



Management Discussion and Analysis

For the quarter and nine-month period ended September 30, 2010

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Management Discussion and Analysis (MD&A)

1. Summary of Financial Performance and Status

Bank of Ayudhya Public Company Limited announced continued improvement in its operating performance as well as a strengthened balance sheet for the third quarter of the year. The KRUNGSRI Group (The Bank and its subsidiaries) result highlights, are as follows:

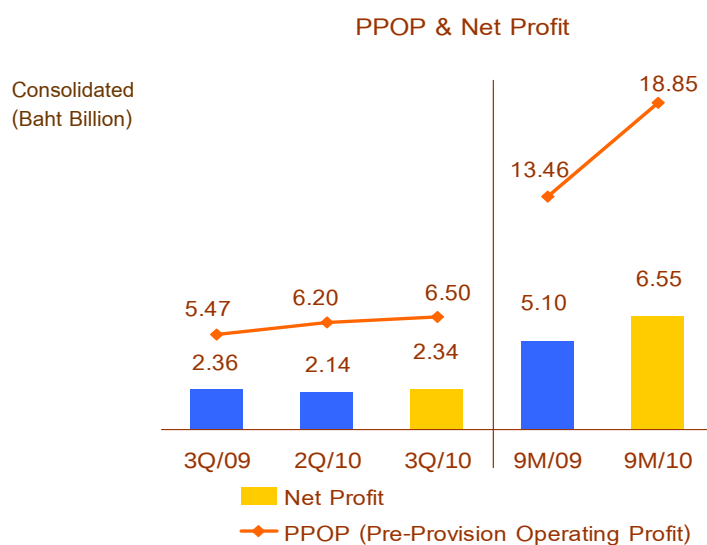
- **Operating Profit:** Baht 6.50 billion, a 18.9% and a 4.7% increase compared to 3Q/09 and 2Q/10, respectively
- **Net Profit:** Baht 2.34 billion, a 0.8% increase over 3Q/09 and a 9.5% increase over 2Q/10
- **YTD Net Profit:** Baht 6.55 billion, a 28% increase over the same period last year
- **Net Interest Margin:** Strong at more than 5%
- **Non-Interest Income:** Increased 27% over the prior year
- **Performing Loan Growth:** Increased Baht 15.3 billion year-to-date
- **Deposit Growth:** Increased Baht 10.5 billion year-to-date
- **Asset Quality:** Increased coverage from 74% to 85% year-to-date
- **Reserves:** Increased excess to Baht 13.2 billion, 153% of Bank of Thailand requirements
- **Delinquencies:** Overdue balances > 30 days dropped 15% year-to-date
- **Non-Performing Loans:** Decreased from Baht 52.1 Billion to Baht 44.7 billion with successful sale of Baht 5.3 billion in September
- **Capital Adequacy Ratio:** Increased from 14.2% to 17.9%

Statements of Income	3Q/10	2Q/10	*3Q/09	Change QoQ		Change YoY	
Consolidated				Baht mn	%	Baht mn	%
Interest and Dividend Income	12,436	11,756	9,515	679	5.8	2,920	30.7
Interest Expenses	2,867	2,482	2,250	385	15.5	617	27.4
Interest and Dividend Income, Net	9,568	9,275	7,265	294	3.2	2,303	31.7
Non-Interest Income	4,949	4,315	3,892	634	14.7	1,057	27.1
Non- Interest Expenses	8,020	7,386	5,692	635	8.6	2,329	40.9
Pre-Provision Operating Profit (PPOP)	6,497	6,204	5,466	293	4.7	1,031	18.9
Bad Debt and Doubtful Accounts	3,161	2,407	3,074	754	31.3	87	2.8
Loss (Gain) on Debt Restructuring	(13)	498	(537)	(511)	(102.5)	524	97.6
Income Tax Expenses	1,009	1,162	570	(153)	(13.1)	440	77.2
Net Income	2,339	2,137	2,358	203	9.5	(19)	(0.8)
Attributable To							
Equity Holders of the Bank	2,331	2,131	2,354	200	9.4	(23)	(1.0)
Minority Interest	8	6	4	2	41.0	4	91.4
Net Income	2,339	2,137	2,358	203	9.5	(19)	(0.8)
Earning Per Share [Baht]	0.38	0.35	0.39	0.03	8.3	(0.01)	(2.0)

* Restated number resulting from early adoption of Thai Accounting Standard No.12 "Income Taxes"

Statements of Income	9M/10	*9M/09	Change YoY	
Consolidated			Baht mn	%
Interest and Dividend Income	36,011	28,639	7,372	25.7
Interest Expenses	7,800	8,554	(754)	(8.8)
Interest and Dividend Income, Net	28,211	20,085	8,126	40.5
Non-Interest Income	13,866	9,993	3,872	38.7
Non- Interest Expenses	23,230	16,618	6,612	39.8
Pre-Provision Operating Profit (PPOP)	18,846	13,460	5,386	40.0
Bad Debt and Doubtful Accounts	8,918	6,504	2,415	37.1
Loss (Gain) on Debt Restructuring	316	547	(231)	(42.2)
Income Tax Expenses	3,060	1,307	1,754	134.2
Net Income	6,551	5,102	1,449	28.4
Attributable To				
Equity Holders of the Bank	6,532	5,097	1,435	28.2
Minority Interest	19	5	14	303.5
Net Income	6,551	5,102	1,449	28.4
Earning Per Share [Baht]	1.08	0.84	0.24	28.2

* Restated number resulting from early adoption Thai Accounting Standard No.12 "Income Taxes"



For the Third quarter period ended September 30, 2010

In the third quarter of 2010, the operating profit before provisioning for doubtful accounts and taxes was Baht 6,497 million representing an increase of Baht 1,031 million or 18.9% when compared to 3Q/09. A major contributor was the 31.7% growth achieved in net interest and dividend income and the 27.1% growth in non-interest income while non-interest expenses grew by 40.9%. In the same period, provision for bad debt and doubtful accounts of Baht 3,148 million was set aside to further strengthen the overall provision balance. After the provision and a tax expense of Baht 1,009 million, a net profit of Baht 2,339 million was posted in 3Q/10, representing a 0.8% increase when compared to 3Q/09.

The 3Q/10 operating profit before provisioning for doubtful accounts and taxes increased by Baht 293 million or 4.7% compared to the prior quarter while net profit increased by Baht 203 million or 9.5%. The increase was mainly due to an increase in non-interest income of 14.7% while the increase in non-interest expense was only 8.6%.

For the nine-month period ended September 30, 2010

For the nine-month period, the operating profit before provisioning for doubtful accounts and taxes was Baht 18,846 million representing an increase of Baht 5,386 million or 40.0% when compared to 9M/09. Over the same period net interest and dividend income and non-interest income increased by 40.5% and 39.8%, respectively, while non-interest expenses grew by 39.8%. After setting aside Baht 9,234 million in provisions for bad debt and doubtful accounts and Baht 3,060 million for tax expense, a net profit of Baht 6,551 million was posted, representing a Baht 1,449 million or 28.4% increase year over year.

