Press Release

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TRIS Rating Upgrades Company & Senior Debt Ratings of "TCAP" to "A+/Stable" from "A/Positive"

TRIS Rating Co., Ltd. has upgraded the company rating of Thanachart Capital PLC (TCAP) and the ratings of TCAP's senior debentures to "A+" from "A". The outlook has been revised to "stable" from "positive". 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. TCAP's company rating is one notch lower than the company rating of its core bank subsidiary, TBANK. The one notch difference reflects TCAP's dependence on dividends from TBANK and the regulatory barriers to payments of dividends. The ratings take into consideration the capable management team, the improvement in its standard risk management system, a strong capital base, and the strong business and financial support from its Canadian strategic partner – Bank of Nova Scotia (BNS). The acquisition of Siam City Bank PLC (SCIB) by TBANK has enhanced Thanachart Group's market position, the extent of its diversification efforts, and future financial performance. The acquisition has aided growth in the loan portfolio and rises in the deposit base and the number of branches. These strengths, however, are constrained by weakening asset quality. The ratings are also pressured by the uncertainties surrounding the effects of the recent severe flooding in Thailand, 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 in the future.

The "stable" outlook reflects the expectation that TBANK, as the major source of revenue for TCAP, will be able to leverage the synergies among TBANK 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, which came after acquiring SCIB, is expected to be under control shortly.

TRIS Rating reported that BNS has become a strategic partner of TCAP, taking a 24.98% stake in TBANK in July 2007 and raising its stake to 49% in February 2009. As a part of the TBANK's growth strategy, TBANK acquired SCIB in 2010 and smoothly transferred all of SCIB's businesses to TBANK on 1 October 2011. The acquisition of SCIB has strengthened TBANK's competitive position in the banking industry, and has diversified TBANK's loan portfolio, yielding a better mix between corporate and retail loans.

TRIS Rating said, TCAP was ranked 6th among all 15 Thai commercial banks, based on consolidated asset size as of September 2011, with 8.3% market share in loans and 6.5% share in deposits. At the end of September 2011, TCAP's total consolidated assets were Bt888.1 billion, up by 7.9% from Bt881.9 billion in 2010. For the first nine months of 2011, TBANK and its subsidiaries contributed approximately 93% of the net operating income of TCAP. The remaining 7% was from TCAP's other businesses, including Max Asset Management Co., Ltd. (MAX-AMC) and NFS Asset Management Co., Ltd. (NFS-AMC).

TCAP's financial profile has further improved. The company's consolidated net profit in 2010 was Bt5,639 million, up 10.4% from Bt5,109 million in 2009. The increase was mainly driven by a wider interest spread and lower credit cost, as well as more fee-based income. Nonetheless, in line with TRIS Rating's projection, TCAP's net profit for the first nine months of 2011 decreased by 4.4% year-on-year, from Bt4,250 million in 2010 to Bt4,065 million in 2011. The return on average assets (ROAA) grew from 0.77% in 2008 to 1.2% in 2009. However, ROAA dropped to 0.84% in 2010 because its asset size doubled after consolidating SCIB's assets, while SCIB contributed just a small net profit to TCAP. Return on average equity (ROAE) increased from 8.57% in 2008 to 12.81% in 2009, but dropped to 9.47% in 2010. The drop resulted from an increase in non-controllable interest of subsidiaries (BNS) following the increase in the shareholders' equity of TBANK. ROAA and ROAE for the first nine months of 2011 were 0.46% and 5.62% (non-annualized), down from 0.65% and 7.24% (non-annualized) for the same period of the prior year.

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

(Continue on page 2)

economic and business environments. TCAP's consolidated risk management framework has improved continuously to comply with international standards. Nonetheless, TCAP has been constrained by an increase in non-performing loans (NPL) after the acquisition of SCIB by TBANK. Most of the NPLs were from the commercial loan portfolio of SCIB. At the end of September 2011, on a consolidated basis, TCAP's ratio of NPLs to total loans was 6.62%, up from 4.06% in 2009. This ratio is above the industry average of 3.98% for 11 Thai commercial banks in TRIS Rating's database (excluding three foreign-owned banks). TCAP's non-performing assets (NPA) (the sum of classified loans more than three months overdue, plus restructured loans and foreclosed property) as of September 2011 were 0.76 times capital funds plus the allowance for doubtful accounts, up from 0.44 times in 2009, and higher than the industry average of 0.53 times. The management team's ability to control asset quality during the post-merger consolidation period has yet to be proved. An improved risk management system, an experienced management team, and business diversification are crucial factors that will protect the company from downside risks in the medium term, said TRIS Rating. -- End

Thanachart Capital PLC (TCAP)	
Company Rating:	Upgraded to A+ from A
Issue Ratings:	
TCAP131A: Bt3,000 million senior debentures due 2013	Upgraded to A+ from A
TCAP14NA: Bt9,000 million senior debentures due 2014	Upgraded to A+ from A
Rating Outlook:	Stable from Positive

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