



Management Discussion and Analysis
For the quarter and the year ended December 31, 2010

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Management Discussion and Analysis (MD&A)

1. Summary of Financial Performance and Status

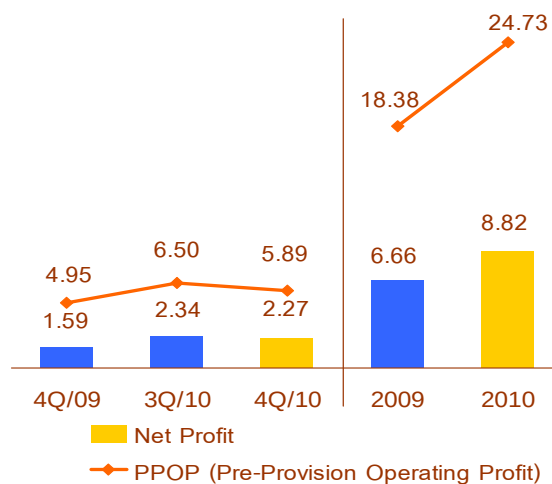
Bank of Ayudhya Public Company Limited announced continued improvement in its operating performance as well as a strengthened balance sheet for the fourth quarter and the whole year of 2010. The key financial highlights of the results for KRUNGSRI Group (The Bank and its subsidiaries) are as follows:

- Operating Profit:
 4Q/10 : Baht 5.9 billion, a 19% increase compared to 4Q/09 and a 9.4% decrease from 3Q/10
 2010 : Baht 24.7 billion, a 34.6% increase from 2009
- Net Profit:
 4Q/10 : Baht 2.3 billion, a 42.9% increase over 4Q/09 and a 3.2% decrease over 3Q/10
 2010 : Baht 8.8 billion, a 32.4% increase from 2009
- Net Interest Margin: Strong at more than 5%
- Non-Interest Income: Increased 45.5% compared to 4Q/09 and 40.9% from 2009
- Performing Loan Growth: Increased Baht 59 billion year-to-date
- Deposit Growth: Increased Baht 56 billion year-to-date
- Asset Quality: Increased coverage from 74% to 89% year-to-date
- Reserves: Increased excess to Baht 12.7 billion, 159.4% of Bank of Thailand requirements
- Non-Performing Loans: Decreased from Baht 52.1 Billion to Baht 38.1 billion driven primarily from successful sales totaling Baht 12.8 billion in September and December
- Capital Adequacy Ratio: Increased from 14.2% to 15.8%

Statements of Income Consolidated	4Q/10	3Q/10	4Q/09	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest and Dividend Income	12,715	12,435	10,818	280	2.3	1,897	17.5
Interest Expenses	2,692	2,867	2,485	(175)	(6.1)	207	8.3
Interest and Dividend Income, Net	10,023	9,568	8,333	455	4.8	1,690	20.3
Non-Interest Income	5,472	4,949	3,760	523	10.6	1,712	45.5
Non- Interest Expenses	9,610	8,020	7,146	1,590	19.8	2,464	34.5
Pre-Provision Operating Profit (PPOP)	5,885	6,497	4,947	(612)	(9.4)	938	19.0
Bad Debt and Doubtful Accounts	2,506	3,161	2,625	(655)	(20.7)	(119)	(4.5)
Loss (Gain) on Debt Restructuring	650	(12)	540	662	nm	110	20.4
Income Tax Expenses	464	1,009	197	(545)	(54.0)	267	135.5
Net Income	2,265	2,339	1,585	(74)	(3.2)	680	42.9
Attributable To							
Equity Holders of the Bank	2,261	2,331	1,592	(70)	(3.0)	669	42.0
Minority Interest	4	8	(7)	(4)	50.0	11	157.1
Net Income	2,265	2,339	1,585	(74)	(3.2)	680	42.9
Earning Per Share [Baht]	0.37	0.38	0.26	(0.01)	(3.0)	0.11	43.1

Statements of Income	YE	YE	Change YoY	
Consolidated	2010	2009	Baht mn	%
Interest and Dividend Income	48,726	39,457	9,269	23.5
Interest Expenses	10,492	11,040	(548)	(5.0)
Interest and Dividend Income, Net	38,234	28,417	9,817	34.5
Non-Interest Income	19,337	13,724	5,613	40.9
Non- Interest Expenses	32,840	23,764	9,076	38.2
Pre-Provision Operating Profit (PPOP)	24,731	18,377	6,354	34.6
Bad Debt and Doubtful Accounts	11,425	9,129	2,296	25.2
Loss (Gain) on Debt Restructuring	966	1,087	(121)	(11.1)
Income Tax Expenses	3,524	1,504	2,020	134.3
Net Income	8,816	6,657	2,159	32.4
Attributable To				
Equity Holders of the Bank	8,793	6,659	2,134	32.0
Minority Interest	23	(2)	25	nm
Net Income	8,816	6,657	2,159	32.4
Earning Per Share [Baht]	1.45	1.10	0.35	31.6

PPOP & Net Profit

Consolidated
(Baht Billion)

For the fourth quarter period ended December 31, 2010

In 4Q/10, the operating profit before provisioning for doubtful accounts and taxes was Baht 5,885 million representing an increase of Baht 938 million or 19.0% when compared to 4Q/09. A major contributor was the 20.3% growth achieved in net interest and dividend income and the 45.5% growth in non-interest income while non-interest expenses grew by 34.5%. In the same period, provision for bad debt and doubtful accounts of Baht 3,156 million was set aside to further strengthen the overall provision balance. After the provision and a tax expense of Baht 464 million, a net profit of Baht 2,265 million was posted in 4Q/10, representing a 42.9% increase when compared to 4Q/09.