Consolidated	As at	As at	As at	Change from		Change	
	Sep. 30, 10	Jun 30, 10	Dec. 31, 09	Jun. 30, 10		Dec. 31, 09	
				Baht mn	%	Baht mn	%
Assets	803,472	851,608	780,132	(48,136)	(5.7)	23,340	3.0
Loans	611,441	618,891	603,508	(7,450)	(1.2)	7,933	1.3
Deposits	530,983	523,258	520,515	7,725	1.5	10,469	2.0
Liabilities	706,224	755,571	687,547	(49,347)	(6.5)	18,677	2.7
Shareholders' Equity	97,248	96,036	92,585	1,211	1.3	4,662	5.0

As of September 30, 2010, the total assets of the Bank and its subsidiaries were Baht 803,472 million, a decrease of Baht 48,136 million or 5.7% as compared to June 30, 2010. This decrease was mainly due to reductions in inter-bank and money market items of Baht 31,069 million or 32.6% and customers liability under collateral of Baht 27,059 million or 96.4%. As compared to December 31, 2009, total assets increased by Baht 23,340 million or 3.0%, mainly due to an increase in inter-bank and money market items of Baht 10,561 million or 19.7% and investments of Baht 11,576 million or 17.0%.

Total liabilities were Baht 706,224 million, a decrease of Baht 49,347 million or 6.5% as compared to June 30, 2010. This was mainly due to a decrease in inter-bank and money market items of Baht 50,858 million or 71.1%, which was partially offset by an increase in borrowings of Baht 18,857 million or 18.8%. As compared to December 31, 2009, total liabilities increased by Baht 18,677 million or 2.7%, mainly due to an increase in deposits of Baht 10,469 million or 2.0% and borrowings of Baht 34,239 million or 40.4%, which was offset by a decrease in inter-bank and money market items of Baht 26,726 million or 56.4%.

Total shareholders' equity rose to Baht 97,248 million, an increase of Baht 1,211 million or 1.3% as compared to June 30, 2010. The increase was mainly due to net income of Baht 2,339 million for the quarter, offset by dividends paid of Baht 1,336 million. As compared to December 31, 2009, the total shareholders' equity increased by Baht 4,662 million or 5.0%. The increase was mainly due to net income of Baht 6,551 million for 9M/10, offset by dividends paid of Baht 2,430 million.

2. Financial Performance

2.1 Net interest and dividend income

Consolidated	3Q/10	2Q/10	3Q/09	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST AND DIVIDEND INCOME							
Interest on loans	8,042	7,678	5,638	365	4.7	2,404	42.6
Interest on interbank and money market items	305	243	140	62	25.7	165	117.4
Hire purchase and financial lease income	3,436	3,437	3,205	(1)	(0.0)	231	7.2
Investments	652	399	532	253	63.4	121	22.7
Total Interest and Dividend Income	12,436	11,756	9,515	679	5.8	2,920	30.7
INTEREST EXPENSES							
Interest on deposits	1,446	1,301	1,208	145	11.1	238	19.7
Interest on interbank and money market items	285	304	196	(18)	(6.0)	89	45.5
Interest on short-term borrowings	457	345	333	111	32.3	124	37.3
Interest on long-term borrowings	679	531	513	147	27.7	166	32.3
Total Interest Expenses	2,867	2,482	2,250	385	15.5	617	27.4
Interest and Dividend Income, net	9,568	9,275	7,265	294	3.2	2,303	31.7
Net Interest Margin	5.05%	4.87%	4.24%				
Yield on Earning Assets	6.57%	6.18%	5.55%				
Cost of Funds	1.68%	1.44%	1.45%				

Consolidated	9M/10	9M/09	Change YoY	
			Baht mn	%
INTEREST AND DIVIDEND INCOME				
Interest on loans	23,496	17,327	6,170	35.6
Interest on interbank and money market items	731	759	(28)	(3.6)
Hire purchase and financial lease income	10,233	9,178	1,056	11.5
Investments	1,550	1,376	174	12.6
Total Interest and Dividend Income	36,011	28,639	7,372	25.7
INTEREST EXPENSES				
Interest on deposits	4,082	5,465	(1,383)	(25.3)
Interest on interbank and money market items	855	570	285	49.9
Interest on short-term borrowings	1,163	608	554	91.1
Interest on long-term borrowings	1,700	1,911	(210)	(11.0)
Total Interest Expenses	7,800	8,554	(755)	(8.8)
Interest and Dividend Income, net	28,211	20,085	8,126	40.5
Net Interest Margin	5.16%	3.87%		
Yield on Earning Assets	6.59%	5.52%		
Cost of Funds	1.57%	1.80%		

For the Third Quarter period ended September 30, 2010

Net interest and dividend income in 3Q/10 was Baht 9,568 million, an increase of Baht 2,303 million or 31.7% as compared to the same period last year, resulting primarily from higher interest income on loans of Baht 2,404 million which was partially driven by the GE Money Thailand (GEMT) acquisition on November 4, 2009, while higher interest expense on deposits of Baht 238 million was due mainly to higher deposit balances and interest rates in line with the market.

Compared to 3Q/09, interest and dividend income for 3Q/10 was Baht 12,436 million, an increase of Baht 2,920 million or 30.7% from 3Q/09 driven by:

- Interest on loans of Baht 8,042 million, increased by Baht 2,404 million or 42.6% as a result of higher interest rates and consolidation of the personal loan and credit card portfolios from the GEMT acquisition.

- Interest on inter-bank and money market items income of Baht 305 million, increased by Baht 165 million or 117.4%, resulting primarily from higher interest rates.

- Hire purchase and financial lease income of Baht 3,436 million, increased by Baht 231 million or 7.2%, resulting primarily from a higher average outstanding balance and higher interest rates.

- Income on investments of Baht 652 million, increased by Baht 121 million or 22.7% mainly resulting from an increase in the average outstanding balance.

Interest expenses for 3Q/10 were Baht 2,867 million, an increase of Baht 617 million or 27.4% from 3Q/09 driven by:

- Interest on deposits of Baht 1,446 million, increased by Baht 238 million or 19.7% resulting primarily from higher interest rates in line with the market and higher deposit balances.

- Interest on inter-bank and money market items of Baht 285 million, increased by Baht 89 million or 45.5% due mainly to an increase in average outstanding balances and higher interest rates.

- Interest on short-term borrowings of Baht 457 million, increased by Baht 124 million or 37.3% resulting primarily from a higher outstanding balance, the announcement of the early redemption of long-term subordinated debt issue #5 of Baht 12,000 million which therefore moved to short-term borrowings in July 2010, and a slight increase in interest rates.

