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## **Management Discussion and Analysis**

For the three-month period ended 31 March 2012

(Reviewed Financial Statements)

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## Thanachart Capital Public Company Limited

### Management Discussion and Analysis (Reviewed Financial Statements)

#### **Economics Outlook and Competition in Banking Industry**

In the 1<sup>st</sup> quarter of 2012, Thai economy has experienced a good recovery. The Business Confidence Index in February was at 52.7<sup>\*</sup>, in improvement from November 2011, implying stronger confidence of business owners and thus a good sign of recovery from the flood crisis.

The resolution of the Monetary Policy Committee Meeting held on 21 March 2012 was to maintain the interest rate policy at 3.00%, with a main reason being to support and stimulate the Thai economy from the recent flood crisis and to control inflation.

Thai economy is expected to improve continuously. However, there are still challenges of volatility of exchange rate which directly impacts the export sector; higher cost of raw material as the oil price continues to spike; fragile global economy especially with the Euro sovereign debt crisis; and the sluggish growth of Chinese economy. Furthermore, the Thai commercial banking industry is pressured with the implementation of reduced deposit protection limit to be 1 million baht per customer effective this August and with the fee paid to Deposit Protection Agency in the amount of 0.47 percent of total deposit. The fee is made up of 2 parts—firstly, 0.01 percent collected for the Deposit Protection Agency (DPA); and secondly, 0.46 percent collected for managing and settling principal and interest obligation to Financial Institution Development Funds (FDIF). Bills of Exchange (B/E) would be charged at the rate of 0.46 percent.

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<sup>\*</sup> Source: the Bank of Thailand

## Key Events

1. On 5 April 2012, the Annual General Meeting of Shareholders for the year 2012 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 2011 from 1 July 2011 to 31 December 2011. 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 2011, 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 19 April 2012 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 20 April 2012, with the dividend payment to be made on 30 April 2012.

2. In the first quarter of 2012, Thanachart Bank Public Company Limited, a subsidiary company, has changed its accounting estimates regarding the provision providing for hire purchase which provides provision for normal loans and special mention loans at the rates of 1 percent and 2 percent of the loan balances after deducting the expected cash flows from collateral disposal, whereas, providing 100 percent for non-performing loans by implementing the Collective Approach which provides provision from the historical loss data in accordance with the BOT's guideline.

## **Operating results for the first quarter of 2012**

### **Performance overview of Thanachart Capital Public Company Limited and its subsidiaries**

In the first quarter of 2012, Thanachart Capital Public Company Limited (“the Company”) and its subsidiaries had a net profit of 1,193 million baht, an increase of 49 million baht or 4.3 percent from the same period last year. The operating results of the Company and subsidiaries were under the pressure of rising cost of fund as the policy rate increased significantly in the past year, together with an aggressive competition in acquiring deposits of commercial banks, and the flood crisis at the end of last year. Regardless, the asset management companies under the Group performed strongly in managing non-performing assets, resulting in a continuous decrease in Thanachart Group’s non-performing assets as planned. Furthermore, in this quarter, Thanachart Bank Public Company Limited, a subsidiary company, has implemented Collective Approach for the impairment loss of loans calculation on hire purchase loan. Also, synergies within Thanachart Group and increase in cross-selling resulted in the improvement in non-interest income which is expected to improve consistently.

Key summary of operating results were as follows:

