TRIS RATING
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News for Investors
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# Thanachart Capital Public Company Limited

| | |
| --- | --- |
| **Company Rating**: | A |
| **Issue Ratings:** | |
| TCAP083A: Bt1,000 million senior debentures due 2008 | A |
| TCAP103A: Bt4,000 million senior debentures due 2010 | A |
| **Rating Outlook:** | Stable |

| **Rating History:** | **Company Rating** | **Issue Rating** | |
| --- | --- | --- | --- |
| | | **Secured** | **Unsecured** |
| 14 Jul 2005 | A | - | A |

**Rating Rationale**

TRIS Rating affirms the ratings of Thanachart Capital PLC (TCAP) and its two tranches of senior debentures at “A”. The ratings reflect TCAP’s capable management team, its strong market position in the automobile hire purchase business, the improvement in its standard risk management system, and continued improvement in the company’s diversification into non-interest based income. The ratings also take into consideration the enlarged scope of its banking businesses under the universal banking platform, which are expected to provide the group with long-term growth and earnings. Achieving synergies within Thanachart Group has yet to be proved, and are expected to generate steady earnings to the group in the long term. The ratings are constrained by TCAP’s limited franchise value compared to large-sized commercial banks, the less favorable economy and banking business environment, uncertainty in the securities industry, and intensifying competition in the consumer finance industry, which might limit the group’s business expansion and profitability.

Based on consolidated asset size as of March 2006, TCAP is ranked eighth among all 14 Thai universal banks. With vast experience in the finance industry, TCAP has developed a proficient management team. The team has enabled the company to compete and remain flexible to respond to changes in the economy and business environment. On 22 April 2005, the company was granted new status as a financial holding company by the Ministry of Finance (MOF). Under its new structure, TCAP will be an operating holding company until the existing hire-purchase receivables gradually run down over the next three years. The company’s 99.36%-owned subsidiary, Thanachart Bank PLC (TBANK), currently operates under a universal banking license, with TCAP acting as a financial holding company for the group. To improve cost efficiency and to gain overall control of the group’s business, TCAP has also centralized its group’s business operations and management systems.

The company’s reorganization to a financial holding structure has been executed smoothly. The reorganization process will have some effect on TCAP’s financial returns during the transition period of 2005-2007, but it will ultimately enhance the company’s position by providing the company with long-term opportunities in commercial banking businesses. The company’s consolidated risk management framework has been improved continuously to comply with the international standards, and its experienced management team has a proven track record. Slower economic growth, high inflation rate and high competitive environment in the banking business are expected to limit banking operators’ business growth and profitability during the next few years.

**Rating Outlook**

TCAP's "stable" outlook reflects the likelihood that the company will deliver medium-term financial performance as expected, due to its enhanced franchise value under the universal banking platform, which is expected to support the group's business and revenue diversification and cost efficiency. Its proficient management team, good risk management system and adequate capital base are expected to help mitigate future downside risks. The benefits of achieving synergies within the group have yet to be proved.

## Key Rating Considerations

***Strengths/Opportunities***

- Capable and experienced management with a proven track record
- Leading market position in the hire purchase business
- Good risk management system and efficient information management
- The holding structure with a universal banking platform will provide TCAP with better financial flexibility and additional opportunity for banking business expansion in the future

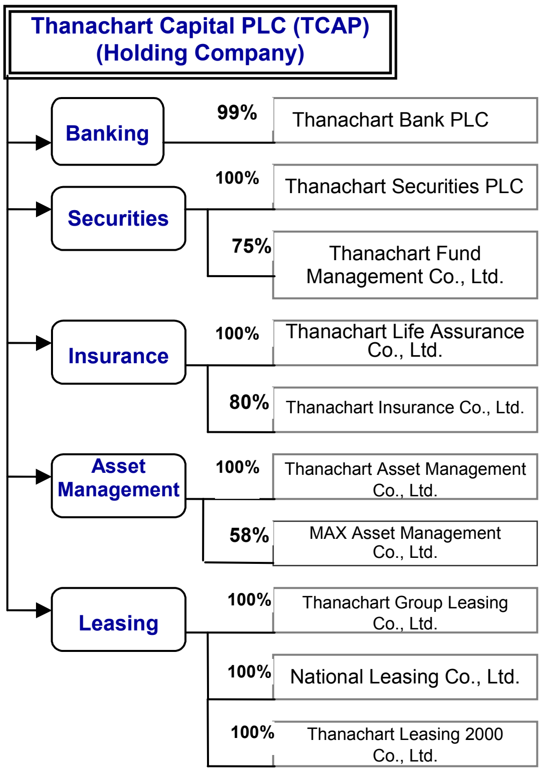
***Weaknesses/Threats***

- Increasingly competitive marketplace for its products
- Small-sized banking network limited franchise value
- Business concentration risk, focusing on hire purchase business, while still small in other businesses
- Less favorable economic and business environment