- Interest on long-term borrowings of Baht 679 million, increased by Baht 166 million or 32.3%, resulting primarily from the issuance of subordinated debt of Baht 20,000 million in June 2010, offset with the early redemption of long-term subordinated debt issue #5 of Baht 12,000 million which moved to short-term borrowings in July 2010.

Net interest and dividend income in 3Q/10 was Baht 9,568 million, an increase of Baht 294 million or 3.2% as compared to the last quarter, resulting primarily from higher interest income on loans and investments of Baht 365 million and Baht 253 million, respectively, while higher interest expense on deposits of Baht 145 million resulted due to higher interest rates in line with the market

Compared to 2Q/10, interest and dividend income for 3Q/10 increased Baht 679 million or 5.8% driven by:

- An increase in interest on loans of Baht 365 million or 4.7%, due mainly to higher interest rates.

- An increase in interest on inter-bank and money market items of Baht 62 million or 25.7%, due mainly to higher interest rates.

- An increase in income on investments of Baht 253 million or 63.4%, resulting mainly from an increase in dividend income from the equity securities portfolio of Baht 156 million and a higher average outstanding balance.

Interest expenses for 3Q/10 were Baht 2,867 million, an increase of Baht 385 million or 15.5% from 2Q/10 driven by:

- An increase in interest on deposits of Baht 145 million or 11.1%, resulting primarily from higher interest rates in line with market rates and an increase in the outstanding balance from the launch of targeted deposit campaigns.

- A decrease in interest on inter-bank and money market items of Baht 18 million or 6.0%, due mainly to higher interest rates.

- An increase in interest on short-term borrowings of Baht 111 million or 32.3%, resulting primarily from an increase in the outstanding balance from the early redemption of long-term subordinated debt issue #5 of Baht 12,000 million which moved to short term borrowings.

- An increase in interest on long-term borrowings of Baht 147 million or 27.7%, due mainly to the issuance of subordinated debt of Baht 20,000 million in June 2010, offset with the early redemption of long-term subordinated debt issue #5 of Baht 12,000 million which moved to short-term borrowings in July 2010.

For the nine-month period ended September 30, 2010

Net interest and dividend income in 9M/10 was Baht 28,211 million, an increase of Baht 8,126 million or 40.5% as compared to the same period last year, resulting primarily from higher interest on loans income of Baht 6,170 million due primarily to the GEMT acquisition on November 4, 2009, and lower interest on deposits of Baht 1,383 million due mainly to lower average interest rates.

Interest and dividend income for 9M/10 was Baht 36,011 million, an increase of Baht 7,372 million or 25.7% year-on-year driven by:

- Interest on loans of Baht 23,496 million, increased by Baht 6,170 million or 35.6% because of higher interest earned on unsecured personal loans and credit card portfolios acquired from GEMT on November 4, 2009.

- Interest on inter-bank and money market items of Baht 731 million, decreased by Baht 28 million or 3.6%, due mainly to lower average outstanding balances.

- Hire purchase and financial lease income of Baht 10,233 million, increased by Baht 1,056 million or 11.5% resulting primarily from higher outstanding balances in the portfolio and higher interest rates.

- Income on investments of Baht 1,550 million, increased by Baht 174 million or 12.6%, mainly resulting from an increase in dividend income from investments in the equity securities portfolio of Baht 66 million and an increase in the average outstanding balance..

Interest expenses for 9M/10 were Baht 7,800 million, a decrease of Baht 754 million or 8.8% from 9M/09 driven by:

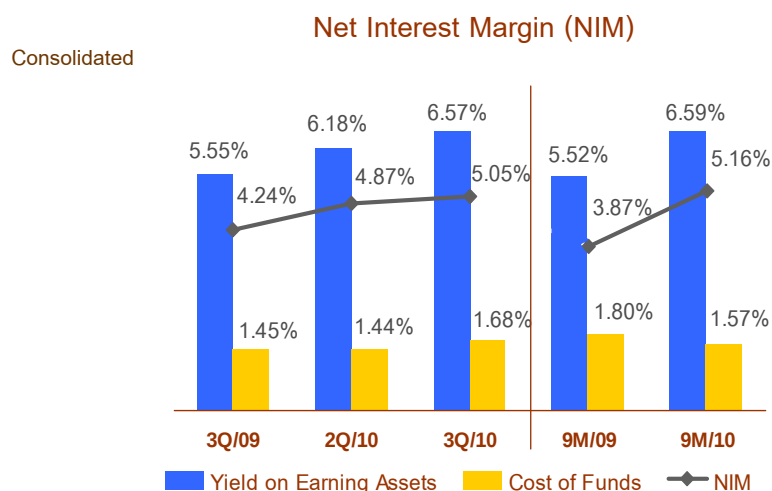
- Interest on deposits of Baht 4,082 million, decreased by Baht 1,383 million or 25.3%, mainly resulting from a decrease in the average interest rate.

- Interest on inter-bank and money market items of Baht 855 million, increased by Baht 285 million or 49.9%, due mainly to an increase in the average interest rate.

- Interest on short-term borrowings of Baht 1,163 million, increased by Baht 554 million or 91.1%, resulting primary from the early redemption of subordinated debt issue #5 of Baht 12,000 million in July 2010 moving to short-term borrowings, together with an increase in the average bills of exchange outstanding balance of Baht 16,367 million and the current portion of debentures of Baht 26,188 million moving from long-term borrowings, offset with debentures of Baht 16,525 million and Floating-Rate Notes of USD 150 million which matured in November 2009.

- Interest on long-term borrowings of Baht 1,700 million, decreased by Baht 210 million or 11.0%, mainly from debentures of Baht 15,989 million moving to short-term borrowings in June 2009 and the early redemption of subordinated debt issue #5 of Baht 12,000 million moving to short-term borrowings in July 2010, offset with the issuance of subordinated debt of Baht 20,000 million in June 2010.

Net interest margin (NIM) for 3Q/10 was 5.05%, increasing from 2Q/10 and the prior year. The increase in NIM in 3Q/10 from the previous quarter was driven by a lower level of outstanding primary dealer activity in the money market at the end of 3Q/10. The improvement from the prior year was driven by the rising interest rate environment and consolidation of the GEMT businesses.