The 4Q/10 operating profit before provisioning for doubtful accounts and taxes decreased by Baht 612 million or 9.4% compared to the prior quarter and net profit decreased by Baht 74 million or 3.2%. The decrease was mainly due to an increase in non-interest expenses of 19.8% partially offset by an increase in non-interest income of 10.6%.

For the year ended December 31, 2010

For the year 2010, the operating profit before provisioning for doubtful accounts and taxes was Baht 24,731 million representing an increase of Baht 6,354 million or 34.6% when compared to 2009. Over the same period net interest and dividend income and non-interest income increased by 34.5% and 40.9%, respectively, while non-interest expenses grew by 38.2%. After setting aside Baht 12,391 million in provisions for bad debt and doubtful accounts and Baht 3,524 million for tax expense, a net profit of Baht 8,816 million was posted, representing a Baht 2,159 million or 32.4% increase year over year.

Consolidated	As at	As at	As at	Change from		Change from	
	Dec. 31, 10	Sep 30, 10	Dec. 31, 09	Sep. 30, 10		Dec. 31, 09	
				Baht mn	%	Baht mn	%
Assets	869,834	803,472	780,132	66,362	8.3	89,702	11.5
Loans	648,960	611,441	603,508	37,519	6.1	45,452	7.5
Deposits	576,479	530,983	520,515	45,496	8.6	55,964	10.8
Liabilities	770,730	706,224	687,547	64,506	9.1	83,183	12.1
Shareholders' Equity	99,104	97,248	92,585	1,856	1.9	6,519	7.0

As of December 31, 2010, the total assets of the Bank and its subsidiaries were Baht 869,834million, an increase of Baht 66,362 million or 8.3% as compared to September 30, 2010. This increase was mainly due to higher inter-bank and money market items of Baht 10,298 million or 16.0% and loans of Baht 37,519 million or 6.1%. As compared to December 31, 2009, total assets increased by Baht 89,702 million or 11.5%, also mainly due to an increase in inter-bank and money market items of Baht 20,859 million or 38.9% and loans of Baht 45,452 million or 7.5%.

Total liabilities were Baht 770,730 million, an increase of Baht 64,506 million or 9.1% as compared to September 30, 2010. This increase was mainly due higher inter-bank and money market items of Baht 23,099 million or 111.6% and deposits of Baht 45,496 million or 8.6%. As compared to December 31, 2009, total liabilities increased by Baht 83,183 million or 12.1%, mainly due to an increase in deposits of Baht 55,964 million or 10.8%, inter-bank and money market items of Baht 8,245 million or 23.2% and liabilities under collateral to deliver of Baht 6,257 million or 88.3%.

Total shareholders' equity rose to Baht 99,104 million, an increase of Baht 1,856 million or 1.9% as compared to September 30, 2010. The increase was mainly due to equity holders net income of Baht 2,261 million for the quarter. As compared to December 31, 2009, the total shareholders' equity increased by Baht 6,519 million or 7.0%. The increase was mainly due to net income of Baht 8,793 million for the year 2010, offset by dividends paid of Baht 2,430 million.

2. Financial Performance

2.1 Net interest and dividend income

Consolidated	4Q/10	3Q/10	4Q/09	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST AND DIVIDEND INCOME							
Interest on loans	8,145	8,042	7,041	103	1.3	1,104	15.7
Interest on interbank and money market items	414	305	85	109	35.7	329	387.1
Hire purchase and financial lease income	3,622	3,436	3,250	186	5.4	372	11.4
Investments	534	652	442	(118)	(18.1)	92	20.8
Total Interest and Dividend Income	12,715	12,435	10,818	280	2.3	1,897	17.5
INTEREST EXPENSES							
Interest on deposits	1,548	1,446	1,347	102	7.1	201	14.9
Interest on interbank and money market items	155	285	180	(130)	(45.6)	(25)	(13.9)
Interest on short-term borrowings	392	457	342	(65)	(14.2)	50	14.6
Interest on long-term borrowings	597	679	616	(82)	(12.1)	(19)	(3.1)
Total Interest Expenses	2,692	2,867	2,485	(175)	(6.1)	207	8.3
Interest and Dividend Income, net	10,023	9,568	8,333	455	4.8	1,690	20.3
Net Interest Margin	5.24%	5.05%	4.71%				
Yield on Earning Assets	6.65%	6.57%	6.11%				
Cost of Funds	1.55%	1.68%	1.55%				

Consolidated	YE	YE	Change YoY	
	2010	2009	Baht mn	%
INTEREST AND DIVIDEND INCOME				
Interest on loans	31,642	24,367	7,275	29.9
Interest on interbank and money market items	1,145	844	301	35.7
Hire purchase and financial lease income	13,855	12,428	1,427	11.5
Investments	2,084	1,818	266	14.6
Total Interest and Dividend Income	48,726	39,457	9,269	23.5
INTEREST EXPENSES				
Interest on deposits	5,630	6,813	(1,183)	(17.4)
Interest on interbank and money market items	723	391	332	84.9
Interest on short-term borrowings	1,600	971	629	64.8
Interest on long-term borrowings	2,539	2,865	(326)	(11.4)
Total Interest Expenses	10,492	11,040	(548)	(5.0)
Interest and Dividend Income, net	38,234	28,417	9,817	34.5
Net Interest Margin	5.07%	4.05%		
Yield on Earning Assets	6.46%	5.62%		
Cost of Funds	1.53%	1.71%		

For the fourth quarter period ended December 31, 2010

Net interest and dividend income in 4Q/10 was Baht 10,023 million, an increase of Baht 1,690 million or 20.3% as compared to the same period last year, resulting primarily from higher interest income on loans, together with income from hire purchase assets and interbank and money market items, while a higher interest expense on deposits was due to both higher deposit balances and interest rates increases in line with the market.