## Corporate Overview

TCAP, which was formerly named National Finance PLC (NFS), was established in 1959, and later changed the name to Capital Trust Finance and Securities Co., Ltd. after being a member of the Stock Exchange of Thailand (SET) in 1974. In 1980, Siam Commercial Bank PLC (SCB) acquired a majority stake of TCAP and gained management control, and the company renamed to National Finance and Securities PLC. Two years later, the company listed on the SET. In 1989, TCAP acquired a majority stake in Ekachart Finance and Securities PLC (EFS). In 1997, TCAP separated its finance and security businesses, running its finance business under the name National Finance PLC (NFS) and its securities business through National Securities Co., Ltd. (NATSEC). The company is one of the few finance companies to survive the 1997 financial crisis. Its proven track record evidently reflects its ability to withstand liquidity runs and to raise capital in appropriate timing.

**Chart 1: Thanachart Group's Structure**




Source: TCAP

To diversify into non-interest based businesses, TCAP established National Insurance Co., Ltd. and National Life Assurance Co., Ltd. in 1997. A year later, TCAP acquired shares in GS Asset Management Co., Ltd., which it renamed to National Asset Management Co., Ltd. (NATSET). In May 2005, NATSET's name was changed to (TFUND). In 2000, TCAP established MAX Asset Management Co., Ltd. (MAX-AMC) to manage distressed assets bought from DBS Thai Dhanu Bank PLC and sold a 40% stake in MAX-AMC to other investors, including Morgan Stanley Dean Witter Real Estate Thai Fund III, which currently holds a 24.9% stake. That year, the company also established NFS Asset Management Co., Ltd. to manage distressed assets of TCAP and subsidiaries. In the same year, TCAP made an alliance with Zurich Financial Service Group (Zurich Group) to form a life insurance partnership under the name Zurich National Life Assurance Co., Ltd. However, in March 2005, TCAP bought all the shares held by Zurich Group and others, and changed this subsidiary's name to Thanachart Life Assurance Co., Ltd. (TLIFE) on 9 June 2005. In 2002, TCAP's 99%-owned subsidiary, EFS, was awarded a restricted bank license and granted a full banking license in 2004, and named National Bank PLC (NBANK). The bank's name was changed to Thanachart Bank PLC (TBANK) in April 2005.

Under the Financial Sector Master Plan, Thanachart Group was permitted to have one deposit-taking institution under the One Presence policy. Subject to regulatory approval, the company consolidated its banking and finance businesses into TBANK by the end of 2004. TCAP became a financial holding company on 22 April 2005, when the proposed reorganization plan was approved by the MOF. One year after the approval, its finance business license was withdrawn as scheduled. TBANK currently operates under a universal banking license, with TCAP acting as a financial holding company for the group. Under the reorganisation plan, TCAP transferred some of its assets and liabilities, except existing hire purchase receivables, long-term borrowings and debentures, to TBANK. Its existing hire-purchase receivables will gradually run down over the next three years. On 9 May 2005, TBANK started to extend new hire purchase loans in Bangkok, followed by provincial branches on 1 July 2005.

Since 2003, TCAP's shareholders has diversified among local and foreign institutional investors, with foreign shareholders owning a total stake of 49%, while SCB's shareholding stake has diluted to less than 1%. As of 9 January 2006, the company's top-ten largest shareholders held a total portion of 49.35%.

### Recent Developments

- ***Granted status as a financial holding company***

  On 22 April 2005, TCAP was granted the new status as a financial holding company by the MOF.

- ***Acquired all the shares held by Zurich Group***

  In March 2005, TCAP acquired all the shares in Zurich National Life Assurance Co., Ltd. held by Zurich Group and others.

- ***NATSEC changed to TSEC***

  On 7 June 2005, National Securities PLC (NATSEC) was renamed Thanachart Securities PLC (TSEC).

- ***TSEC joined hand with BNP Paribas Peregrine***

  On 23 June 2005, TSEC joined hands with BNP Paribas Peregrine in investment banking, research and securities brokerage businesses.