- **Loan grew 1.7 percent** from the end of last year. Hire purchase loans grew 6.0% from the end of last year. The ratio of retail loans to corporate and SME loans was at 63 to 37.
- **Deposits and Bills of Exchange decreased 1.2 percent** from the end of last year. The ratio of CASA to total deposits and bills of exchange was 31.8 percent while the ratio of bills of exchange to total deposits and bills of exchange accounted for 24.9 percent. During this quarter, TBANK has issued products with interest rate more appropriate to the industry competitive environment and future interest rate trend. TBANK has also managed bills of exchange to reduce the effect of the increase in contribution fee to the Bank of Thailand in the near future.
- **Interest Spread** contracted, as a result of a dramatic increase in policy rate in 2011, competition in acquiring deposits, and the flood crisis in the last quarter of the previous year. Interest spread in the first quarter of 2012 was at 2.4 percent, a decrease from 3.0 percent from the same period last year. Yield on earning assets was 5.7 percent. Cost of fund increased to 3.3 percent.
- **Non-interest income grew** from the same period last year, reflecting synergy value and improved cross-selling. Non-interest income to net operating income (non-interest income ratio) was at 38.0 percent, compared to 31.0 percent in the same quarter last year.

- **Operating expense** increased with the ratio of other operating expenses to net operating income (cost to income ratio) of 64.2 percent, an increase from 55.7 percent in the same period last year. This was mainly due to the operating expenses which varied with business volume, as well as the decrease in net interest income.
- **Non-performing loan management:** NPLs of Thanachart Group decreased 1,648 million baht from the end of last year. This was mainly due to an efficient NPLs management capability of the asset management companies under Thanachart Group. NPL ratio decreased from 5.9 percent at the end of last year to 5.7 percent. Impairment loss of loans to total loans (credit cost) was at 0.2 percent, a decrease from 0.4 percent in the same quarter last year.

In terms of financial position, the asset size of Thanachart Group continues to grow. In the first quarter of 2012, the Company and its subsidiaries had 647,661 million baht in total loans, an increase of 10,557 million baht or 1.7 percent from the end of 2011. Consequently at the end of the first quarter of 2012, total assets were 903,647 million baht, an increase of 8,490 million baht or 0.9 percent from the end of last year.

Earning per share (EPS) in the first quarter of 2012 was 0.93 baht, an increase from 0.90 baht per share in the same quarter last year. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 0.94 percent and 12.36 percent respectively.

Consolidated Statements of Comprehensive Income	1Q12	1Q11	Change	
			Amount	(%)
Interest Income	11,837	10,168	1,669	16.4
Interbank and Money Market Items	736	374	362	96.8
Investments	1,199	957	242	25.3
Loans	5,258	4,837	421	8.7
Hire Purchase and Financial Leases	4,644	4,000	644	16.1
Interest Expenses	(6,230)	(3,894)	(2,336)	60.0
Net Interest Income	5,607	6,274	(667)	(10.6)
Net Fees and Service Income	966	885	81	9.2
Other Operating Income	2,474	1,928	546	28.3
Net Operating Income	9,047	9,087	(40)	(0.4)
Other Operating Expenses	(5,809)	(5,061)	(748)	14.8
Impairment Loss of Loans and Debt Securities	(415)	(721)	306	(42.4)
Profit before Income Tax	2,823	3,305	(482)	(14.6)
Income Tax	(712)	(1,070)	358	(33.5)
Net Profit before Non-controlling Interests	2,111	2,235	(124)	(5.5)
Non-controlling Interests	(918)	(1,091)	173	(15.9)
Net Profit	1,193	1,144	49	4.3
Earning per Share (THB)	0.93	0.90		4.3
Return on Average Equity (ROAE) (%)	12.4	12.8		(3.1)
Return on Average Assets (ROAA) (%)	0.9	1.0		(10.0)
Interest Spread (%)	2.4	3.0		(20.0)
Non-interest Income to Net Operating Income				
(Non-interest Income Ratio) (%)	38.0	31.0		22.6
Other Operating Expenses to Net Operating Income				
(Cost to Income Ratio) (%)	64.2	55.7		15.3

