

Thanachart Capital Public Company Limited

Management Discussion and Analysis (Financial Statements Reviewed)

Major Events

1. On 3 February 2009, Thanachart Capital Public Company Limited disposed the additional ordinary shares of Thanachart Bank Public Company Limited to Scotiabank in accordance with the Shareholder Agreements in the amount of 416,526,737 shares at Baht 18.38 per share (1.6 times book value per share due to Scotiabank informed to buy in the obligation period). The total amount was Baht 7,656 million. This transaction increased Scotiabank's shareholding in Thanachart Bank up to 48.99% while the Company's shareholdings in Thanachart Bank declined to 50.92%.

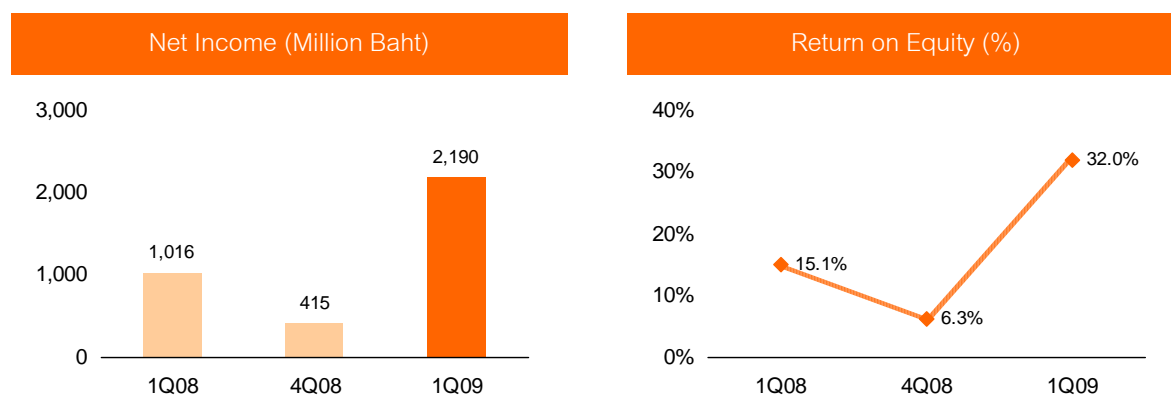
2. Thanachart Bank, one of subsidiary companies, made an offer to sell unsecured subordinated debentures in the amount of 2,000,000 units at Baht 1,000 per unit. The total amount was less than Baht 2,000 million with the tenure of 10 years counting from the issue date, which would be due in 2019.

Operating Results for the first quarter of the year 2009

• Overview of operating results of Thanachart Capital Public Company Limited and its subsidiaries

For the first quarter of the year 2009, the net income of the consolidated income statements of Thanachart Capital Public Company Limited amounted to Baht 2,190 million, an increase of Baht 1,174 million or 115.6% from Baht 1,016 million in the first quarter of the year 2008. This was mostly due to the increase in the non-interest income on gain from disposal of its investment in ordinary shares of Thanachart Bank to Scotiabank as well as insurance premium and life insurance premium income. At the same time, brokerage fee and gain on investments decreased from the same period last year due to the political uncertainties and the sluggish capital market. However, the net interest and dividend income continued to grow as a result of the decrease in the cost of fund as well as the increase in income from loans and hire purchase. Furthermore, the bad debt and doubtful accounts in the first quarter of the year 2009 were higher than that in the same period last year, due mostly to the provisions provided in accordance with the loans expansion and the economic slowdown which affects the increase in non-performing loans. In addition for non-performing loans, the Company and its subsidiaries set aside provisions for bad debt and doubtful accounts in full amount.

Basic earning per share for the first three month of the year 2009 amounted to Baht 1.70, an increase from Baht 0.76 compared to that of the same period of the year 2008. Return on average equity in the first quarter of the year 2009 equaled 32.0%, an increase from 15.1% compared to that of the same period of the year 2008.