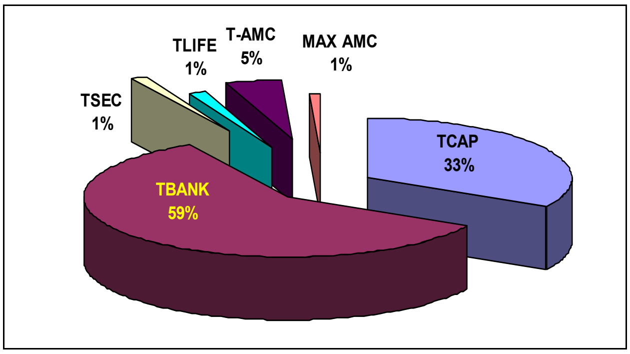
- ***NFS renamed to TCAP***

  On 30 January 2006, the shareholders' meeting approved the change of the name from National Finance PLC (NFS) to Thanachart Capital PLC (TCAP) and TCAP returned the finance company license to the MOF on 3 April 2006.

## BUSINESS ANALYSIS

TCAP renders a variety of services including banking, leasing, securities, fund management, distressed-asset management, life and non-life insurance businesses. As of March 2006, TCAP's consolidated assets were Bt261,086, with a 3.5% market share, and the company ranked as the 8th largest of all 14 Thai universal banks. Thirty three percent of Thanachart Group's asset structure was contributed from TCAP (its existing hire purchase receivables), followed by TBANK (59%), T-AMC (5%) and 1% each from TSEC, TLIFE and MAX-AMC. The group's market share improved significantly from the 10th rank in 2004 to the 8th rank in 2005, which followed its strategies to enlarge its banking network nationwide through rapid opening of new branches. At the end of July 2006, the group provided services through TBANK's 106 branches, 28 foreign exchange booths, 162 ATMs, TSEC's 28 securities branches, and offices of other subsidiaries. However, TCAP was considered a limited franchise value with small bank network compared to large-sized commercial banks.

**Chart 2: Thanachart Group's Asset Contribution as of March 2006**

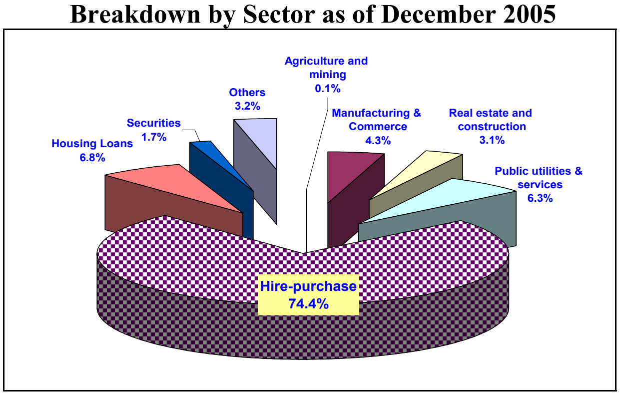



Source: TCAP

- ***Business concentration: focusing on automobile hire purchase financing service***

As of December 2005, TCAP's consolidated loan portfolio was Bt162,961 million. The 17 to 83 ratio of corporate loans to personal consumption loans, represented a major shift from 74:26 as of December 2000 (25:75 as of December 2004). TCAP's personal consumption loans as of December 2005 were divided between hire purchase loans (74% of total loans), housing loans (7%) and securities loans (2%). The proportions represented a shift from 68%, 9% and 1% respectively, as of December 2004. On the corporate side, public utilities and services accounted for 6% of TCAP's total loans, followed by manufacturing and commerce (4%), real estate and construction (3%), and others (2%). The corporate loan proportions changed from 8%, 5%, 4% and 4% respectively, as of December 2004.

**Chart 3: TCAP's Consolidated Loan Portfolio Breakdown by Sector as of December 2005**




Source: TCAP

- ***The move to the hire purchase market has provided TCAP with a large potential customer base and favorable financial performance***

The business volume for consumer finance loans, especially for automobile hire purchase, has expanded dramatically following the recovery of private consumption, which began in 1999. The decision to enter the hire purchase business in 1999, which was an early stage of upturn cycle in this industry, demonstrates TCAP management's ability to seek business opportunities at the right time in the potential market segment. The move has provided TCAP with a large retail customer base and favorable financial performance. Although the hire purchase business has operated by TBANK instead of TCAP since May 2005, the operation has been run smoothly. On a consolidated basis, TCAP enjoyed average annual growth of more than 60% for new hire purchase loans during 2001-2005, and TCAP acquired an average of 8,000 new hire purchase contracts per month, with an average new financing amount of around Bt5,000 million per month.