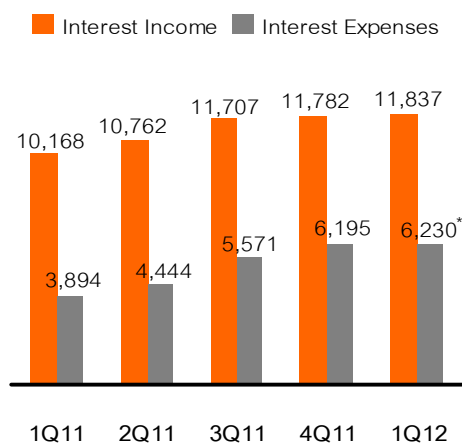
## Net Interest Income

In the first quarter of 2012, the Company and its subsidiaries had 5,607 million baht in net interest income, a decrease of 667 million baht or 10.6 percent compared to the same quarter last year. Interest spread was at 2.4 percent, a decrease from 3.0 percent in the same period last year. This was also due to intensified competitive environment. Interest income was 11,837 million baht, an increase of 1,669 million baht or 16.4 percent from the same quarter last year. This was mainly due to the loan growth, especially hire purchase loans which grew 6.0 percent. The increased in policy rate also resulted in an increase of interest income from interbank and money market. Interest expenses in the first quarter of 2012 were 6,230 million baht, an increase of 2,336 million baht or 60.0 percent compared to the same quarter last year. The main reasons were from the higher policy rate and the aggressive competition in acquiring

deposit. In addition, TBANK has set aside for the contribution fee to the Deposit Protection Agency—another 0.07 percent of total deposits and 0.46 percent of bills of exchange.

#### Interest Income and Interest Expenses

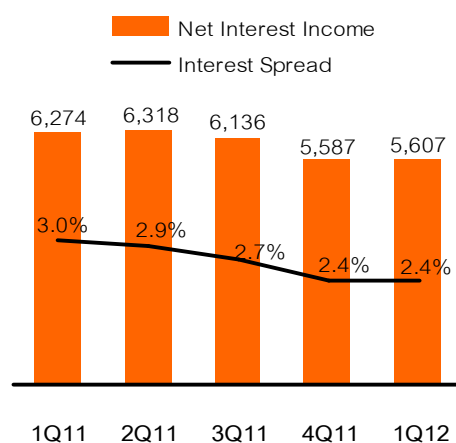
(Million Baht)



\* Including the additional expenses setting aside for the contribution fee to the DPA

#### Net Interest Income (Million Baht) and Interest Spread (%)

Spread (%)



### Non-interest Income

Non-interest Income consists of net fees and service income and other operating income. The ratio of net interest income to non-interest income was at 62 percent to 38 percent in the first quarter of 2012.

Unit: Million Baht

Non-interest Income	1Q12	1Q11	Change	
			Amount	(%)
Fees and Service Income	1,058	1,028	30	2.9
Fees and Service Expenses	(92)	(143)	51	(35.7)
Net Fees and Service Income	966	885	81	9.2
Gains (loss) on Tradings and Foreign Exchange Transactions	(90)	240	(330)	(137.5)
Gain on Investments	228	35	193	551.4
Share of Profit from Investments in Associated Companies				
Accounted for under Equity Method	38	93	(55)	(59.1)
Gain on Properties Foreclose and Other Assets	179	72	107	148.6
Insurance Premium/ Life Insurance Premium Income	3,088	2,900	188	6.5
Dividend Income	129	256	(127)	(49.6)
Brokerage Fees	278	278	-	0.0
Other Operating Income	416	328	88	26.8
<b>Non-interest Income</b>	<b>5,232</b>	<b>5,087</b>	<b>145</b>	<b>2.9</b>
Insurance/Life Insurance Expenses	(1,792)	(2,274)	482	(21.2)
<b>Net Non-interest Income</b>	<b>3,440</b>	<b>2,813</b>	<b>627</b>	<b>22.3</b>

