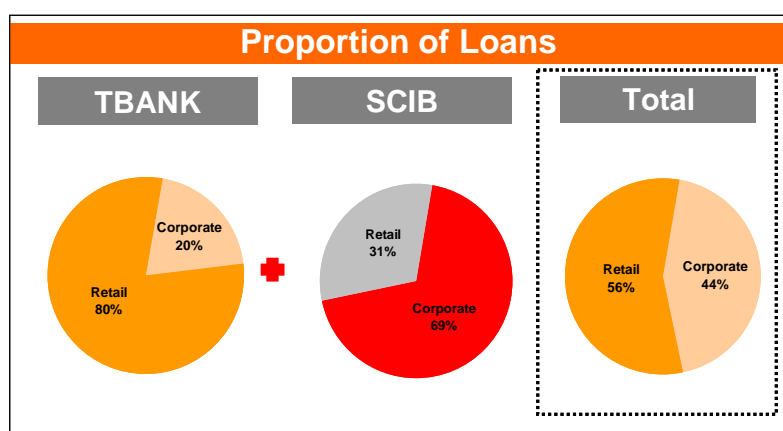


Financial Position

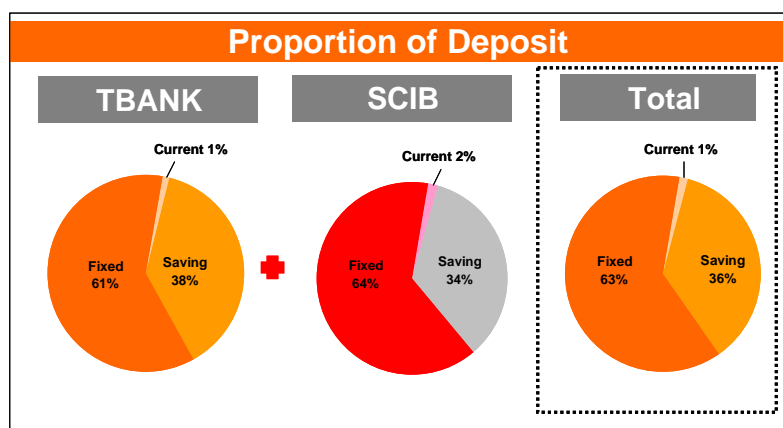
Unit: THB MN

Consolidated Balance Sheets	30 June 2010		31 December 2009		Change
	Amount	%	Amount	%	%
Interbank and Money Market Item-net	58,954	7.0	64,867	14.1	(9.1)
Investment-net	165,905	19.8	97,113	21.1	70.8
Loans and Accrued Interest Receivables	577,023	68.8	289,423	62.9	99.4
Allowance for Doubtful Accounts and					
Revaluation allowance for Debt Restructuring	(28,785)	(3.4)	(10,534)	(2.3)	173.3
Intangible assets acquired in a business combination – net	4,065	0.5	-	0.0	100.0
Goodwill	16,469	1.9	44	0.0	37,329.5
Other Assets	45,144	5.4	19,052	4.2	137.0
Total Assets	838,775	100.0	459,965	100.0	82.4
Deposits and Short Term Borrowings	618,340	73.7	340,799	74.1	81.4
Interbank and Money Market Item	56,261	6.7	20,939	4.5	168.7
Long term Borrowings	48,210	5.8	22,377	4.9	115.4
Other Liabilities	48,706	5.8	28,443	6.2	71.2
Total Liabilities	771,517	92.0	412,558	89.7	87.0
Company's Shareholders' Equity	33,544	4.0	33,323	7.2	0.7
Minority Interest	33,714	4.0	14,084	3.1	139.4
Total Shareholders' Equity	67,258	8.0	47,407	10.3	41.9
Total Liabilities and Shareholders' Equity	838,775	100.0	459,965	100.0	82.4
BOOK VALUE (THB)	26.25		26.08		0.7

- As of 30 June 2010, TCAP's total assets have included TBANK and its subsidiaries' financial statements and the assets of SCIB and its subsidiaries. Consequently, the total assets of TCAP in the consolidated financial statements were THB838,775 million, making TCAP the 6th largest company in the commercial banking industry. Total loans of TCAP and its subsidiaries amounted to THB576,078 million, an increase of THB286,966 million from the end of last year. The portions of retail and corporate loans were 56% and 44% respectively, thus making the loan portfolio more diversified.