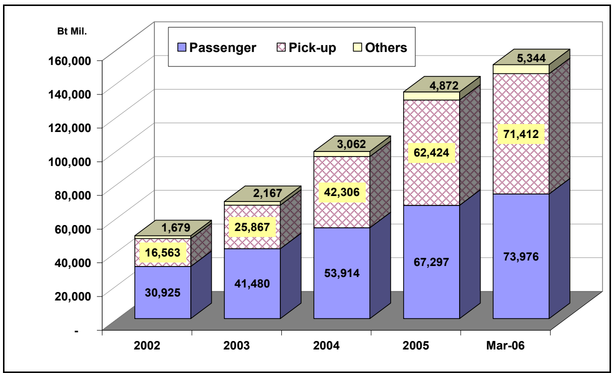
- ***TCAP has good management of concentration risk on large dealers and customers***

TCAP was able to maintain its leading position in the hire purchase business by keeping strong relationship with 85% of 1,000 new car dealers and 80% of 5,000 used car dealers nationwide. Portfolio contribution from its top-10 largest dealers was sustained around 20% of total hire purchase loans during 2003-2005 and the first quarter of 2006, reflecting TCAP's good management of concentration risk on large dealers. As of March 2006, TCAP served around 500,000 customer accounts, which provided the company with a large base of retail customers. The nature of the hire purchase business, providing small loans to a large customer base, helps mitigate the company's concentration risk on large customers. As of March 2006, its top-20 largest outstanding loans accounted for only 13% of its consolidated outstanding loans.

- ***TCAP has been the market leader in Thai automobile hire purchase business since 2003***

As of March 2006, the company had a consolidated outstanding balance of Bt135,128 million for its hire purchase portfolio, up by 52% from Bt88,874 million as of December 2004. Its gross receivables for hire purchase loans were Bt160,212 million, with 49% for passenger cars, 47% for pick-up cars and the rest for others. TCAP has been the market leader in Thailand's automobile hire purchase business since 2003, with market share of more than 25% of the total hire purchase outstanding loans of the 16 largest companies in TRIS Rating's database. Since 2003, the company has enlarged its presence in the used-car hire purchase market, and was able to achieve the top position in this market segment. As of March 2006, the company ranked second among the nine largest players in TRIS Rating's database, in terms of used car loan receivables, with a market share of about 21%. This represents a major improvement in market share from 7th in 2002, when the company had a market share of only 3% of the total used car hire purchase receivables of the nine players.

**Chart 4: TCAP's Consolidated Hire Purchase Receivables as of March 2006**




Source: TCAP

- ***A better mix of brokerage clients after joining hands with BNP Paribas Peregrine***

TCAP operates a securities business through its subsidiary, TSEC, which provides four main services (brokerage, IB, bond dealing and financial planning advisor) at its Bangkok head office and 28 full branches and 1 cyber branch. Its brokerage market share was 2.45% in 2003 and 2.76% in 2004, which ranked 16th and 15th, respectively, among 36 brokerage firms. In June 2005, TSEC joined hands with BNP Paribas Peregrine as a strategic alliance in securities brokerage, investment banking and research works, which enhanced TSEC's market position in this business. For the first half of 2006, TSEC ranked 11th with a market share of 3.1%, an improvement from 18th rank with a market share of 2.6% in 2005. TSEC's client base has shifted significantly. In 2004, its client structure was highly concentrated on retail investors (89%), while the rest were institutional investors (7%) and foreign investors (4%). This structure was markedly different from the structure of 62%, 31% and 7%, respectively, in 2002. After forming its alliance with BNP Paribas Peregrine, the proportion of institutional and foreign investors increased to 11% and 22%, respectively, which lead to a better mix of client base. The company's average brokerage commission rate was around 0.25% for 2003 to the first half of 2006.

- ***TCAP still has a relatively small share of fund management business***

TCAP provides fund management services through its subsidiary, TFUND. The services cover management of mutual funds, provident funds, private funds and retirement funds. As of December 2005, the net asset value (NAV) of the Thai mutual fund industry was Bt963,806 million, while the NAV of provident funds and private funds were Bt345,896 million and Bt142,557 million, respectively. TFUND still has a relatively small share in fund management business. In terms of NAV for all kind of funds, TFUND ranked 13th with a sustainable market share of about 3% during 2002-2005. TFUND ranked ninth in terms of NAV of the mutual funds, with sustained market share of about 4% during 2004-2005. For management of provident funds, TFUND's market shares were still less than 1% of NAV during 2002-2005.

- ***Group synergy and integration has yet to be achieved***

Currently, the company exposed to a degree of business concentration risk as it focuses on hire purchase business (79% in terms of total receivables and 40% in terms of interest revenue contribution), but is still small in its other businesses. The company is in the process of achieving synergies through integration within the group to improve the overall group business position, by operating under a new financial holding company structure. The success of its new strategies under the new organization structure, which is designed to improve overall group's business growth in the long term, has yet to be proved.