## ■ Net Fees and Service Income

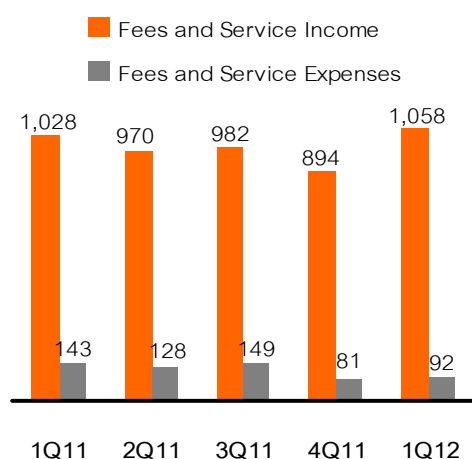
In the first quarter of 2012, the Company and its subsidiaries had 966 million baht in net fees and service income, an increase of 81 million baht or 9.2 percent compared to the same quarter last year. Fees and service income amounted to 1,058 million baht, mainly due to the transaction fees on card business and hire purchase business. Fees and service expenses were 92 million baht, a decrease of 51 million baht or 35.7 percent.

## ■ Other Income

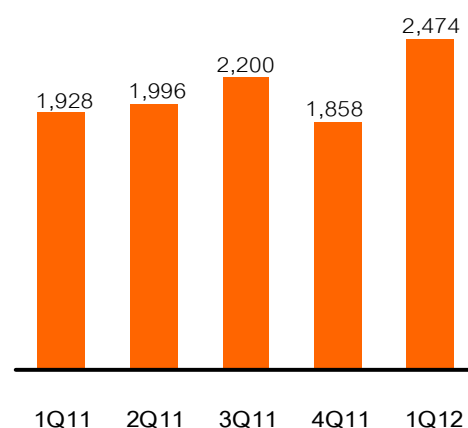
Other operating income includes gain on tradings and foreign exchange transactions, gain on investments, share of profit from investments in associated companies accounted for under equity method, dividend income, brokerage fees, net insurance/life insurance premium income, and other income.

In the first quarter of 2012, the Company and its subsidiaries had 2,474 million baht in other income, an increase of 546 million baht or 28.3 percent from the same quarter last year. This was mainly due to the increase in net insurance/life insurance premium income and the increase in gain on investment from selling debt and equity securities. However, there was a loss from mark to market and the decrease in dividend income from the smaller dividend from Vayapuk Fund in this quarter.

Fees and Service Income and Fees and Service Expenses (Million Baht)



Other Operating Income (Million Baht)





## Other Operating Expenses

Unit: Million Baht

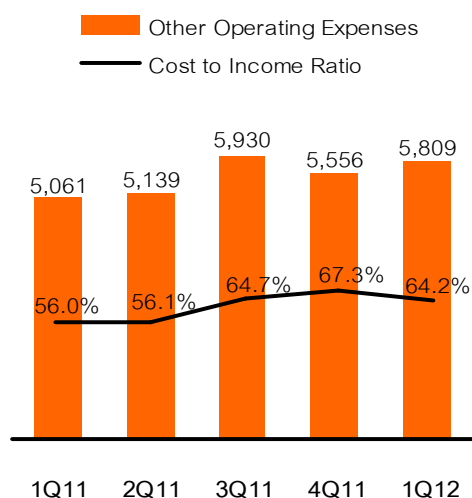
Other Operating Expenses	1Q12	1Q11	Change	
			Amount	(%)
Personnel Expenses	2,900	2,719	181	6.7
Directors' Remuneration	7	11	(4)	(36.4)
Premises and Equipment Expenses	745	897	(152)	(16.9)
Taxes and Duties	233	207	26	12.6
Other Expenses	1,924	1,227	697	56.8
<b>Total Other Operating Expenses</b>	<b>5,809</b>	<b>5,061</b>	<b>748</b>	<b>14.8</b>

In the first quarter of 2012, the Company and its subsidiaries incurred 5,809 million baht in other operating expenses, an increase of 748 million baht or 14.8 percent from the same quarter last year. This was mainly due to an increase in personnel expenses, sale promotion expenses that varies with business volume, and the expenses on IT, system development, and work process improvement.