- Total liabilities were THB771,517 million, an increase of THB358,959 million or 87.0% from the end of last year, mainly due to the increase in deposits and long-term borrowings.
 - Deposits were THB541,866 million, of which THB258,439 million was contributed by TBANK and its subsidiaries and THB284,086 million was contributed by SCIB and its subsidiaries. The proportion of deposits has not much been changed. In this connection, the portion of saving account and fixed deposit account was 36.0% and 63.0% respectively.
 - Long-term borrowings were THB48,210 million, an increase of THB25,833 million. In the 6-month period of 2010, TCAP has issued THB3,000 million worth of debentures and TBANK has issued THB6,000 million worth of Lower Tier 2 debentures and THB7,130 million worth of Hybrid Tier 1 debentures.



- The total shareholders' equity was THB67,258 million, of which THB33,544 million was contributed by TCAP. TCAP's shareholders' equity increased by THB221 million or 0.7% from the end of last year. Profit of TCAP and its subsidiaries increased by THB2,712 million. Revaluation surplus on investments decreased by THB1,724 million, mainly due to the account recording for the available-for-sale securities of SCIB which has been changed to investment in subsidiary companies in the amount of THB1,804 million. Furthermore, dividends were paid to the common shareholders from the profitable result in the year 2009 in the amount of THB0.60 per share, totaling the dividend pay out to THB767 million.
- Gross NPL to total loan was 6.2%, an increase from 3.5% at the end of 2009. Coverage ratio was 74.1%, a decrease from 86.6% at the end of 2009. However, the reserve to required reserve, according to the Bank of Thailand's regulation, was 102.4%.

	TBANK		SCIB		TCAP (Consol.)	
	30-Jun-10	31-Dec-09	30-Jun-10	31-Dec-09	30-Jun-10	31-Dec-09
NPL-gross (THB MN)	8,283	8,359	25,464	24,840	38,280	12,046
Total Allowance (THB MN)	8,272	7,718	16,595	15,908	28,380	10,436
NPL-gross to Total Loans (%)	2.7	2.5	8.1	7.8	6.2	3.5
NPL-net to Total Loans (%)	0.5	0.6	4.4	4.2	2.6	0.9
Coverage Ratio (%)	99.9	92.3	65.2	64.0	74.1	86.6

- Capital funds of Thanachart Financial Conglomerate as of 30 June 2010 was THB77,788 million. Capital funds of TBANK was THB86,258 million with BIS ratio at 15.0%, of which 11.8% was Tier 1 capital and 3.2% was Tier 2. The calculation of the BIS ratio is in compliance with the regulations and waivers of the Bank of Thailand as mentioned in the Key Events number 1.4.

Operating results of the subsidiaries

Unit: THB MN

Subsidiaries	% holding Direct/Indirect	Net Profit (Loss)			
		2Q10	2Q09	6M10	6M09
Thanachart Bank Public Company Limited					
Bank only	50.96%	1,959	713	3,356	1,051
Thanachart Securities Public Company Limited	50.96%	131	123	175	93
Thanachart Fund Management Company Limited	38.22%	33	25	67	47
Thanachart Insurance Company Limited	50.96%	95	98	172	82
Thanachart Life Assurance Company Limited	50.96%	180	117	317	186
Thanachart Group Leasing Company Limited	50.96%	47	(20)	111	(17)
Thanachart Broker Company Limited	50.96%	15	17	35	35
Siam City Bank Public Company Limited					
Bank only	50.57%	1,205	-	2,244	-
Siam City Life Assurance Company Limited	50.57%	41	-	106	-
SCIB Services Company Limited	50.57%	1	-	1	-
Siam City Securities Company Limited	50.47%	(5)	-	(10)	-
Siam City Assets Management Company Limited	30.34%	(6)	-	(9)	-
NFS AMC Company Limited	100.00%	10	128	168	130
MAX AMC Company Limited	83.44%	10	13	60	53

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 2nd quarter 2010, TBANK increased capital through issuance and sale of common share in the amount of THB35,790 million, of which THB7,130 million was Hybrid Tier 1 debentures and THB6,000 million was Lower Tier 2 debentures, in order to support the purchase of SCIB's shares and the entire business transfer. In accordance with the waived regulations of the Bank of Thailand, the risk weighted assets if SCIB had been included in the calculation of BIS ratio. Overall, the risk of the Company and its subsidiaries is still under the established risk limit. As a result, the Company and its subsidiaries' capital are still adequate to accommodate the established future plan of expansion.