Compared to 4Q/09, interest and dividend income for 4Q/10 was Baht 12,715 million, an increase of Baht 1,897 million or 17.5% from 4Q/09 driven by:

- Interest on loan of Baht 8,145 million, increased by Baht 1,104 million of 15.7% as a result of higher interest rates, higher average outstanding balance and consolidation of the personal loan and credit card portfolios from the GE Money Thailand (GEMT) acquisition on November 4, 2009.
- Interest on inter-bank and money market items income of Baht 414 million, increased by Baht 329 million or 387.1%, resulting primarily from higher interest rates.
- Hire purchase and financial lease income of Baht 3,622 million, increased by Baht 372 million or 11.4%, resulting primarily from a higher average outstanding balance and higher interest rates.

Interest expenses for 4Q/10 were Baht 2,692 million, an increase of Baht 207 million or 8.3% from 4Q/09 mainly due to interest on deposits of Baht 1,548 million increasing by Baht 201 million or 14.9%, resulting primarily from higher interest rates in line with the market and higher deposit balances.

Net interest and dividend income in 4Q/10 was Baht 10,024 million, an increase of Baht 456 million or 4.8% as compared to the last quarter.

Compared to 3Q/10, interest and dividend income for 4Q/10 increased Baht 280 million or 2.3% driven by:

- An increase in interest on loans of Baht 103 million or 1.3%, due mainly to a higher average outstanding balance in unsecured personal loans, credit card loans and corporate loans.
- An increase in interest on inter-bank and money market items of Baht 109 million or 35.7%, due mainly to higher interest rates and higher average outstanding balance.
- An increase in interest on hire purchase and financial lease income of Baht 186 million or 5.4%, due mainly to higher interest rates and higher average outstanding balances.
- A decrease in income on investments of Baht 118 million or 18.1%, resulting mainly from a decrease in dividend income from the equity securities portfolio of Baht 128 million.

Interest expenses for 4Q/10 were Baht 2,692 million, a decrease of Baht 175 million or 6.1% from 3Q/10 driven by:

- A decrease in interest on inter-bank and money market items of Baht 130 million or 45.6%, due mainly to a decrease in the outstanding balance.
- A decrease in interest on short-term borrowings of Baht 65 million or 14.2%, resulting primarily from a decrease in the outstanding balance from the early redemption of subordinated debt issue #5 of Baht 12,000 million and debenture of Baht 8,206 million which matured in 4Q/10, offset with the current portion of debentures of Baht 17,533 million moving from long-term borrowings.
- A decrease in interest on long-term borrowings of Baht 82 million or 12.1%, due mainly to long-term debenture of Baht 17,533 million maturing in 4Q/2011, moving to short-term borrowings in December 2010.
- An increase in interest on deposits of Baht 102 million or 7.1%, 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.

For the year ended December 31, 2010

Net interest and dividend income for the year ended December 31, 2010 was Baht 38,234 million, an increase of Baht 9,817 million or 34.5% as compared to the same period last year, resulting primarily from higher interest and dividend income of Baht 9,269 million due primarily to the GE Money Thailand (GEMT) acquisition on November 4, 2009, and lower interest expenses of Baht 548 million due mainly to lower interest rate paid on deposits.

Interest and dividend income for the year ended December 31, 2010 was Baht 48,726 million, an increase of Baht 9,269 million or 23.5% year-on-year driven by:

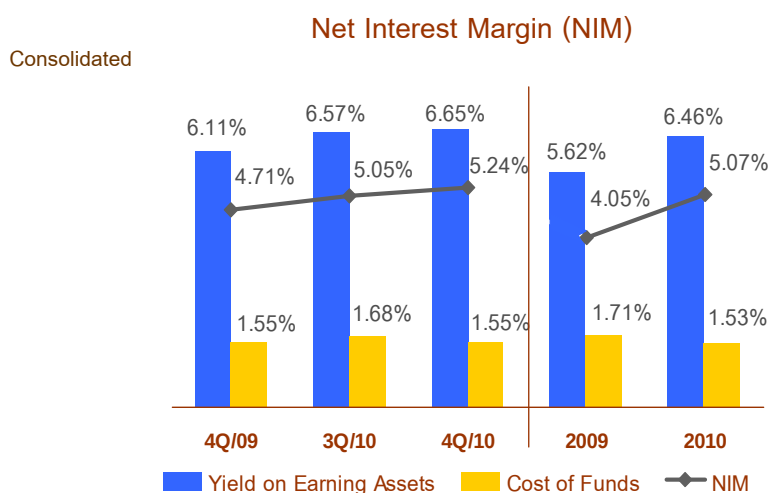
- Interest on loans of Baht 31,642 million, increased by Baht 7,275 million or 29.9% because of higher interest earned on unsecured personal loan and credit card portfolios acquired from GEMT.
- Interest on inter-bank and money market items of Baht 1,145 million, increased by Baht 301 million or 35.7%, due mainly to a higher average rate and higher average outstanding balance.
- Hire purchase and financial lease income of Baht 13,855 million, increased by Baht 1,427 million or 11.5% resulting primarily from higher outstanding balances in the portfolio and higher interest rates.
- Income on investments of Baht 2,084 million, increased by Baht 266 million or 14.6%, mainly resulting from an increase in the average outstanding balance.