	Sep-09	Dec-09	Jan-10	Mar-10	Jun-10	Jul-10	Sep-10
Policy Rate	1.25%	1.25%	1.25%	1.25%	1.25%	1.50%	1.75%
BAY Lending Rate	6.25%	6.25%	6.25%	6.25%	6.25%	6.375%	6.375%
Fixed Deposit rate							
3 - month deposits	0.75%	0.75%	0.75%	0.75%	0.75%	0.875%	1.05%
6 - month deposits	0.75%	0.75%	0.75%	0.75%	0.75%	1.10%	1.20-1.30%
12 - month deposits	1.00-1.50%	1.00%	1.00-1.50%	0.75%	0.75%	1.10-1.20%	1.35-1.50%

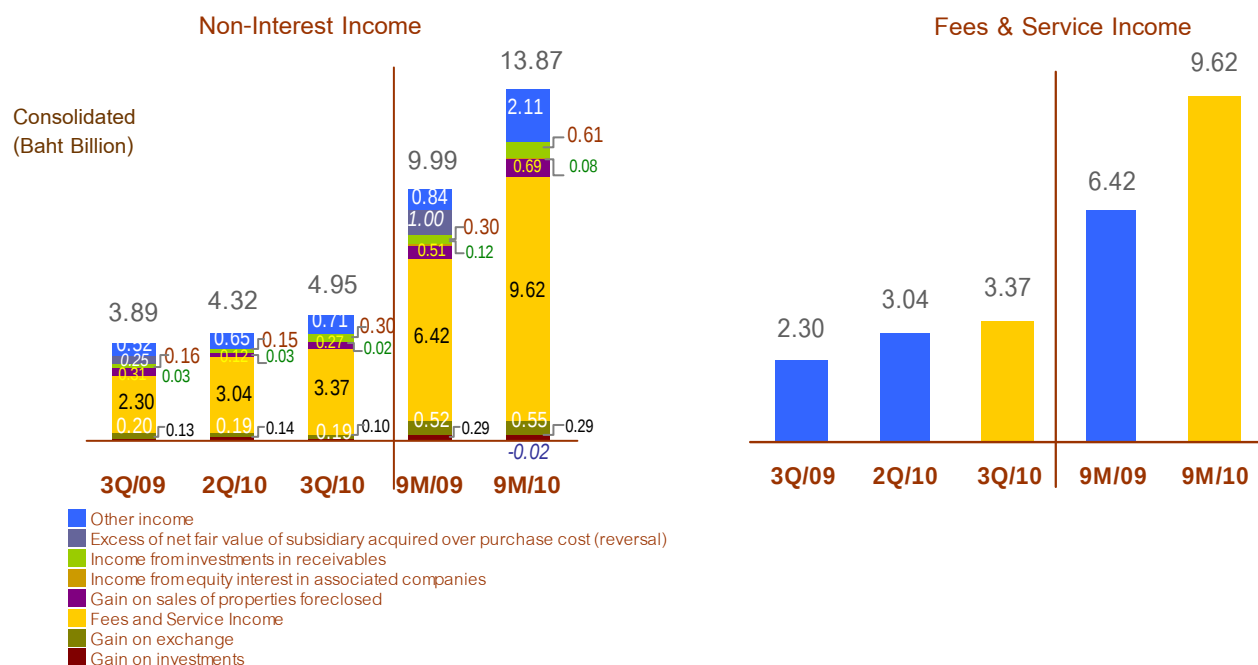
2.2 Non-Interest Income

Consolidated	3Q/10	2Q/10	*3Q/09	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Gain on investments	101	137	131	(36)	(26.4)	(30)	(22.8)
Income from equity interest in associated company	18	27	26	(9)	(32.5)	(7)	27.8
Fees and service income							
- Acceptances, aval and guarantees	14	14	12	(0)	(1.4)	2	18.3
- Others	3,352	3,024	2,288	328	10.8	1,064	46.5
Gain on exchange	187	188	196	(1)	(0.5)	(9)	(4.5)
Gain on sales of properties foreclosed	268	124	308	144	116.6	(40)	(12.9)
Income from investments in receivables	301	149	156	153	102.8	146	93.5
Excess of net fair value of acquired							
subsidiary over purchase cost (reversal)	0	0	253	(0)	(100.0)	(253)	(100.0)
Other income	707	652	523	55	8.5	183	35.0
Total Non-Interest Income	4,949	4,315	3,892	634	14.7	1,057	27.1

* Restated number resulting from early adoption of Thai Accounting Standard No.12 "Income Taxes"

Consolidated	9M/10	*9M/09	Change YoY	
			Baht mn	%
Gain on investments	292	291	0	0.2
Income from equity interest in associated company	84	122	(38)	(31.2)
Fees and service income				
- Acceptances, aval and guarantees	42	36	6	17.7
- Others	9,580	6,382	3,198	50.1
Gain on exchange	553	521	32	6.1
Gain on sales of properties foreclosed	691	509	182	35.8
Income from investments in receivables	605	301	305	101.4
Excess of net fair value of acquire				
subsidiary over purchase cost (reversal)	(24)	996	(1,020)	(102.4)
Other income	2,042	835	1,207	144.5
Total Non-Interest Income	13,866	9,993	3,872	38.7

* Restated number resulting from early adoption of Thai Accounting Standard No.12 "Income Taxes"



For the Third quarter period ended September 30, 2010

Compared with 3Q/09, non-interest income was Baht 4,949 million, an increase of Baht 1,103 million or 28.7%, driven primarily by higher business volumes and acquisitions in 2009:

- Fees and service income increasing by Baht 1,066 million or 46.4%, mainly driven by the consolidation of the GEMT businesses of Baht 880 million.
- Other income increasing by Baht 183 million or 35.0%, mainly driven by the increase in bad debt recoveries of the personal loan, credit card and hire-purchase businesses of Baht 201 million.
- These increases were partially offset by a decrease in the excess of net fair value of acquired subsidiary over purchase cost of Baht 253 million, resulting from the gain on investments in AIG Retail Bank and AIG Card Company recorded in 3Q/09.

Compared with 2Q/10, non-interest income increased by Baht 634 million or 14.7% driven primarily by:

- Fees and service income increasing by Baht 328 million or 10.8%, primarily from credit card fee income and brokerage fee income of Baht 95 million and Baht 52 million, respectively.
- Income from investment in receivables increased by Baht 153 million or 102.8%.
- Gain on sales of properties foreclosed increased by Baht 144 million or 116.6% resulting from an increase in sales volume.
- Other income increased by Baht 55 million or 8.5%, mainly driven by an increase in bad debt recoveries of personal loan, credit card and hire-purchase business.

For the nine-month period ended September 30, 2010

Compared with 9M/09, non-interest income was Baht 13,866 million, an increase of Baht 3,902 million or 39.2% driven by:

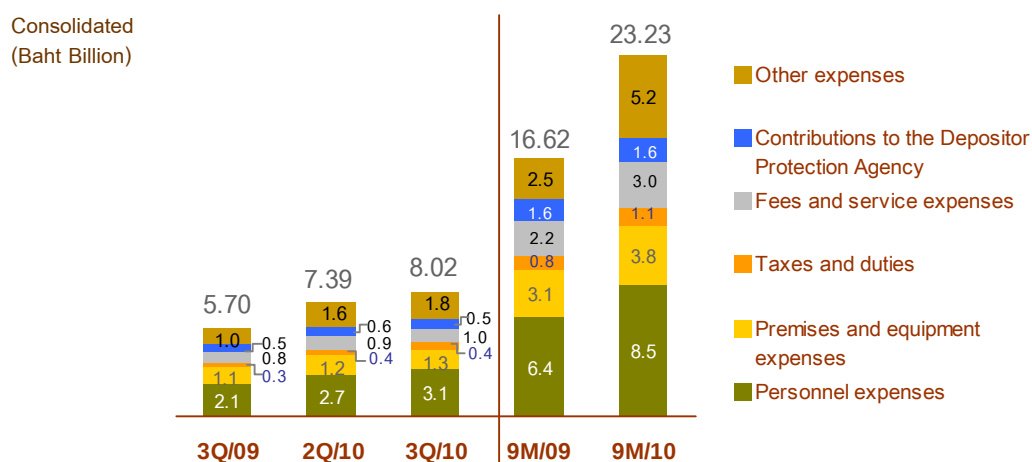
- Fees and service income increased by Baht 3,204 million or 49.9%, mainly driven by the increase in collection fees, credit card fees, bancassurance fees, fund management fees and brokerage fees of Baht 1,333 million, Baht 954 million, Baht 262 million, Baht 79 million and Baht 71 million, respectively.
- Other income increased by Baht 1,207 million or 144.5% driven by an increase in bad debt recoveries from the personal loan, credit card and hire-purchase businesses of Baht 1,240 million.
- Income from investment in receivables increased by Baht 305 million or 101.42%
- Gain on sales of properties foreclosed increased by Baht 182 million or 35.8% from an increase in sales volume in the second and third quarter of 2010.
- These increases were partially offset by a decrease in excess of net fair value of acquired subsidiary over purchase cost by Baht 1,020 million or 102.4%, resulting from the gain on investments in AIG Retail Bank and AIG Card Company recorded during the second and third quarter of 2009.

2.3 Non-Interest Expenses

Consolidated	3Q/10	2Q/10	3Q/09	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Personnel expenses	3,074	2,682	2,094	392	14.6	980	46.8
Premises and equipment expenses	1,278	1,214	1,064	64	5.2	214	20.1
Taxes and duties	390	373	274	17	4.5	116	42.5
Fees and service expenses	956	928	768	28	3.0	188	24.4
Directors' remuneration	7	7	7	0	1.6	0	2.5
Contributions to the							
Depositor Protection Agency	531	546	526	(15)	(2.8)	5	0.9
Other expenses	1,785	1,636	959	149	9.1	826	86.2
Total Non-Interest Expenses	8,020	7,386	5,692	635	8.6	2,329	40.9

Consolidated	9M/10	9M/09	Change YoY	
			Baht mn	%
Personnel expenses	8,543	6,414	2,129	33.2
Premises and equipment expenses	3,768	3,089	679	22.0
Taxes and duties	1,132	824	308	37.4
Fees and service expenses	2,965	2,174	791	36.4
Directors' remuneration	21	22	(2)	(6.9)
Contributions to the				
Depositor Protection Agency	1,596	1,578	18	1.1
Other expenses	5,206	2,517	2,689	106.8
Total Non-Interest Expenses	23,230	16,618	6,612	39.8

Non-Interest Expenses



For the Third quarter period ended September 30, 2010

Compared to 3Q/09, non-interest expenses were Baht 8,020 million, an increase of Baht 2,329 million or 40.9%, driven primarily by higher business volumes and acquisitions in 2009:

- Personnel expenses increased by Baht 980 million or 46.8%, driven mainly by an early retirement program expense of Baht 203 million and the consolidation of the GEMT businesses of Baht 354 million.
- Premises and equipment expenses increased by Baht 214 million or 20.1%, driven mainly by the consolidation of the GEMT businesses of Baht 214 million.
- Taxes and duties expense increased by Baht 116 million or 42.5%, driven mainly by the consolidation of the GEMT businesses of Baht 96 million.
- Fee and service expenses increased by Baht 188 million or 24.4%, driven mainly by the consolidation of the GEMT businesses of Baht 185 million.
- Other expenses increased by Baht 826 million or 86.2%, primarily driven by increase in provision for off-balance sheet items of Baht 238 million and the consolidation of the GEMT businesses of Baht 555 million.

Compared to 2Q/10, non-interest expenses increased by Baht 635 million or 8.6% driven by:

- Personal expenses increased by Baht 392 million or 14.6%, mainly driven by an early retirement program of Baht 203 million and a pension fund expense of Baht 103 million.
- Premises and equipment expenses increased by Baht 64 million or 5.2%, mainly driven by the increase in communication expenses of Baht 23 million and computer expenses of Baht 51 million.
- Fees and services expenses increased by Baht 28 million or 3.0%, mainly driven by an increase in credit card fees of Baht 20 million and commission fees of Baht 20 million.

- Other expenses increased by Baht 149 million or 9.1%, mainly from an increase in properties foreclosed expense of Baht 138 million, promotion expenses of Baht 118 million and provision for off-balance sheet items of Baht 113 million. This increase was net of a final reserve on assets transferred to TAMC of Baht 300 million which was recorded in the second quarter.

For the nine-month period ended September 30, 2010

Compared to 9M/09, non-interest expenses were Baht 23,230 million, an increase of Baht 6,612 million or 39.8%, driven primarily by higher business volumes and acquisitions in 2009:

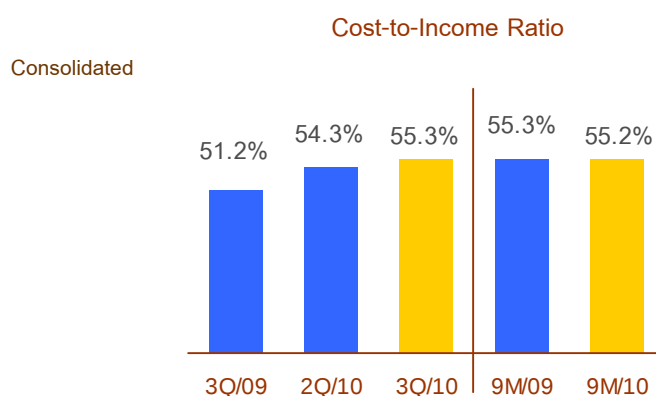
- Personnel expenses increased by Baht 2,129 million or 33.2%, driven mainly by the consolidation of the GEMT businesses of Baht 998 million and annual merit increases and other staff benefits totalling Baht 878 million.

- Premises and equipment expenses increased by Baht 679 million or 22.0%, driven mainly by the consolidation of the GEMT businesses of Baht 628 million.

- Taxes and duties expense increased by Baht 308 million or 37.4%, driven mainly by the consolidation of the GEMT businesses of Baht 276 million.

- Fee and service expenses increased by Baht 791 million or 36.4%, driven mainly by the increase in the consolidation of the GEMT businesses of Baht 587 million, credit card fees of Baht 141 million and professional fees of Baht 89 million.

- Other expenses increased by Baht 2,689 million or 106.8%, primarily driven by the consolidation of the GEMT businesses of Baht 1,480 million and a final reserve on assets transferred to TAMC of Baht 600 million.