Financial Highlights

As at and for the quarter ended March 31, December 31

	1Q09	1Q08	Change	4Q08	Change
Operating results (Million Baht)					
Interest and dividend income	5,531	5,097	434	5,738	(207)
Interest expenses	2,275	2,173	102	2,779	(504)
Net interest and dividend income	3,256	2,924	332	2,959	297
Non-interest income	6,220	3,202	3,018	2,755	3,465
Total income ⁽¹⁾	9,476	6,126	3,350	5,714	3,762
Non-interest expenses	4,613	3,678	935	4,497	116
Bad debt and doubtful accounts ⁽²⁾	1,258	726	532	689	569
Net income	2,190	1,016	1,174	415	1,775

Balance sheet information (Million Baht)

Loans	278,891	249,076	29,815	279,450	(559)
Total assets	386,077	337,971	48,106	394,136	(8,059)
Deposits and short-term borrowings	301,089	268,882	32,207	316,382	(15,293)
Total liabilities	346,709	304,166	42,543	361,775	(15,066)
Equity attributable to the Company's shareholders ⁽³⁾	28,147	27,505	642	26,592	1,555
Minority Interest	11,221	6,300	4,921	5,769	5,452
Total shareholders' equity	39,368	33,805	5,563	32,361	7,007

Operating performance

Basic earnings per share (Baht)	1.70	0.76	0.94	0.31	1.39
Return on average assets (ROA)	2.2%	1.2%	1.0%	0.4%	1.8%
Return on average equity (ROE)	32.0%	15.1%	16.9%	6.3%	25.7%
Yield ⁽⁴⁾	5.8%	6.4%	-0.6%	6.2%	-0.4%
Cost of fund ⁽⁵⁾	2.7%	3.1%	-0.4%	3.4%	-0.7%
Interest spread ⁽⁶⁾	3.1%	3.3%	-0.2%	2.8%	0.3%
Loan spread ⁽⁷⁾	4.1%	4.1%	0.0%	3.6%	0.5%
Cost to income ratio ⁽⁸⁾	48.7%	60.0%	-11.3%	78.7%	-30.0%
Loans to deposits and short-term borrowings	92.6%	92.6%	0.0%	88.3%	4.3%
NPL-gross to total loans	4.7%	4.7%	0.0%	4.4%	0.3%
NPL-net to total loans	1.4%	1.7%	-0.3%	1.4%	0.0%
Non performing loans (Million Baht)	13,166	11,633	1,533	12,265	901