Interest expenses for the year ended December 31, 2010 were Baht 10,492 million, a decrease of Baht 548 million or 5.0% from year 2009 driven by:

- Interest on deposits of Baht 5,630 million, decreased by Baht 1,183 million or 17.4%, because of the time lag from higher rate deposits from 2008 to mature later in 2009, causing average rates in 2009 to be higher than 2010.
- Interest on short-term borrowings of Baht 1,600 million, increased by Baht 629 million or 64.8%, resulting primary from subordinated debt issue #5 of Baht 12,000 million moving to short-term borrowings in July 2010 before early redemption in November 2010, together with an increase in the average bills of exchange outstanding balance of Baht 11,022 million and the current portion of debentures of Baht 21,887 million moving from long-term borrowings, offset with debentures of Baht 26,923 million and Floating-Rate Notes of USD 150 million which matured in November 2009.
- Interest on long-term borrowings of Baht 2,539 million, decreased by Baht 326 million or 11.4%, mainly from debentures of Baht 21,887 million moving to short-term borrowings in 2010 and the early redemption of subordinated debt issue #5 of Baht 12,000 million moving to short-term borrowings in July 2010 before early redemption, offset with the issuance of subordinated debt of Baht 20,000 million in June 2010 and AYCAL debentures of Baht 12,000 million which were issued in February and May 2010.

- Interest on inter-bank and money market items of Baht 723 million, increased by Baht 332 million or 84.9%, due mainly to an increase in the average interest rate.

Net interest margin (NIM) for 4Q/10 was 5.24%, increasing from 3Q/10 and the prior year. The increase in NIM in 4Q/10 from the previous quarter was driven by a lower level of outstanding primary dealer activity in the money market at the end of 4Q/10. The improvement from the prior year was driven by the rising interest rate environment and consolidation of the GEMT businesses.



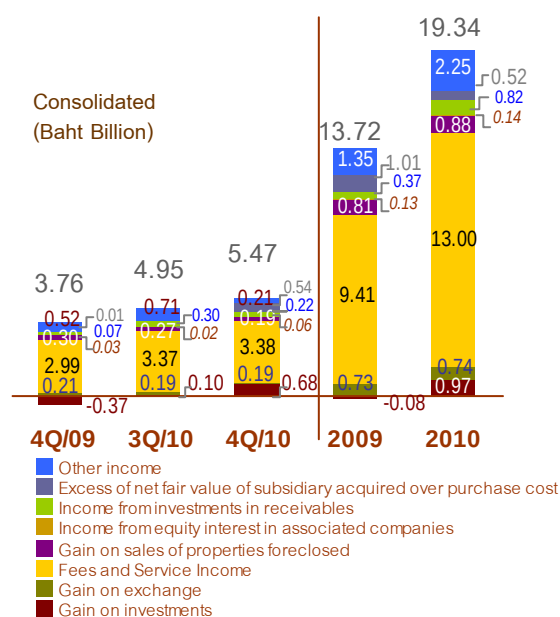
	Dec-09	Jan-10	Mar-10	Jun-10	Jul-10	Sep-10	Dec-10
Policy Rate	1.25%	1.25%	1.25%	1.25%	1.50%	1.75%	2.00%
BAY Lending Rate	6.25%	6.25%	6.25%	6.25%	6.375%	6.375%	6.50%
Fixed Deposit rate							
3 - month deposits	0.75%	0.75%	0.75%	0.75%	0.875%	1.05%	1.125-1.30%
6 - month deposits	0.75%	0.75%	0.75%	0.75%	1.10%	1.20-1.30%	1.10-1.55%
12 - month deposits	1.00%	1.00-1.50%	0.75%	0.75%	1.10-1.20%	1.35-1.50%	1.45-1.70%

2.2 Non-Interest Income

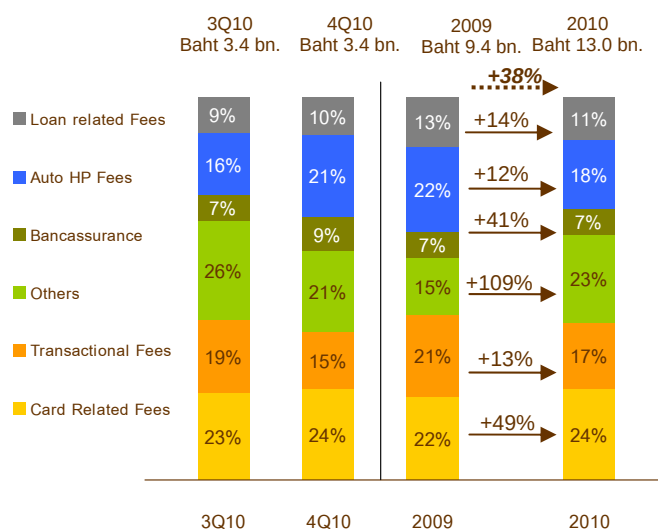
Consolidated	4Q/10	3Q/10	4Q/09	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Gain (loss) on investments	679	101	(374)	578	572.3	1,053	281.6
Income from equity interest in associated company	60	18	34	42	233.3	26	76.5
Fees and service income							
- Acceptances, aval and guarantees	13	14	13	(1)	(7.1)	0	0.0
- Others	3,369	3,352	2,978	17	0.5	391	13.1
Gain on exchange	192	187	209	5	2.7	(17)	(8.1)
Gain on sales of properties foreclosed	192	268	304	(76)	(28.4)	(112)	(36.8)
Income from investments in receivables	217	302	70	(85)	(28.1)	147	210.0
Excess of net fair value of acquired							
subsidiary over purchase cost	544	0	10	544	100.0	534	5,340.0
Other income	206	707	516	(501)	(70.9)	(310)	(60.1)
Total Non-Interest Income	5,472	4,949	3,760	523	10.6	1,712	45.5