- ***Improvement of the overall group's risk management framework***

TCAP has continuously developed and implemented a risk management system that measures risk on a consolidated basis. The company established an international standard risk management framework to comply with BASEL II. With a large retail customer base, TCAP has developed its in-house information management to support the overall group's credit risk management, while having its own universal bank (TBANK) provides the group with greater access to stable and flexible sources of funds, both public borrowings (deposits) and money markets. This makes TCAP to have higher funding flexibility and financial liquidity. An improvement in its risk management system, an experienced management team, and business diversification are crucial factors that will protect the company from a medium-term downside risk.

## ASSET QUALITY

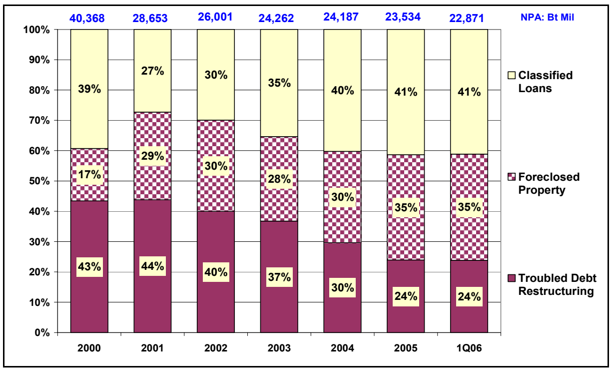
- ***Higher exposure in TCAP's high credit risk portfolio is a cause for future concern***

TCAP's asset quality has improved significantly since 1999. Its consolidated non-performing loans to average loans ratio declined continuously, from 54% as of December 1999 to 5.5% as of March 2006, which was far below the 9.8% average among all 14 Thai universal banks. Non-performing loans in TCAP's hire purchase portfolio increased slightly from 0.7% of total hire purchase loans in 2003 to 0.9% as of March 2006. The ratio was still lower than the average of 1.4% for its peers rated by TRIS Rating. Since 2003, TCAP has started to focus on used car hire purchase (20% of total hire purchase receivables in 2005), which exposed the company to higher credit risk, although it provides higher yield. The higher credit risk exposure is a cause for concern regarding future asset quality deterioration, which might adversely affect its profitability through loan loss provisioning expenses.

- ***The NPA ratio was better than peers***

At the end of March 2006, the company's ratio of consolidated non-performing assets or NPA (classified loans with more than three months past due, outstanding balance of restructured debts and foreclosed property) to total assets was 8.76%, down from 14.47% in 2003 and 13.03% in 2004. The ratio was lower than the average of 16.98% for all 14 Thai universal banks, indicating the company has better asset quality than its peers. The largest portion of its NPA was classified loans for more than three months past due (41%), followed by troubled debt restructuring outstanding (35%) and property foreclosure (24%). At the same time, the company's allowance for loan loss and revaluation allowance for debt restructuring was 189% of the minimum level required by the Bank of Thailand (BOT), which was in line with the industry average of 187%.

**Chart 5: TCAP's Consolidated NPA Structure**




Source: TRIS Rating

## PROFITABILITY

- ***Business diversification leads to rise in non-interest based income***

TCAP's consolidated financial performance has improved significantly in recent years. For the first quarter of 2006, hire purchase income accounted for the largest portion of total income (40% from 37% in 2004), followed by general lending (16% from 18% in 2004), security investment (9% from 14% in 2004), securities brokerage (4% from 5% in 2004), and fee-based income and others (31% from 26% in 2004). The ratio of total interest and dividend income to total income was 62% for the first quarter of 2006, down from 69% in 2001 and 68% in 2005, as a result of the company's business diversification to fee-based businesses. TCAP's proportion of non-interest based income was higher than an average proportion of 21% for all 14 universal banks, which indicated the company was less sensitive to changes in interest spread. More diversification of income sources helped mitigate downside risk from narrowing spreads.

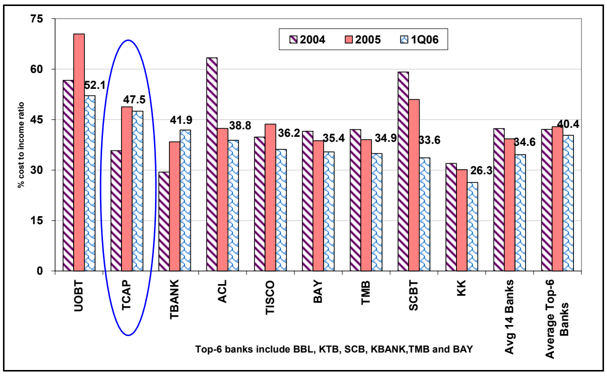
- ***Narrower spread expected in 2006 due to higher funding costs***