In 3Q/10, the Bank's cost-to-income ratio increased slightly to 55.3% from 54.3% in the previous quarter as the Bank reinvested productivity gains achieved through integration activities on promotion expenses (delayed from the previous quarter due to political unrest), the Bank's technology infrastructure and an early retirement program.

2.4 Loan Loss Provision

Consolidated	3Q/10	2Q/10	3Q/09	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Bad Debt and Doubtful Accounts	3,161	2,407	3,074	754	31.3	87	2.8
Loss on Debt Restructuring	(13)	498	(537)	(511)	(102.5)	524	97.6
Total Provisioning	3,148	2,905	2,538	243	8.4	611	24.1

Consolidated	9M/10	9M/09	Change YoY	
			Baht mn	%
Bad Debt and Doubtful Accounts	8,918	6,504	2,415	37.1
Loss on Debt Restructuring	316	547	(231)	(42.2)
Total Provisioning	9,235	7,051	2,183	31.0

The Bank and its subsidiaries set aside loan loss provisions in 3Q/10 totaling Baht 3,148 million, an increase of Baht 243 million or 8.4% from 2Q/10, as the Bank and its subsidiaries are nearing the final stages of addressing legacy non-performing loans. Compared to the same quarter last year the provision increased Baht 611 million or 24.1%. The provision in 9M/10 totaled Baht 9,235 million, an increase of Baht 2,183 million or 31.0% over the prior year. The provision increase on a year-over-year basis was driven by an increase in outstanding retail loans from the three acquisitions completed in 2009. This level of provision also strengthened the balance sheet of the Bank as it increased the loan loss coverage ratio from 74% in December 2009 to 85% at the end of the third quarter.

3. Financial Status

3.1 Balance Sheet

Consolidated	As at	As at	As at	Change from		Change from	
	Sep. 30, 10	Jun. 30, 10	Dec. 31, 09	Jun. 30, 10		Dec. 31, 09	
				Baht mn	%	Baht mn	%
<u>ASSETS</u>							
Cash	17,895	17,761	20,090	134	0.8	(2,195)	(10.9)
Interbank and money market items, net	64,229	95,298	53,668	(31,069)	(32.6)	10,561	19.7
Investments, net	79,639	69,783	68,063	9,856	14.1	11,576	17.0
Loans	611,441	618,891	603,508	(7,450)	(1.2)	7,933	1.3
Accrued interest receivable	1,810	1,845	2,210	(35)	(1.9)	(400)	(18.1)
Allowance for doubtful accounts	(37,257)	(40,607)	(38,271)	3,350	8.3	1,014	2.6
Revaluation allowance for debt restructuring	(605)	(36)	(329)	(568)	(1,561.3)	(276)	(84.0)
Properties foreclosed, net	15,349	16,418	18,017	(1,070)	(6.5)	(2,668)	(14.8)
Others	50,972	72,255	53,176	(21,283)	(29.5)	(2,204)	(4.1)
TOTAL ASSETS	803,472	851,608	780,132	(48,136)	(5.7)	23,340	3.0
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>							
Deposits	530,983	523,258	520,515	7,725	1.5	10,469	2.0
Interbank and money market items	20,689	71,548	47,415	(50,858)	(71.1)	(26,726)	(56.4)
Borrowings	118,926	100,069	84,687	18,857	18.8	34,239	40.4
Others	35,626	60,696	34,931	(25,071)	(41.3)	695	2.0
TOTAL LIABILITIES	706,224	755,571	687,547	(49,347)	(6.5)	18,677	2.7
Issued and paid-up share capital	60,741	60,741	60,741	0	-	0	-
Retained earning	16,897	15,900	12,793	997	6.3	4,104	32.1
Others	19,609	19,395	19,051	214	1.1	558	2.9
TOTAL SHAREHOLDERS' EQUITY	97,248	96,036	92,585	1,211	1.3	4,662	5.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	803,472	851,608	780,132	(48,136)	(5.7)	23,339	3.0

As of September 30, 2010, total assets were Baht 803,472 million, an increase of Baht 23,340 million or 3.0% from December 31, 2009. Key drivers were an increase in net investments of Baht 11,576 million or 17.0%, an increase in inter-bank and money market items of Baht 10,561 million or 19.7%, and an increase in loans of Baht 7,933 million or 1.3%, mainly due to an increase in hire purchase and housing loans. As compared to June 30, 2010, total assets decreased by Baht 48,136 million or 5.7%. This decrease was mainly from a decrease in primary dealer activities at the end of the quarter of Baht 58,129

million. Loans reduced slightly during the third quarter mainly from the sale of non-performing loans in the amount of Baht 5,275 million.

As of September 30, 2010, total liabilities were Baht 706,224 million, an increase of Baht 18,677 million or 2.7% from December 31, 2009. The major drivers were an increase in borrowings of Baht 34,239 million or 40.4% from the issuance of subordinated debentures and bills of exchange, partially offset by debentures that matured during the period. In addition, deposits increased by Baht 10,469 million or 2.0%, mainly due to an increase in time deposits from new campaign launches, offset by a decrease in inter-bank and money market items of Baht 26,726 million or 56.4%. As compared to June 30, 2010, total liabilities decreased by Baht 49,347 million or 6.5% despite increases in deposits of Baht 7,725 million and borrowings of Baht 18,857 million. Major drivers of the reduction in total liabilities were a decrease in inter-bank and money market balances of Baht 50,858 million or 71.1%, mainly due to a decrease in primary dealer at the end of the quarter.

Total shareholders' equity rose to Baht 97,248 million, an increase of Baht 4,662 million or 5.0% as compared to December 31, 2009. The increase was driven by net income of Baht 6,551 million for 9M/10 plus an increase in land and building revaluation, the revaluation on investments and minority interest totaling Baht 539 million offset by dividends paid during 9M/10 of Baht 2,430 million. As compared to June 30, 2010, total shareholders' equity increased by Baht 1,211 million or 1.3%. The increase was due to net income of Baht 2,339 million for the quarter and an increase in land and building revaluation, the revaluation on investments and minority interest totaling Baht 215 million offset by dividends paid during 3Q/10 of Baht 1,336 million.