Consolidated	YE	YE	Change YoY	
	2010	2009	Baht mn	%
Gain (loss) on investments	971	(82)	1,053	1,284.1
Income from equity interest in associated company	144	126	18	14.3
Fees and service income				
- Acceptances, aval and guarantees	55	49	6	12.2
- Others	12,950	9,360	3,590	38.4
Gain on exchange	745	730	15	2.1
Gain on sales of properties foreclosed	883	813	70	8.6
Income from investments in receivables	822	371	451	121.6
Excess of net fair value of acquire				
subsidiary over purchase cost	519	1,005	(486)	(48.4)
Other income	2,248	1,352	896	66.3
Total Non-Interest Income	19,337	13,724	5,613	40.9

Non-Interest Income



Fees & Service Income Breakdown



For the fourth quarter period ended December 31, 2010

Compared with 4Q/09, non-interest income was Baht 5,472 million, an increase of Baht 1,712 million or 45.5%, driven primarily by higher business volumes and acquisitions in 2009 with the addition of other gains as follows:

- Gain on investments increasing by Baht 1,053 million in 4Q/10 driven by a gain on CDO sale of Baht 677 million while a reserve for the Dubai World Group Finance Limited investment in loan of Baht 424 million was booked in 4Q/09.

- Fees and service income increasing by Baht 391 million or 13.1%, mainly driven by the increase in lending fee, banassurance fees and credit card fees.

- Excess of net fair value of acquired subsidiary over purchase cost of Baht 544 million, resulting from purchase accounting of the GEMT acquisition.

- Other income decreasing by Baht 310 million or 60.1%, mainly driven by the amortization of fair value adjustments on loan from GEMT of Baht 505 million net of an increase in bad debt recoveries of personal loans totaling Baht 144 million.

Compared with 3Q/10, non-interest income increased by Baht 523 million or 10.6% driven primarily by:

- Gain on investments increasing by Baht 578 million in 4Q/10 driven by a gain on CDO sale of Baht 677 million.

- Excess of net fair value of acquired subsidiary over purchase cost of Baht 544 million, resulting from purchase accounting of GEMT acquisition.

- Other income decreasing by Baht 501 million or 70.9%, mainly driven by the amortization of fair value adjustments on loan from GEMT.

For the year ended December 31, 2010

Compared with year 2009, non-interest income was Baht 19,337 million, an increase of Baht 5,613 million or 40.9% driven by higher business volumes and acquisitions in 2009 plus:

- Gain on investments increasing by Baht 1,053 million in 2010 driven by a gain on CDO sale of Baht 677 million while a reserve for the Dubai World Group Finance Limited investment in loan of Baht 424 million was booked in 2009.

- Fees and service income increasing by Baht 3,596 million or 38.2%, mainly driven by increases in collection fees, credit card fees and bancassurance fees as a result primarily of the full year impact of 2009 acquisitions.

- Other income increasing by Baht 896 million or 66.3%, mainly driven by an increase in bad debt recoveries of personal loans of Baht 1,384 million offset by the amortization of fair value adjustments on GEMT acquired loans of Baht 505 million.

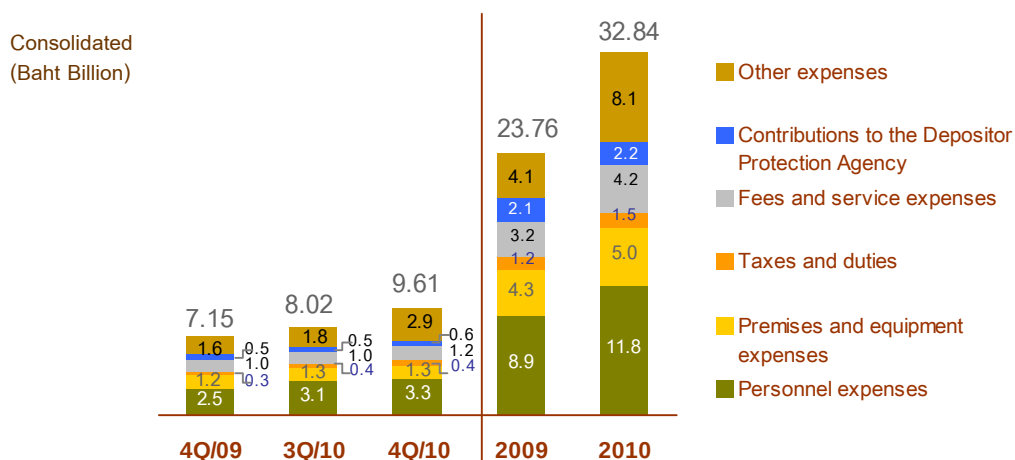
- The excess of net fair value of acquired subsidiary over purchase cost decreased by Baht 486 million, because the gain on investments in GEMT recorded in 2010 of Baht 544 million was less than the gain on investment in AIG Retail Bank and AIG Card Company recorded in 2009 of Baht 1,005 million.