⁽¹⁾ Total income = Net interest income + Non-interest income

⁽²⁾ Including loss on debt restructuring

⁽³⁾ Excluding minority interest

⁽⁴⁾ Yield = Interest and dividend income / Average earning assets

⁽⁵⁾ Cost of fund = Interest expenses / Average paying liabilities

⁽⁶⁾ Interest spread = Yield - Cost of fund

⁽⁷⁾ Loan spread = Yield on loans - Cost of fund

⁽⁸⁾ Cost to income ratio = Non-interest expenses / Total income

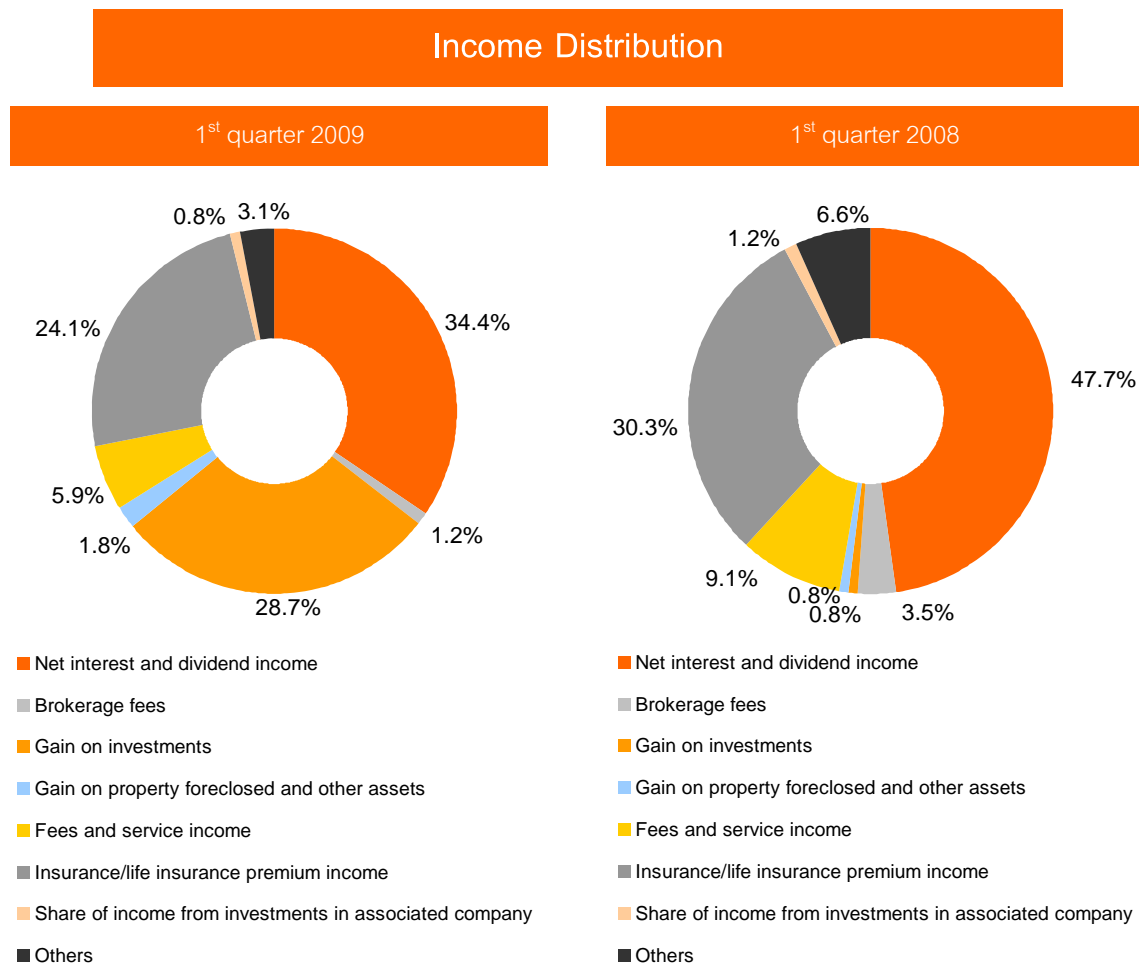
Consolidated income statements

• Net interest and dividend income

The net interest and dividend income in the first quarter of the year 2009 amounted to Baht 3,256 million, an increase of Baht 332 million or 11.4% from the same period last year. In particular, the interest and dividend income amounted to Baht 5,531 million, an increase of Baht 434 million or 8.5% while the interest expense increased by Baht 102 million or 4.7% in the first quarter of the year 2009. This was due to the effective cost of fund management which could bring down the cost of fund to 2.7% from 3.1% of the same quarter last year. As a result, the interest spread of the Company and its subsidiaries accounted for 3.1%.

• Non-interest income

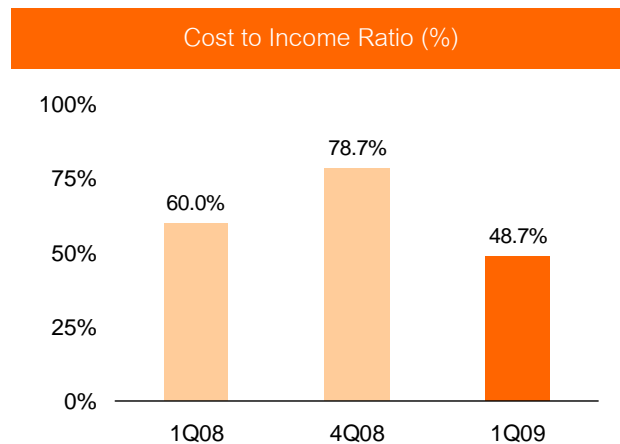
For the first quarter of the year 2009, the non-interest income of the Company and its subsidiaries amounted to Baht 6,220 million, an increase of Baht 3,018 million or 94.3% from the same period last year. One of the main factors was attributable to the extra income of Baht 2,805 million from disposal of the investment in ordinary shares of Thanachart Bank to Scotiabank. As a result, the corporate income tax increased from this transaction. The other main factor was the insurance premium and life insurance premium income which increased in line with the business expansion. At the same time, brokerage fee and gain on investments decreased as a result of the capital market situation and market volume.



• Operating expenses

Operating expenses in the first quarter of the year 2009 amounted to Baht 4,613 million, an increase of Baht 935 million or 25.4% compared to the same period last year. The expense items that mainly increased were personnel expenses and premise and equipment expenses which increased by 38.2% and 19.8% respectively. This was the results of the branch expansion and the investments in information technology for improving potential in order for business expansion and

management. Moreover, insurance/life insurance expenses increased by Baht 403 million or 26.1% from that in the same period last year. As a result of the attempt to control cost and to improve the efficiency of the working process including the extra gain from disposal of Thanachart Bank's ordinary shares to Scotiabank, cost to income ratio accounted for 48.7%, a decrease from 60.0% of that in the same quarter last year.



• **Bad debt and doubtful accounts**

In the first quarter of the year 2009, the bad debt and doubtful accounts of the Company and its subsidiaries amounted to Baht 1,257 million, an increase of Baht 531 million or 73.1% from the same period last year. This was due to the increase in the non-performing loans in which the Company and its subsidiaries set aside provisions for bad debt and doubtful accounts in full amount.