The company's interest spread increased from 2.89% in 2002 to around 3.1% during 2003-2005, which was a bit higher than the average spread (2.0%-3.0%) for all 14 Thai universal banks during the same period. However, the company's interest spread was 0.7% for the first quarter of 2006, which was lower than the industry average of 0.9%. The lower spread was explained by lower yields and higher costs of funding when compared to peers. TCAP offered low interest rate in the hire purchase business to acquire a large number of customers, while the company had a larger portion of new car receivables than its peers, such as TISCO, KK and SICCO. Normally, new car financing generates a lower yield on receivables than used car. A narrower spread is expected in 2006, because TCAP has been restructuring the group's funding structure, increasing higher portion of deposits through TBANK with high deposit rate policy. To mitigate market risk from rising interest rates, Thanachart Group has financed its fixed-rate lending expansion by long-term borrowings, which pushed up its cost of funds in 2006.

- ***Slower growth in net profits due to high operating expenses***

The reorganization process is expected to limit TCAP's business expansion and profitability during the transition period because the company's operating expenses will increase as a result of opening TBANK's new branches, installing a core banking system and the group's integration of management and control systems. With establishment of an extensive branch network policy as a key marketing channel for the group, TBANK opened 56 new branches in 2005 and 38 new branches during the first seven months of 2006, to reach 106 branches at the end of July 2006, which made the group carry extraordinarily high operating expenses. Its ratio of operating expenses to total income jumped from 36% in 2004 to 48%-49% during 2005 and the first quarter of 2006. Net income for 2005 was Bt3,104 million, a 4% increase from Bt2,983 million in 2004. For the first quarter of 2006, TCAP's net income was Bt749 million, representing 9% growth from the same period of 2005. Its return on average assets decreased from 1.7% in 2004 to 1.5% in 2005, and to 0.3% for the first quarter of 2006. After the process is completed, TRIS Rating expects to see gradual improvement in Thanachart Group's business and financial profile, due to its enhanced franchise value with long-term opportunities in commercial banking businesses.

**Chart 6: Cost to Income Ratio**




Source: TRIS Rating

## FUNDING/LIQUIDITY

- ***TCAP's stand alone funding structure changed subject to the One Presence policy***

TCAP's funding structure changed after 1 July 2005 under the One Presence policy, which was permitted to have one deposit-taking institution. In April 2005, all deposits (promissory notes or P/N) carried on TCAP's balance sheet were merged with TBANK's deposits, an essential means towards the One Presence structure, turning TBANK into the group's sole-deposit taking institution. Around 50% of maturing P/N (originally issued by TCAP) was rolled over into TBANK's deposit accounts, and the rest (Bt73,836 million as of March 2006) is permitted to hold until the end of the tenure. In exchange for the P/N received, TBANK would lend TCAP the amount sufficient to cover the balance between assets and liabilities.

As a result, TCAP's stand alone funding structure will change from public borrowing as a major funding source to rely on borrowing from financial institutions (mostly from TBANK). Cash flows from installment of the existing hire purchase receivables will be used for repaying the borrowing amount from TBANK over the next three years. TCAP will be an investing holding company with some of debentures obligations after all the receivables run down. As of March 2006, TCAP's stand alone funding were Bt79,309 million, of which 79% were borrowing from TBANK, 14% were existing P/N and 7% were long-term debentures. On a consolidated basis, however, TCAP's funding will continue to rely mostly on public borrowing.

- ***Asset-liability mismatch was alleviated by interest-rate swap agreements and deposit roll-over rate***

TCAP's consolidated ratio of loans to public borrowing increased continuously as a result of rapid growth of new hire purchase loans during 2000-2004, causing the ratio to increase from 73.07% in 2000 to 97.56% in 2004. The ratio rose to 101.76% in the transition year of 2005, but dropped to 92.36% as of March 2006. To match its asset structure, in 2003, TCAP issued two tranches of senior debentures, totaling Bt5 billion (Bt1 billion for five years mature in 2008 and Bt4 billion for seven years mature in 2010). The debentures carry interest at both floating and fixed rates. To alleviate interest rate risk, the company entered into interest-rate-swap agreements for the fixed rate portion of the debentures. Although, at the end of March 2006, TCAP's consolidated asset-liability structure had some mismatch in terms of duration and interest rate structure, the maturity mismatch was alleviated by a rollover rate of about 80% of TBANK's deposits. As of March 2006, public borrowing accounted for 80.74% of total liabilities, slightly less than 81.44% at the end of 2004. At the same time, the company had excess liquidity, with the ratio of liquid assets to total assets improving to 29.22% from 28.75% in 2004.