3.2 Details on loans

3.2.1 Loans by segment

Consolidated	Sep. 30, 10	Jun. 30, 10	Dec. 31, 09	Change from		Change from	
				Jun. 30, 2010		Dec. 31, 2009	
				Baht mn	%	Baht mn	%
Corporate	173,393	183,357	181,526	(9,964)	(5.4)	(8,133)	(4.5)
SMEs	174,261	176,460	169,701	(2,199)	(1.2)	4,560	2.7
Retail	263,787	259,074	252,281	4,713	1.8	11,506	4.6
-Hire purchases	119,234	115,223	111,794	4,011	3.5	7,440	6.7
- Housing	79,711	79,258	73,619	453	0.6	6,092	8.3
- Personal & other	64,842	64,593	66,868	249	0.4	(2,026)	(3.0)
Total	611,441	618,891	603,508	(7,450)	(1.2)	7,933	1.3

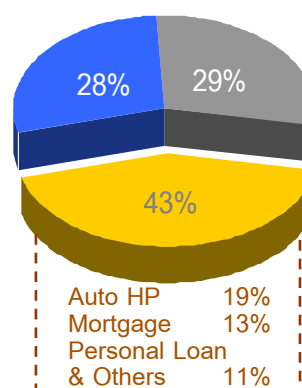
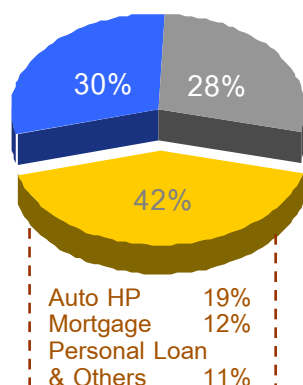
Total loans grew organically by Baht 7,933 million or 1.3% from Baht 603,508 million as of December 31, 2009 to Baht 611,441 million as of September 30, 2010. The growth was mainly from the retail segment, namely mortgages and auto hire purchase. Mortgage loans grew exceptionally well during the first half of the year with the government incentives encouraging customer purchases expiring at the end of June. Auto hire purchase loans also grew strongly in line with consumer confidence and an increase in car sales. The loan decrease of Baht 7,450 million in the third quarter mainly came from the corporate segment where intense competition in the market continued to drive down yields. The decline in loans also takes into consideration the sale of non-performing loans in September, 2010 in the amount of Baht 5,275 million.

Loan Composition

Consolidated

2009

September 2010



■ Corporate ■ SME ■ Retail

3.2.2 Loans classification and Provision

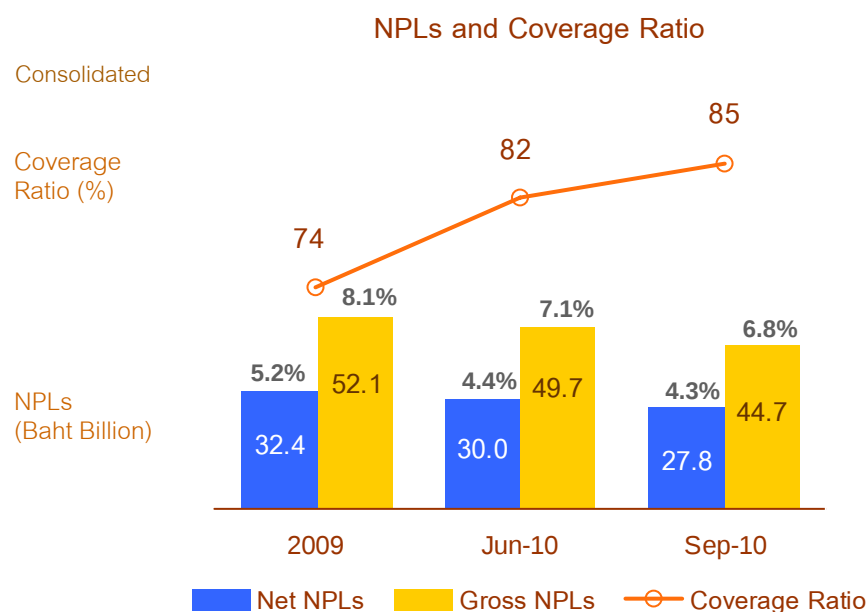
Unit : Baht mn

Consolidated	September 30, 2010		Dec. 31, 2009		Change	
	Loans and Accrued Interest	Provision	Loans and Accrued Interest	Provision	Loans and Accrued Interest	Provision
Normal	543,546	5,805	525,101	5,376	18,445	429
Special mentioned	23,598	1,314	27,066	1,663	(3,468)	(349)
Substandard	9,205	4,641	7,298	3,369	1,907	1,272
Doubtful	5,428	1,712	7,886	3,442	(2,458)	(1,730)
Doubtful of loss	30,339	10,597	37,319	12,897	(6,980)	(2,300)
Total BOT Provision	612,116	24,069	604,670	26,747	7,446	(2,678)
Plus (less) deferred income / commission	1,135		1,048		87	
Surplus Reserve		13,188		11,524		1,664
Total	613,251	37,257	605,718	38,271	7,533	(1,014)

Non-performing loans

Consolidated	Sep 30, 10	Jun 30, 10	Dec 31, 09	Change from		Change from	
				Jun 30, 10		Dec 31, 09	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	27,756	30,027	32,370	(2,271)	(7.6)	(4,614)	(14.3)
Non-Performing Loans (Gross)	44,727	49,702	52,080	(4,975)	(10.0)	(7,353)	(14.1)
Loans loss reserves (LLR)	37,876	40,668	38,603	(2,792)	(6.9)	(727)	(1.9)
Coverage	84.7%	81.8%	74.1%	2.9%	3.5	10.6%	14.2
BOT Requirement	24,687	28,927	27,079	(4,240)	(14.7)	(2,392)	(8.8)
Actual / Required LLR	153.4%	140.6%	142.6%	12.8%	9.1	10.9%	7.6

Asset quality remained tightly controlled throughout 9M/10, resulting in a decrease in non-performing loans (NPLs), despite the political unrest during May 2010. As of September 30, 2010, gross non-performing loans decreased by Baht 7,353 million or 14.1% from December 31, 2009, due mainly to the sale of non-performing loans in September 2010, while the surplus reserve increased to Baht 13,188 million from Baht 11,524 million. The coverage ratio increased significantly to 84.7% from 74.1% while the actual provision when compared to BOT required provision ratio increased to 153.4% from 142.6% as of December 31, 2009.