2.3 Non-Interest Expenses

Consolidated	4Q/10	3Q/10	4Q/09	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Personnel expenses	3,273	3,074	2,498	199	6.5	775	31.0
Premises and equipment expenses	1,280	1,278	1,194	2	0.2	86	7.2
Taxes and duties	403	390	341	13	3.3	62	18.2
Fees and service expenses	1,201	955	983	246	25.8	218	22.2
Directors' remuneration	7	7	7	0	0.0	0	0.0
Contributions to the							
Deposit Protection Agency	558	531	519	27	5.1	39	7.5
Other expenses	2,888	1,785	1,604	1,103	61.8	1,284	80.0
Total Non-Interest Expenses	9,610	8,020	7,146	1,590	19.8	2,464	34.5

Consolidated	YE	YE	Change YoY	
	2010	2009	Baht mn	%
Personnel expenses	11,815	8,911	2,904	32.6
Premises and equipment expenses	5,047	4,283	764	17.8
Taxes and duties	1,535	1,165	370	31.8
Fees and service expenses	4,165	3,158	1,007	31.9
Directors' remuneration	28	30	(2)	(6.7)
Contributions to the				
Deposit Protection Agency	2,155	2,097	58	2.8
Other expenses	8,095	4,121	3,974	96.4
Total Non-Interest Expenses	32,840	23,765	9,075	38.2

Non-Interest Expenses



For the fourth quarter period ended December 31, 2010

Compared to 4Q/09, non-interest expenses were Baht 9,610 million, an increase of Baht 2,464 million or 34.5%, driven primarily by higher business volumes and acquisitions in 2009:

- Personnel expenses increasing by Baht 775 million or 31.0%, driven mainly by annual merit and bonus increases and other staff benefits totaling Baht 678 million.

- Fee and service expenses increasing by Baht 218 million or 22.2%, driven mainly by an increase in credit card fees.

- Other expenses increasing by Baht 1,284 million or 80.0%, primarily driven by an increase in advertising and promotion expenses of Baht 673 million to drive the acceleration of loan growth in the fourth quarter, the amortization of fair value on intangible assets of GEMT and AYCAL of Baht 652 million .

Compared to 3Q/10, non-interest expenses increased by Baht 1,590 million or 19.8% driven by:

- Personnel expenses increased by Baht 199 million or 6.5%, mainly driven by an increase in salary, bonus and other staff benefits of Baht 435 million, offset by an early retirement program of Baht 203 million recorded in 3Q/10.

- Fees and services expenses increased by Baht 246 million or 25.8%, mainly driven by an increase in collection and credit card fees.

- Other expenses increased by Baht 1,103 million or 61.8%, mainly from an increase in advertising and promotion expenses of Baht 601 million to drive the acceleration of loan growth in the fourth quarter, the amortization of fair value on intangible assets of GEMT and AYCAL of Baht 652 million.

For the year ended December 31, 2010

Compared to year 2009, non-interest expenses were Baht 32,840 million, an increase of Baht 9,076 million or 38.2%, driven primarily by higher business volumes and acquisitions in 2009:

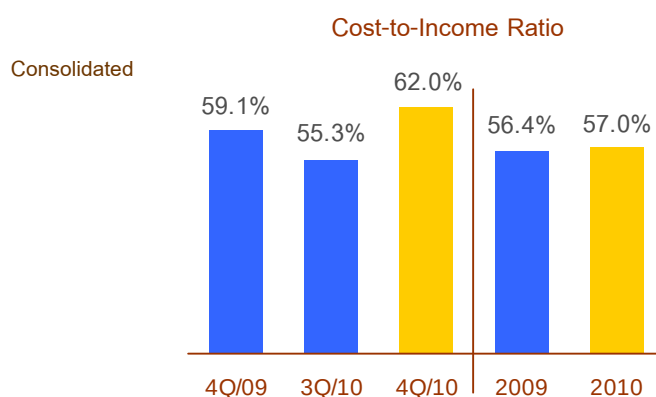
- Personnel expenses increasing by Baht 2,904 million or 32.6%, driven mainly by the consolidation of the GEMT businesses of Baht 1,143 million and annual merit and bonus increases and other staff benefits totaling Baht 1,432 million.

- Premises and equipment expenses increasing by Baht 764 million or 17.8%, driven mainly by the consolidation of the GEMT businesses.

- Taxes and duties expense increasing by Baht 370 million or 31.8%, driven mainly by the consolidation of the GEMT businesses.

- Fee and service expenses increasing by Baht 1,007 million or 31.9%, driven mainly by the increase in the consolidation of the GEMT businesses of Baht 605 million and credit card fees and professional fees of Baht 343million.

- Other expenses increasing by Baht 3,975 million or 96.5%, primarily driven by the consolidation of the GEMT businesses of Baht 2,445 million, advertising and promotion expenses of Baht 449 million, a final reserve on assets transferred to TAMC of Baht 600 million and the amortization of fair value on intangible assets of GEMT and AYCAL of Baht 652 million.



In 4Q/10, the Bank's cost-to-income ratio increased to 62.0% from 55.3% in the previous quarter as the Bank reinvested productivity gains achieved through integration activities into the Bank's technology infrastructure and advertising and promotions spending to accelerate portfolio growth.

2.4 Loan Loss Provision

Consolidated	4Q/10	3Q/10	4Q/09	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Bad Debt and Doubtful Accounts	2,506	3,161	2,625	(655)	(20.7)	(119)	(4.5)
Loss on Debt Restructuring	650	(12)	540	662	nm	110	20.4
Total Provisioning	3,156	3,149	3,165	7	0.2	(9)	(0.3)

Consolidated	YE	YE	Change YoY	
	2010	2009	Baht mn	%
Bad Debt and Doubtful Accounts	11,425	9,129	2,296	25.2
Loss on Debt Restructuring	966	1,087	(121)	(11.1)
Total Provisioning	12,391	10,216	2,175	21.3

The Bank and its subsidiaries set aside loan loss provisions in 4Q/10 totaling Baht 3,156 million comparable to the last quarter and 4Q/09 as the Bank moved closer to the final stage of resolving legacy non-performing loans. The provision in 2010 totaled Baht 12,391 million, an increase of Baht 2,175 million or 21.3% over the prior year driven by the Bank's conservative risk management policies and an increase in provisions for outstanding retail loans from the three acquisitions completed in 2009. This level of provision strengthened the balance sheet of the Bank with the loan loss coverage ratio increasing from 74% in December 2009 to 89% at the end of year 2010.