Consolidated balance sheet

• **Assets**

The total assets of the Company and its subsidiaries was Baht 386,077 million, a decrease of Baht 8,059 million or 2.0% from the end of the year 2008. The related main factors were as follows:

- Interbank and money market items amounted to Baht 58,619 million, a decrease from the end of previous year by Baht 7,171 million or 10.9%.
- Loans amounted to Baht 278,891 million, a decrease of Baht 559 million or 0.2% from the end of last year. This was mainly due to the repayment of hire purchase loans of Thanachart Capital.
- The net investments were Baht 41,243 million, an increase from the end of previous year by Baht 1,858 million or 4.7%.

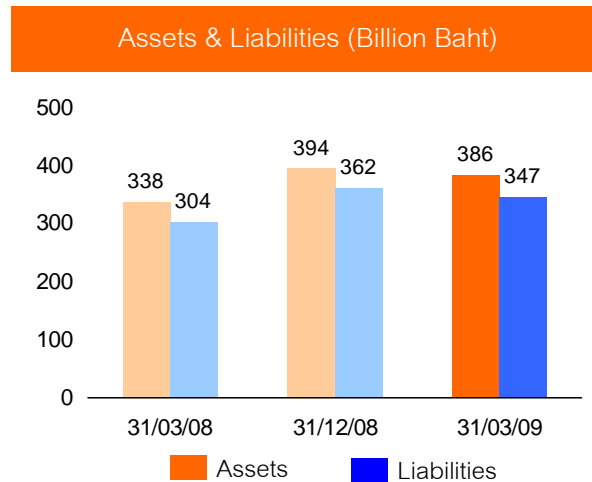
• **Liabilities**

As at 31 March 2009, the Company and its subsidiaries' total liabilities amounted to Baht 346,709 million, a decrease of Baht 15,066 million or 4.2% from the end of the year 2008. This was mainly due to the following:

- Deposits and short-term borrowings amounted to Baht 301,089 million, a decrease of Baht 15,293 million or 4.8% from Baht 316,382 million at the end of the year 2008. This was mainly due to the decrease in bills of exchange.
- Interbank and money market items amounted to Baht 12,137 million, an increase of Baht 4,844 million or 66.4% from the end of last year. This was from the liquidity management.
- Long-term borrowings amounted to Baht 12,546 million, a decrease of Baht 6,265 million or 33.3% from the end of the year 2008.

- **Shareholders' equity**

The Company and its subsidiaries' total equity amounted to Baht 39,368 million, an increase of Baht 7,007 million or 21.7% from the end of the year 2008. This was the result of the profit from the Company's performance and the increase in minority interest.



- **Non-performing Loans (NPLs)**

Non-performing loans of the Company and its subsidiaries at the end of the first quarter of the year 2009 amounted to Baht 13,166 million. Non-performing loans to total loans (NPL Ratio) accounted for 4.7%, an increase from 4.4% at the end of the year 2008. Non-performing loans after deducting the provision (NPL-net) amounted to Baht 3,844 million or accounted for 1.4% of the total loans.

- **Operating results of subsidiary companies**

Unit: Million Baht

Subsidiaries	% of direct and indirect holding	Net profit (loss)		
		1Q09	4Q08	1Q08
Thanachart Bank Plc.				
(Separate financial statements)	50.9%	339	(56)	638
Thanachart Securities Plc.	50.9%	(31)	(46)	44
Thanachart Fund Management	38.2%	22	24	37
Thanachart Insurance	50.9%	(16)	22	(3)
Thanachart Life Assurance	50.9%	68	(39)	115
NFS-AMC	100.0%	2	141	28
Max-AMC	83.4%	40	36	27

- **Risk Management**

The Company and its subsidiaries' risk policy and guidelines were approved by the Board of Directors. The Company has established a department responsible for regularly controlling and monitoring the implementation of the risk policy and guidelines. Having appropriate monitoring tools, the Company and its subsidiaries conduct analyses of risks in different areas including, among others, credit risk, market risk, interest rate risk, and operation risk, for the purpose of measuring the risks. Risk limits and warning signals have also been established in order to prevent the staff concerned from exceeding the established risk limits. The Executive Board and the Board of Directors will monitor the performance of the implementation of the risk management policy monthly.

For the first quarter of the year 2009, lending businesses of the Company and its subsidiaries slightly decreased compared to the same period of the previous year. In this quarter, the Company and its subsidiaries had more investments in private debt securities resulted in the increase in credit risk, market risk, and operational risk.

The overall risk of the Company and its subsidiaries remains under the risk limits. As a result, the Company and its subsidiaries' capital are still adequate to accommodate the established future plan of expansion.