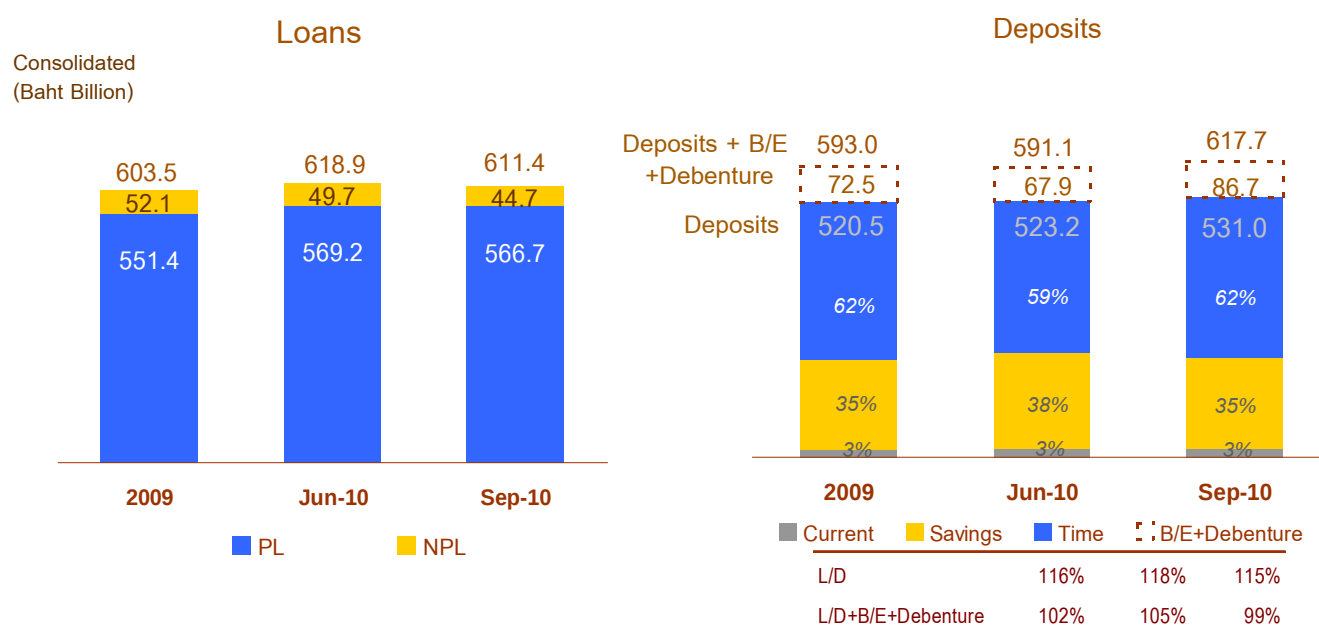


3.3 Details of deposits

Consolidated	Sep. 30, 2010	Dec. 31, 2009	Change		Deposit Structure	
	(Baht mn.)	(Baht mn.)	Baht mn	%	Sep. 30, 2010	Dec. 31, 2009
Current	17,237	14,907	2,330	15.6	3.25	2.86
Savings	185,974	184,405	1,569	0.9	35.02	35.43
Time	327,773	321,203	6,569	2.0	61.73	61.71
< 6 months	92,577	90,405	2,173	2.4	17.44	17.37
6 M - 1 Year	110,310	114,425	(4,115)	(3.6)	20.77	21.98
> 1 Year	124,885	116,374	8,512	7.3	23.52	22.36
Total	530,983	520,515	10,469	2.0	100.00	100.00

As of September 30, 2010, deposits totaled Baht 530,983 million, an increase of Baht 10,469 million or 2.0% from December 31, 2009. The increase was across the board with time deposits increasing Baht 6,569 million or 2.0%, current deposits increasing Baht 2,330 million or 15.6% and savings deposits increasing Baht 1,569 million or 0.9%. Time deposits with tenors of more than 1 year increased by Baht 8,512 million or 7.3% and time deposits with tenors less than 6 months increased by Baht 2,173 million or 2.4% while time deposits with 6 months to 1 year tenor decreased by Baht 4,115 million or 3.6%.

Overall, the Loan to Deposit plus bills of exchange and debentures ratio decreased to 99% and the liquidity position of the Bank remains strong with the recent issuance of subordinated debentures of Baht 20,000 million.



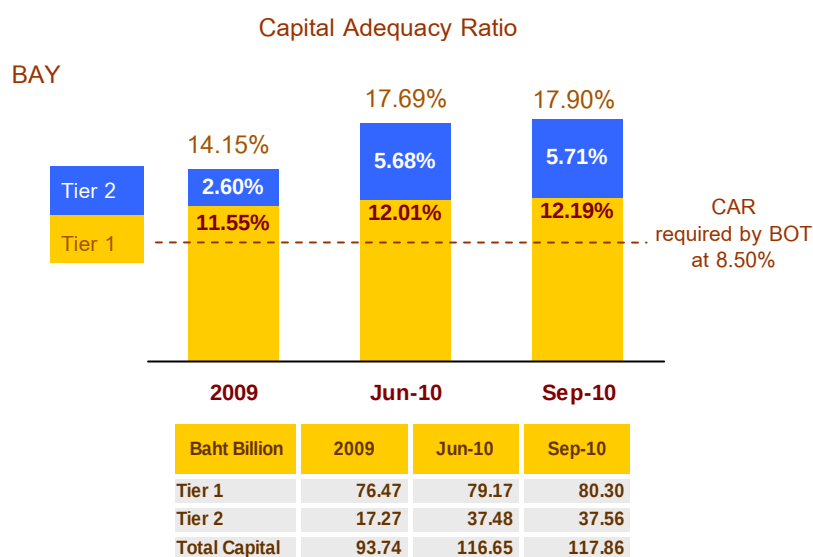
3.4 Off balance sheet items

Consolidated	Sep.30, 10	Jun.30, 10	Dec. 31, 09	Change from		Change from	
				Jun. 30, 10		Dec. 31, 09	
				Baht mn	%	Baht mn	%
Off-Balance Sheet Items - Contingencies							
Avals to bills and Guarantees of loans	3,655	3,950	3,983	(295)	(7.5)	(328)	(8.2)
Liability under unmatured import bills	945	1,333	1,380	(388)	(29.1)	(435)	(31.5)
Letters of credit	6,646	4,534	5,383	2,112	46.6	1,263	23.5
Other contingencies	391,365	382,317	255,085	9,048	2.4	136,280	53.4
Total	402,611	392,134	265,830	10,477	2.7	136,781	51.5

The Bank and its subsidiaries' off balance sheet items as of September 30, 2010 totaled Baht 402,611 million, an increase of Baht 136,781 million or 51.5% as compared to December 31, 2009. This increase was driven by other contingencies increasing Baht 136,280 million as a result of derivative transactions of Baht 124,049 million and unused overdrafts of Baht 12,164 million.

3.5 Statutory Capital

As of September 30, 2010, the Bank's capital totaled Baht 117,858 million, equivalent to 17.9% of risk-weighted assets with 12.2% in Tier 1 capital under the implementation of Basel II.



4. Credit Ratings

The Bank's credit ratings by Moody's Investors Service, Standard & Poor's and Fitch Ratings as of September 30, 2010 are as follows:

Moody's Investors Service

Bank Deposits

- Long Term	Baa2
- Short Term	Prime-2

Debt

- Long Term -Senior Debt	Baa2
- Long Term -Subordinated	Ba1
- Short Term	Prime-3

Debt and Deposit Rating Outlook	Stable
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Bank Financial Strength Ratings	D
Outlook	Stable

Standard and Poor's

Local Currency

- Long Term	BBB-
- Short Term	A-3

Foreign Currency

- Long Term - Senior Debt	BBB-
- Short Term	A-3

Bank Financial Strength Ratings	C
Outlook	Stable

Fitch Ratings

Foreign Currency Issuer Default

- Long Term	BBB
- Subordinated Debt	BBB-
- Short Term	F3
- Individual Rating	C
- Support	3
- Support Rating Floor	BB+
- Outlook	Stable

National Ratings

- Long Term –Senior Debt	AA- (tha)
- Subordinated Debt	A+ (tha)
- Short Term	F1+ (tha)
- Outlook	Stable