Press Release

T R I S R a t i n g C o . , L t d . (T R I S R a t i n g) * O f f i c e o f t h e P r e s i d e n t *

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TRIS Rating Affirms Company & Issue Ratings of "TCAP" at "A" with "Positive" Outlook

TRIS Rating Co., Ltd. has affirmed the company rating of Thanachart Capital PLC (TCAP) and the ratings of TCAP's senior debentures at "A" with "positive" outlook. The ratings reflect TCAP's position as an investment holding company of Thanachart Group, its management control of Thanachart Bank PLC (TBANK) through a 50.96% ownership stake, and a stable stream of dividends from TBANK. The ratings take into consideration the capable management team, the improvement in its standard risk management system, a strong capital base, and strong business and financial support from its strategic partner – Bank of Nova Scotia (BNS). The acquisition of Siam City Bank PLC (SCIB) by TBANK has enhanced Thanachart Group's market position, extent of diversification, and prospective future financial performance. These have been strengthened by growth in the loan portfolio, the deposit base and number of branches. These strengths, however, are constrained by weakening asset quality and transition risk from the business integration processes of SCIB and TBANK. The ratings are also pressured by intense competition in the banking, hire purchase, and securities industries as well as the uncertain domestic political situation and global financial arenas. These factors might limit the group's profitability and expansion opportunities.

The "positive" outlook reflects the expectation that TBANK, as the major source of revenue for TCAP, will be able to smoothly run through the entire business transfer process, and will be able to leverage the synergies among TBANK, SCIB and BNS to strengthen its market positions in the core businesses. In addition, strong financial support and business know-how from both strategic partners -- BNS and TCAP -- will enhance TBANK's overall business performance. The deterioration in asset quality after acquiring SCIB is expected to be under control shortly. The solid capital base and adequate liquidity is also crucial to mitigate future downside risks during an economic slump.

TRIS Rating reported that BNS has become a strategic partner of TCAP, with 24.98% stake in TBANK in 2007 and up to 48.99% in February 2009. TCAP and BNS injected Bt2,000 million in additional capital into TBANK in May 2009. As a part of the TBANK's growth strategy, TCAP and BNS contributed new capital of Bt35,790 million to TBANK in April 2010. TBANK subsequently used the new capital to purchase all shares of SCIB from the Financial Institutions Development Fund (FIDF) and the minority shareholders. As a result, SCIB became a 99.24% owned subsidiary of TBANK. The acquisition of SCIB has strengthened TBANK's competitive position in the banking industry, and has also diversified TBANK's loan portfolio, yielding a better mix between corporate and retail loans.

Based on consolidated asset size as of September 2010, TCAP was ranked fifth (up from eighth in 2008) among all 11 Thai universal banks, with 9.3% market share in loans and 7.9% share in deposits. At the end of September 2010, TCAP's total consolidated assets were Bt845,118 million, up by 83.74% from Bt459,965 million at the end of December 2009. For the first nine-month period of 2010, TBANK and its subsidiaries contributed approximately 94% of total revenue to TCAP. The remaining 6% was from TCAP's other businesses, including Max Asset Management Co., Ltd. (MAX-AMC) and NFS Asset Management Co., Ltd. (NFS-AMC).

TRIS Rating said about TCAP's financial profile that it has continuously improved as shown by net profit of Bt5,109 million in 2009, up 85%, compared with Bt2,768 million in 2008. Net profit for the first nine-month period of 2010 was Bt4,250 million, up by 8%, compared with Bt3,936 million for the same period last year. Return on average assets (ROAA) of TCAP grew to 1.20% in 2009, up from 0.77% in 2008. However, TCAP's ROAA dropped to 0.65% (non-annualized) for the first nine-month period of 2010, as the result of the double increase of its asset size after consolidating SCIB's assets, while small net profit of SCIB was combined to TCAP. Return on average equity (ROAE) sharply increased to

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12.81% in 2009, up from 8.57% in 2008, but dropped to 7.24% (non-annualized) for the first nine-month period of 2010. The drop resulted from an increase in minority interest (BNS) following the increase of TBANK's equity.

TCAP has developed a proficient management team that has enabled the company to support the competitive positions of its subsidiaries and allowed TCAP to remain flexible to respond to changes in the economic and business environments. The company's consolidated risk management framework has improved continuously to comply with international standards. However, the highly competitive banking industry is expected to limit the growth and profitability of TBANK in the future, said TRIS Rating. -- End

Thanachart Capital PLC (TCAP)	
Company Rating:	Affirmed at A
Issue Ratings:	
TCAP11NA: Bt1,500 million senior debentures due 2011	Affirmed at A
TCAP131A: Bt3,000 million senior debentures due 2013	Affirmed at A
TCAP14NA: Bt9,000 million senior debentures due 2014	Affirmed at A
Rating Outlook:	Positive