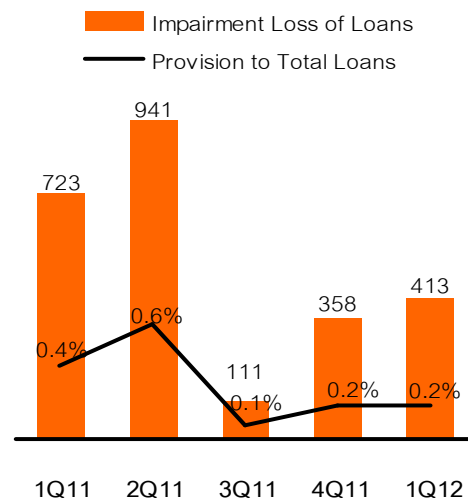
## Impairment Loss of Loans and Debt Securities Expenses

In the first quarter of 2012, impairment loss of loans and debt securities expenses of the Company and its subsidiaries were 415 million baht, a decrease of 306 million baht or 42.4 percent. This was mainly due to an efficient NPL management and Collective Approach implementation in provision calculation for the hire purchase loan portfolio as mentioned above.

Other Operating Expenses (Million Baht) and  
Cost to Income Ratio (%)



Impairment Loss of Loans (Million Baht)  
and Provision to Total Loans (%)



## Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	31 March 2012		31 December 2011		Change
	Amount	%	Amount	%	%
Interbank and Money Market Items-net	57,552	6.4	63,232	7.1	(9.0)
Investment-net	158,666	17.5	152,511	17.0	4.0
Investment in Associated Company-net	1,617	0.2	1,673	0.2	(3.3)
Loans to Customers and Accrued Interest Receivables	648,700	71.8	638,084	71.3	1.7
Allowance for Doubtful Accounts and Revaluation allowance for Debt Restucturing	(25,183)	(2.8)	(27,286)	(3.1)	(7.7)
Intangible assets acquired in a business combination-net	3,364	0.4	3,498	0.4	(3.8)
Goodwill	14,051	1.5	13,981	1.6	0.5
Other Assets	44,880	5.0	49,464	5.5	(9.3)
<b>Total Assets</b>	<b>903,647</b>	<b>100.0</b>	<b>895,157</b>	<b>100.0</b>	<b>0.9</b>
Deposits	485,042	53.7	435,865	48.7	11.3
Interbank and Money Market Items	69,340	7.7	60,151	6.7	15.3
Debt Issued and Borrowings	207,835	23.0	262,653	29.3	(20.9)
Other Liabilities	63,931	7.0	60,807	6.8	5.1
<b>Total Liabilities</b>	<b>826,148</b>	<b>91.4</b>	<b>819,476</b>	<b>91.5</b>	<b>0.8</b>
Company's Shareholders' Equity	39,311	4.4	38,259	4.3	2.8
Non-controlling Interests	38,188	4.2	37,422	4.2	2.0
<b>Total Shareholders' Equity</b>	<b>77,499</b>	<b>8.6</b>	<b>75,681</b>	<b>8.5</b>	<b>2.4</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>903,647</b>	<b>100.0</b>	<b>895,157</b>	<b>100.0</b>	<b>0.9</b>
Book Value per Share (Baht)	30.76		29.94		2.7

### Assets

As at 31 March 2012, Thanachart Group's total assets amounted to 903,647 million baht, representing an increase of 8,490 million baht or 0.9 percent from the end of 2011. This was mainly due to a 1.7 percent increase in loans to customers and accrued interest receivables which continued to grow consistently. The key contributing factors were:

- Net interbank and money market items amounted to 57,552 million baht, a decrease of 5,680 million baht or 9.0 percent from the end of last year, mainly a consequence of excess liquidity management.
- Loan to customers and accrued interest receivables amounted to 648,700 million baht, an increase of 10,616 million baht or 1.7 percent from the end of last year. This was mainly due to an increase in hire purchase loan that grew 6.0 percent. The proportion between retail loans to corporate and SME loans was 63 percent to 37 percent.