## CAPITALIZATION

- ***A high quality capital with internal growth from high operating profits***

TCAP had strong capitalization with a high quality capital due to a high proportion of Tier-1 capital. The company's consolidated capital fund comprised 92% Tier-1 capital and 8% Tier-2 capital. Its shareholders' equity increased continuously by an average 9% per annum during 2002 to the 2nd quarter of 2006, from Bt18,091 million at the end of 2002 to Bt23,423 at the end of March 2006. With no recapitalization since 2003, the increase in shareholders' equity has been enhanced by its internal growth of capital through strong operating profits. The proportion of retained earnings to total shareholders' equity increased significantly from 17% in 2003 to 31% in 2005 and 33% at the end of March 2006.

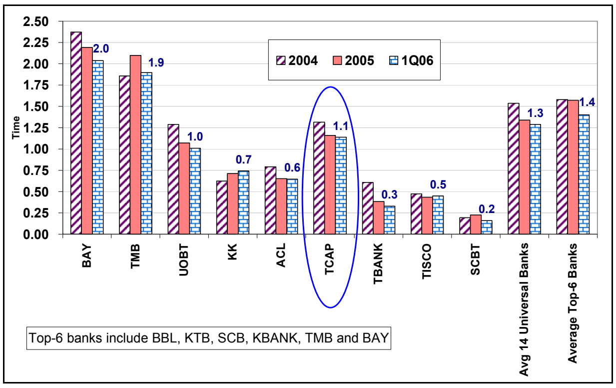
- ***Capitalization is expected to be adequate though weakening during loan expansion***

On a consolidated basis, TCAP's equity to total assets ratio significantly declined from 18.56% in 2000 to 8.97% in March 2006, while the ratio of equity to total loans reduced from 35.54% in 2000 to 13.26% at the end of March 2006, because of its rapid loan expansion. The company's consolidated capital adequacy ratio decreased to about 15% in March 2006, from around 16% in 2004. Capitalization is expected to weaken during the next few years as the company's consolidated loan expansion continues, but is adequate to absorb risks arising from adverse changes in the business environment.

- ***Sufficient cushion of capital fund and allowance for loan loss against bad debt***

At the end of March 2006, the company's ratio of non-performing assets (non-performing loans, the outstanding balances of restructured debts, and net foreclosed property) to total capital funds plus allowance for doubtful accounts and revaluation allowance for debt restructuring was 1.14 times, down from 1.59 times at the end of 2003. The ratio was a bit lower than the average ratio of 1.29 times for the 14 Thai universal banks. The figure indicated sufficient cushion of capital fund and allowance for loan loss against bad debt, which was a bit better than the industrial average.

**Chart 7: Ratio of NPA to Capital Fund Plus Allowance for Loan Loss as of March of 2006**




Source: TRIS Rating

**Financial Statistics***

Unit: Bt million

| | 3/2006** | --------- Year ended 31 December --------- 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| Total assets | 261,086 | 228,073 | 185,044 | 167,675 | 125,486 |
| Net investment in securities | 37,332 | 33,203 | 40,274 | 55,471 | 39,231 |
| Total loans (including accrued interest) | 176,649 | 162,961 | 129,944 | 106,243 | 75,134 |
| Allowance for doubtful accounts | 7,151 | 7,103 | 7,817 | 6,404 | 3,934 |
| Public borrowings | 191,261 | 160,137 | 133,195 | 122,699 | 98,175 |
| Other borrowings | 32,455 | 32,499 | 25,014 | 15,876 | 6,075 |
| Shareholders' equity plus minorities interests | 24,186 | 23,386 | 21,494 | 19,776 | 18,481 |
| Net interest and dividend income | 1,736 | 6,508 | 5,784 | 4,425 | 2,940 |
| Non-interest income | 2,103 | 5,151 | 4,949 | 5,282 | 3,598 |
| Operating expenses | 2,619 | 7,844 | 5,031 | 4,037 | 2,921 |
| Net income | 748 | 3,104 | 2,983 | 2,669 | 1,723 |

* Consolidated financial statements
** For the three-month period, ending March 2006