3. Financial Status

3.1 Balance Sheet

Consolidated	As at	As at	As at	Change from		Change from	
	Dec. 30, 10	Sep. 30, 10	Dec. 31, 09	Sep. 30, 10		Dec. 31, 09	
				Baht mn	%	Baht mn	%
ASSETS							
Cash	22,461	17,895	20,090	4,566	25.5	2,371	11.8
Interbank and money market items, net	74,527	64,229	53,668	10,298	16.0	20,859	38.9
Investments, net	79,089	79,639	68,063	(550)	(0.7)	11,026	16.2
Loans	648,960	611,441	603,508	37,519	6.1	45,452	7.5
Accrued interest receivable	1,724	1,810	2,210	(86)	(4.8)	(486)	(22.0)
Allowance for doubtful accounts	(33,410)	(37,257)	(38,271)	3,847	10.3	4,861	12.7
Revaluation allowance for debt restructuring	(543)	(605)	(329)	62	10.2	(214)	(65.0)
Properties foreclosed, net	14,727	15,349	18,017	(622)	(4.1)	(3,290)	(18.3)
Others	62,299	50,971	53,176	11,328	22.2	9,123	17.2
TOTAL ASSETS	869,834	803,472	780,132	66,362	8.3	89,702	11.5
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	576,479	530,983	520,515	45,496	8.6	55,964	10.8
Interbank and money market items	43,788	20,689	35,543	23,099	111.6	8,245	23.2
Borrowings	99,365	118,926	96,559	(19,561)	(16.4)	2,806	2.9
Others	51,098	35,626	34,930	15,472	43.4	16,168	46.3
TOTAL LIABILITIES	1	1	1	64,506	9.1	83,183	12.1
Issued and paid-up share capital	60,741	60,741	60,741	0	-	0	-
Retained earning	19,225	16,897	12,793	2,328	13.8	6,432	50.3
Others	19,138	19,610	19,051	(472)	(2.4)	87	0.5
TOTAL SHAREHOLDERS' EQUITY	99,104	97,248	92,585	1,856	1.9	6,519	7.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	869,834	803,472	780,132	66,362	8.3	89,702	11.5

As of December 31, 2010, total assets were Baht 869,834 million, an increase of Baht 89,702 million or 11.5% from December 31, 2009. Key drivers were an increase in performing loans of Baht 59,383 million or 11%, from an increase in loans across all segments, particularly in hire purchase and housing loans, an increase in inter-bank and money market items of Baht 20,859 million or 38.9% and an increase in net investments of Baht 11,026 million or 16.2% partially offset by a reduction in non-performing loans of 13,931 million or 26.7%. As compared to September 30, 2010, total assets increased by Baht 66,362 million or 8.3%. This increase was mainly from an increase in loans of Baht 37,519 million or 6.1%,

mainly due to an increase in corporate loan and hire purchase, an increase in inter-bank and money market items of Baht 10,298 million or 16.0% and an increase in other assets of Baht 11,328 million or 22.2%, mainly due to an increase in customer liability under collateral.

As of December 31, 2010, total liabilities were Baht 770,730 million, an increase of Baht 83,183 million or 12.1% from December 31, 2009. One of the major drivers was an increase in deposits of Baht 55,964 million or 10.8%, mainly due to an increase in savings from the launch of new products, while time deposits also increased from new campaign initiatives. Consequently, the current and saving accounts portion increased to 41% as of December 31, 2010. The other drivers were an increase in inter-bank and money market items of Baht 8,245 million or 23.2% and an increase in other liabilities of Baht 16,168 million or 46.3%, mainly due to an increase in liabilities under collateral to deliver. As compared to September 30, 2010, total liabilities increased by Baht 64,506 million or 9.1%. This increase was mainly from an increase in deposits of Baht 45,496 million or 8.6% and an increase in inter-bank and money market items of Baht 23,099 million or 111.6%.

Total shareholders' equity rose to Baht 99,104 million, an increase of Baht 6,519 million or 7.0% as compared to December 31, 2009. The increase was driven by equity holder net income of Baht 8,793 million for 2010 plus an increase in land and building revaluation, the revaluation on investments and minority interest totaling Baht 153 million offset by dividends paid during year 2010 of Baht 2,430 million. As compared to September 30, 2010, total shareholders' equity increased by Baht 1,856 million or 1.9%. The increase was due to equity holder net income of Baht 2,261 million for the quarter and an increase in land and building revaluation, the revaluation on investments and minority interest totaling Baht 405 million.

3.2 Loans

3.2.1 Loans by segment

Consolidated	Dec. 31, 10	Sep. 30, 10	Dec. 31, 09	Change from		Change from	
				Sep. 30, 2010		Dec. 31, 2009	
				Baht mn	%	Baht mn	%
Corporate	190,046	173,393	181,526	16,653	9.6	8,520	4.7
SMEs	180,104	174,261	169,701	5,843	3.4	10,403	6.1
Retail	278,810	263,787	252,281	15,023	5.7	26,529	10.5
-Hire purchases	126,444	119,234	111,794	7,210	6.0	14,650	13.1
- Housing	82,280	79,711	73,619	2,569	3.2	8,661	11.8
- Personal & other	70,086	64,842	66,868	5,244	8.1	3,218	4.8
Total	648,960	611,441	603,508	37,519	6.1	45,452	7.5