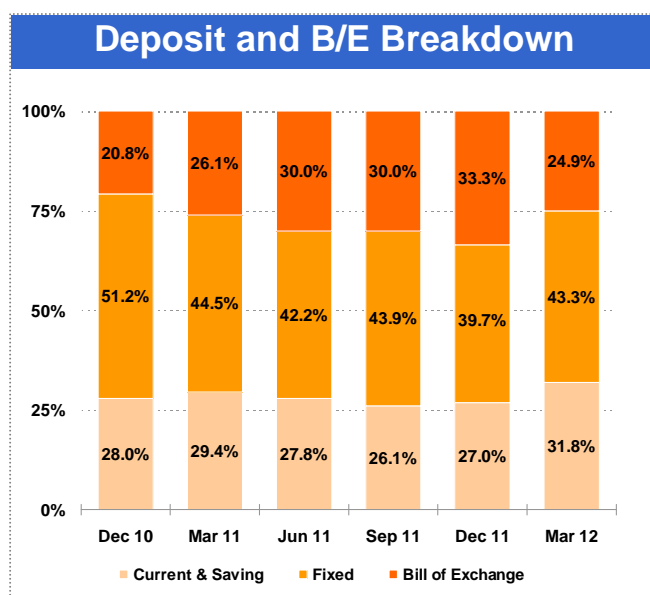
## Liabilities

Total liabilities of Thanachart Group as of 31 March 2012 amounted to 826,148 million baht, representing an increase of 6,672 million baht or 0.8 percent from the end of 2011. The main factors were as follows:

Unit: Million Baht

Deposits and Bills of Exchange	31 March 2012		31 December 2011		Change
	Amount	%	Amount	%	%
At Call	7,590	1.2	7,117	1.1	6.6
Savings	197,472	30.6	169,051	25.9	16.8
Fixed Deposits	279,917	43.3	259,634	39.7	7.8
Bills of Exchange	160,861	24.9	218,055	33.3	(26.2)
Others	63	0.0	63	0.0	0.0
Total Deposits and Bills of Exchange	645,903	100.0	653,920	100.0	(1.2)

- Total deposits and bills of exchange amounted to 645,903 million baht, a decrease of 8,017 million baht or 1.2 percent from the end of previous year. Out of total deposits and bills of exchange, current account deposits and savings account deposits (CASA) accounted for 31.8 percent while bills of exchange accounted for 24.9 percent, a decrease from 33.3 percent from the end of 2011.



- Interbank and money market amounted to 69,340 million baht, an increase of 9,189 million baht or 15.3 percent from the end of last year, mainly a consequence of excess liquidity of TBANK.

## Shareholders' Equity

Total shareholders' equity amounted to 77,499 million baht, an increase of 1,818 million baht or 2.4 percent from the end of 2011. This was mainly due to an increase in the net profit of the Company and its subsidiaries in the first quarter of 2012 in the amount of 1,193 million baht and non-controlling interest decreased by 173 million baht.

## Non-performing Loans: NPLs

	TBANK		TCAP (Consol.)	
	31-Mar-12	31-Dec-11	31-Mar-12	31-Dec-11
NPL-gross (Million Baht)	20,931	17,989	38,540	40,188
Total Allowance* (Million Baht)	14,571	13,062	25,394	27,479
NPL-gross to Total Loans (%)	3.2	2.7	5.7	5.9
NPL-net to Total Loans (%)	1.8	1.5	3.0	2.8
Reserve to Required Reserve (%)	130.4	115.5	117.9	107.6
Coverage Ratio (%)	69.6	72.6	65.9	68.4

\* Including revaluation allowance for debt restructuring

In the first quarter of 2012, NPLs amounted to 38,540 million baht, a decrease of 1,648 million baht or 4.1 percent from the end of last year. This was mainly due to the performance of TS AMC.