**Key Financial Ratios***

Unit: %

| | 3/2006 ** | -------- Year ended 31 December -------- 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| **Profitability** | | | | | |
| Net-interest income/average assets | 0.71 | 3.15 | 3.28 | 3.02 | 2.63 |
| Non-interest income/average assets | 0.86 | 2.49 | 2.81 | 3.60 | 3.21 |
| Fees and brokerage income/total income | 5.66 | 5.61 | 7.86 | 7.44 | 5.64 |
| Operating expenses/total income | 47.53 | 48.76 | 35.78 | 30.87 | 31.30 |
| Operating profit/average assets | 0.47 | 1.70 | 2.39 | 2.17 | 1.65 |
| Return on average assets | 0.31 | 1.50 | 1.69 | 1.82 | 1.54 |
| Return on average equity | 3.25 | 14.31 | 14.92 | 14.30 | 10.14 |
| **Asset Quality** | | | | | |
| Non-accrual loans/average loans | 5.50 | 6.64 | 9.00 | 10.86 | 15.44 |
| Bad debt and doubtful accounts/average loans | 0.04 | (0.20) | 1.26 | 2.75 | 2.71 |
| Allowance for possible loan losses/total loans | 4.05 | 4.36 | 6.02 | 6.03 | 5.23 |
| **Capitalization** | | | | | |
| Shareholders' equity/total assets | 9.26 | 10.25 | 11.62 | 11.79 | 14.73 |
| Shareholders' equity/total loans | 13.26 | 13.89 | 16.54 | 18.61 | 24.60 |
| Total liabilities/total liabilities + shareholders' equity | 91.00 | 90.04 | 88.38 | 88.21 | 85.27 |
| **Liquidity** | | | | | |
| Total loans/public borrowings | 92.36 | 101.76 | 97.56 | 86.59 | 76.53 |
| Public borrowings/total liabilities | 80.73 | 78.24 | 81.44 | 82.96 | 91.75 |
| Total loans/total assets | 67.66 | 71.45 | 70.22 | 63.36 | 59.87 |
| Liquid assets/total assets | 29.22 | 25.70 | 28.75 | 34.69 | 34.48 |

* Consolidated financial statements

** For the three-month period, ending March 2006, and non-annualized

**Rating Symbols and Definitions**

TRIS Rating uses eight letter rating symbols for announcing medium- and long-term credit ratings. The ratings range from AAA, the highest rating, to D, the lowest rating. The medium- and long-term debt instrument covers the period of time from one year up. The definitions are:

*AAA* The highest rating, indicating a company or a debt instrument with smallest degree of credit risk. The company has extremely strong capacity to pay interest and repay principal on time, and is unlikely to be affected by adverse changes in business, economic or other external conditions.

*AA* The rating indicates a company or a debt instrument with a very low degree of credit risk. The company has very strong capacity to pay interest and repay principal on time, but is somewhat more susceptible to the adverse changes in business, economic, or other external conditions than AAA rating.

*A* The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.

*BBB* The rating indicates a company or a debt instrument with moderate credit risk. The company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.

*BB* The rating indicates a company or a debt instrument with a high credit risk. The company has less than moderate capacity to pay interest and repay principal on time, and can be significantly affected by adverse changes in business, economic or other external conditions, leading to inadequate capacity to pay interest and repay principal.

*B* The rating indicates a company or a debt instrument with a very high credit risk. The company has low capacity to pay interest and repay principal on time. Adverse changes in business, economic or other external conditions could lead to inability or unwillingness to pay interest and repay principal.

*C* The rating indicates a company or a debt instrument with the highest risk of default. The company has a significant inability to pay interest and repay principal on time, and is dependent upon favourable business, economic or other external conditions to meet its obligations.

*D* The rating for a company or a debt instrument for which payment is in default.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

TRIS Rating's short-term ratings focus entirely on the likelihood of default and do not focus on recovery in the event of default. Each of TRIS Rating's short-term debt instrument covers the period of not more than one year.The symbols and definitions for short-term ratings are as follows:

*T1* Issuer has strong market position, wide margin of financial protection, appropriate liquidity and other measures of superior investor protection. Issuer designated with a "+" has a higher degree of these protections.

*T2* Issuer has secure market position, sound financial fundamentals and satisfactory ability to repay short-term obligations.

*T3* Issuer has acceptable capacity for meeting its short-term obligations.

*T4* Issuer has weak capacity for meeting its short-term obligations.

All ratings assigned by TRIS Rating are local currency ratings; they reflect the Thai issuers' ability to service their debt obligations, excluding the risk of convertibility of the Thai baht payments into foreign currencies.

TRIS Rating also assigns a *"Rating Outlook"* that reflects the potential direction of a credit rating over the medium to long term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on its fundamental creditworthiness. The rating outlook will be announced in conjunction with the credit rating. In all cases, the outlook assigned to a company will apply to all debt obligations issued by the company. The categories for *"Rating Outlook"* are as follows:

*Positive* The rating may be raised.
*Stable* The rating is not likely to change.
*Negative* The rating may be lowered.
*Developing* The rating may be raised, lowered or remain unchanged.