Non-performing loans to total loans to customers (NPL ratio) was at 5.7 percent, a decrease from 5.9 percent at the end of 2011. Non-performing loans after provision (NPL-net) was 19,670 million baht with the ratio of NPL-net to total loans at 3.0 percent.

## Operating Results of Subsidiary Companies

Unit: Million Baht

Subsidiaries	% holding Direct/Indirect	Net Profit (Loss)	
		1Q12	1Q11
Thanachart Bank Public Company Limited			
Consolidated Financial Statements		1,772	2,208
Thanachart Securities Public Company Limited	50.96%	90	78
Thanachart Fund Management Company Limited	38.22%	25	31
Thanachart Insurance Company Limited	50.96%	148	113
Thanachart Life Assurance Company Limited	50.96%	362	174
TS AMC Company Limited	50.96%	850	2
Ratchthani Leasing Public Company Limited*	33.22%	87	-
NFS AMC Company Limited	100.00%	164	14
MAX AMC Company Limited	83.44%	30	3

\*TBANK has been holding 65.18% in Ratchthani Leasing since November 2011

### Thanachart Bank Public Company Limited and its Subsidiaries

**Total assets**, in the first quarter of 2012, were in the amount of 894,319 million baht, an increase of 8,260 million baht or 0.9 percent from the end of last year. Loans grew by 1.7 percent while total deposits and bills of exchange decreased by 0.9 percent.

In the first quarter of 2012, **the Bank and its subsidiaries'** net profit amounted to 1,772 million baht, a decrease of 436 million baht or 19.7 percent from the same period last year. This was mainly due to the decrease in the interest spread from 3.2 percent in same period last year to 2.3 percent. Furthermore, there was an increase in other operating expenses which mainly varied with business volumes. Impairment loss of loans decreased from the effective debt management of TS AMC, a subsidiary of TBANK. The Bank also implemented Collective Approach for its hire purchase loans provision calculation. Non-interest income grew by 15.4 percent.

**Capital adequacy:** The Bank had 90,848 million baht in total capital, of which 61,659 million baht was Tier I and 29,189 million baht was Tier II. BIS ratio was at 14.1 percent, an increase from 13.7 percent at the end of last year. This was mainly due to an investment in Scib Public Company Limited (formerly named as Siam City Bank Public Company Limited). This investment amount is considered 100 percent risk based but has decreased as a result of capital repayment in the amount of 30,629 million baht or 14.50 baht per share made on 2 March 2012.

### **Thanachart Securities Public Company Limited**

Average daily trading value of TNS in the first quarter of 2012 was 2,877 million baht, an increase of 2,174 million baht from the last year. Market share was 5.4 percent which ranked number 6 of the industry. Trading customers comprised of 60.7 percent retail customers, 37.6 percent financial institution and 1.7 percent foreign customers.

In the first quarter of 2012, TNS has a net profit of 90 million baht, an increase of 13 million baht or 16.2 percent from the same period last year. Total income was 380 million baht, an increase of 6.5 percent. Interest on margin loans increased by 14.1 million baht or 62.5 percent, as a result of margin loan customers and higher interest rate compared to the same period last year. Brokerage fees and fees and service income had no significant change. Cost of fund and operating expenses were 265 million baht, an increase of 6.3 percent from the same period last year, directly reflecting an increase in total income.

Liquidity ratio was 106.3 percent which was higher than the regulation of the Securities and Exchange Commission (SEC) of a 7.0 percent minimum.

### **Thanachart Fund Management Company Limited**

As the end of first quarter 2012, TFUND had 108,250 million baht of asset under management, an increase of 13,557 million baht or 14.3 percent from the end of 2011. This was mainly due to an increase of 17.4 percent in mutual funds. Private fund grew by 2.3 percent, whereas, provident fund grew by 0.4 percent. Asset under management comprised of 83.2 percent mutual fund, 8.6 percent private fund and 8.2 percent provident fund.

Operating results in the first quarter of 2012, TFUND had its net profit of 25 million baht, a decrease of 6 million baht or 19.7 percent from the same period last year. This was mainly due to management fee income that decreased by 2 million baht or 1.6 percent. Agent fee increased by 12 million baht or 97.9 percent, as a result of the issuance of foreign bond fund with one-time payment to cater the need of its customers.

### **Thanachart Insurance Company Limited**

In the first quarter of 2012, TNI had a net profit of 148 million baht, an increase of 34 million baht or 30.2 percent from the same period last year. The key factors included the premium growth received from all channels and the efficient claims management.

### **Thanachart Life Assurance Company Limited**

In the first quarter of 2012, TLIFE had 362 million baht in net profit, an increase of 188 million baht or 107.5 percent from the same period last year. Underwriting income grew from an increase in

customer base related to hire purchase products which grew by 92 million baht or 20.0 percent. Ordinary insurance products grew by 311 million baht or 42.6 percent. Underwriting expenses increased by 11.4 percent. Investment income increased by 94 million baht or 46.6 percent. As a result, profit from underwriting increased by 81.2 percent from the same period last year.

#### **TS Asset Management Company Limited**

At the end of first quarter 2012, total assets of TS AMC were 12,358 million baht. During the first quarter, the company has managed 1,535 million baht of corporate debt and restructured 41 accounts or 721 million baht. Furthermore, 44 accounts or 496 million baht were settled. Consequently, the net profit in the first quarter of 2012 amounted to 850 million baht.

#### **Ratchthani Leasing Public Company Limited**

At the end of the first quarter 2012, total assets of THANI were 13,662 million baht, an increase of 1,308 million baht or 10.6 percent from the end of 2011. This was mainly due to the expansion of its hire purchase loans portfolio. The company's hire purchase loans amounted to 13,250 million baht, an increase of 1,198 million baht or 9.9 percent, contributing to 97.0 percent of total assets. Total liabilities and shareholders' equity amounted to 11,698 million baht and 2,214 million baht respectively.

Net profit in the first quarter of 2012 was 87 million baht, an increase of 16 million baht or 20.6 percent from the same period last year. Total income was 328 million baht, an increase of 75 million baht from the same period last year. This was mainly due to consecutive growth in hire purchase loans. Operating expenses were 150 million baht, an increase of 37 million baht or 32.6 percent from the same period last year. This was a result of increase in borrowings to support the loan growth. Bad debt and doubtful account expenses were 15 million baht, an increase of 16 million baht from the same period last year, which was a result of the policy change to provide additional provision in response to the flood crisis during the end of 2011.

#### **NFS Asset Management Company Limited**

In the first quarter of 2012, NFS AMC had 164 million baht in net profit, an increase of 150 million baht from the same period last year, of which 25 million baht was from debt restructuring, 36 million baht was from the reversal of allowance for impairment and doubtful account, 112 million baht from gains on properties foreclosed. Interest expenses were 18 million baht and operating expenses were 15 million baht.

## **Risk Management and Risk Factors**

The Company and subsidiaries manage the risk systematically following the policy and guideline reviewed and approved by the Company's Board of Directors. There is a business unit that is dedicatedly responsible for risk management and consistent risk monitoring and control. The measurement and analysis of various risk are done using a appropriate tools and methodology. Such various risks include credit risk, market risk, interest rate risk, operational risk and etc. For risk measurement and monitoring discipline, the risk limit and warning signal is set to ensure that business operation would always be within such acceptable risk limit. Executive Committee and the Board of Directors of the Company supervise the risk management performance monthly.

In overall view, the risks of the Company and subsidiaries are within the risk limit and have enough capital after risk allocation to support the business expansion in sustainable and secure manners.