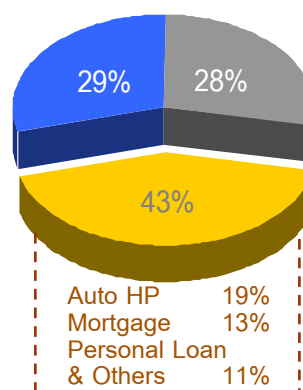
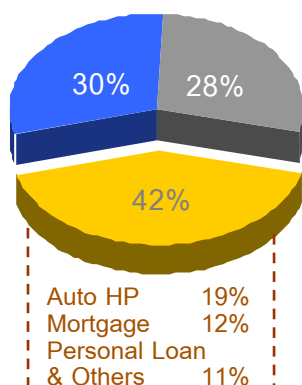
Total loans grew from Baht 603,508 million as of December 31, 2009 to Baht 648,960 million or 7.5% as of December 31, 2010 driven by an increase in performing loans of Baht 59,383 million or 11% partially offset by a reduction in non-performing loans of 13,931 million or 26.7%. The growth originated from all segments but the retail segment, namely mortgages and auto hire purchase, was particularly strong. Mortgage loans continued to grow but at a slower pace after exceptional growth earlier in the year stimulated by the government's tax incentives encouraging customer purchases which expired at the end of June. Auto hire purchase loans also grew strongly in line with consumer confidence and an increase in car sales, bringing volume to historical highs. The loan increase of Baht 37,519 million in the fourth quarter mainly came from the corporate segment driven by confidence in domestic economic recovery. Meanwhile, loans in the retail segment increased by Baht 15,023 million, which was mainly from hire purchase assets. The strong loan growth was partially offset by the sale of non-performing loans portfolios in September and December, 2010 totaling Baht 12,672 million.

Loan Composition

Consolidated

2009

2010



■ Corporate ■ SME ■ Retail

3.2.2 Loans classification and Provision

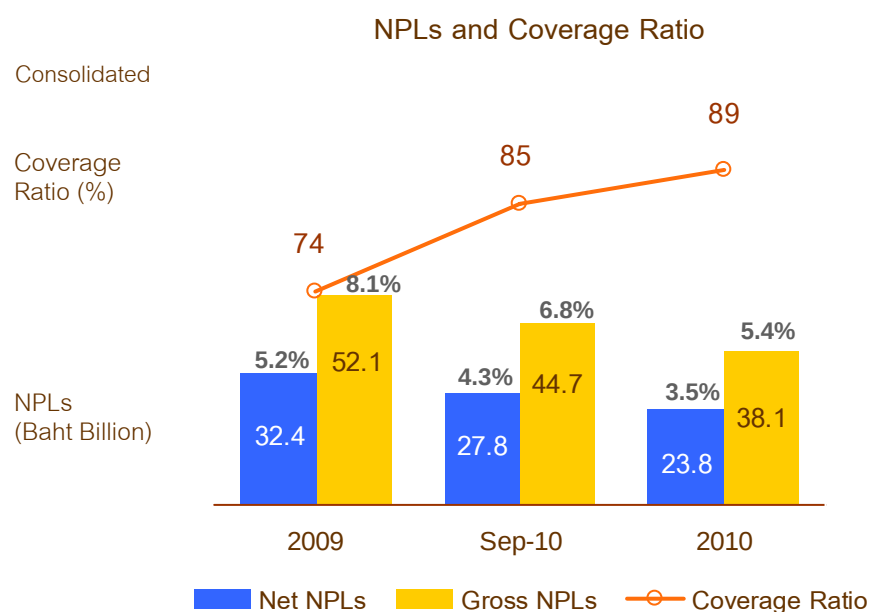
Unit : Baht mn

Consolidated	Dec. 31, 2010		Dec. 31, 2009		Change	
	Loans and Accrued Interest	Provision	Loans and Accrued Interest	Provision	Loans and Accrued Interest	Provision
Normal	586,356	5,257	525,101	5,376	61,255	(119)
Special mentioned	24,864	1,170	27,066	1,663	(2,202)	(493)
Substandard	10,104	5,564	7,298	3,369	2,806	2,195
Doubtful	4,897	1,268	7,886	3,442	(2,989)	(2,174)
Doubtful of loss	23,269	7,485	37,319	12,897	(14,050)	(5,412)
Total BOT Provision	649,490	20,744	604,670	26,747	44,820	(6,003)
Plus (less) deferred income / commision	1,194		1,048		146	
Surplus Reserve		12,666		11,524		1,142
Total	650,684	33,410	605,718	38,271	44,966	(4,861)

Non-performing loans

Consolidated	Dec 31, 10	Sep 30, 10	Dec 31, 09	Change from		Change from	
				Sep 30, 10		Dec 31, 09	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	23,832	27,776	32,370	(3,944)	(14.2)	(8,538)	(26.4)
Non-Performing Loans (Gross)	38,149	44,727	52,080	(6,578)	(14.7)	(13,931)	(26.7)
Loans loss reserves (LLR)	33,988	37,876	38,603	(3,888)	(10.3)	(4,615)	(12.0)
Coverage	89.1%	84.7%	74.1%	4.4%	5.2	15.0%	20.2
BOT Requirement	21,322	24,687	27,079	(3,365)	(13.6)	(5,757)	(21.3)
Actual / Required LLR	159.4%	153.4%	142.6%	6.0%	3.9	16.8%	11.8

Asset quality remained tightly controlled throughout 2010, resulting in a decrease in non-performing loans (NPLs), despite the political unrest experienced during May 2010. As of December 31, 2010, gross non-performing loans decreased by Baht 13,931 million or 26.7% from December 31, 2009, due mainly to the sale of non-performing loans, while the surplus reserve increased to Baht 12,666 million from Baht 11,524 million. The coverage ratio increased significantly to 89.1% from 74.1% while the actual provision when compared to the Bank of Thailand required provision ratio increased to 159.4% from 142.6% as of December 31, 2009.

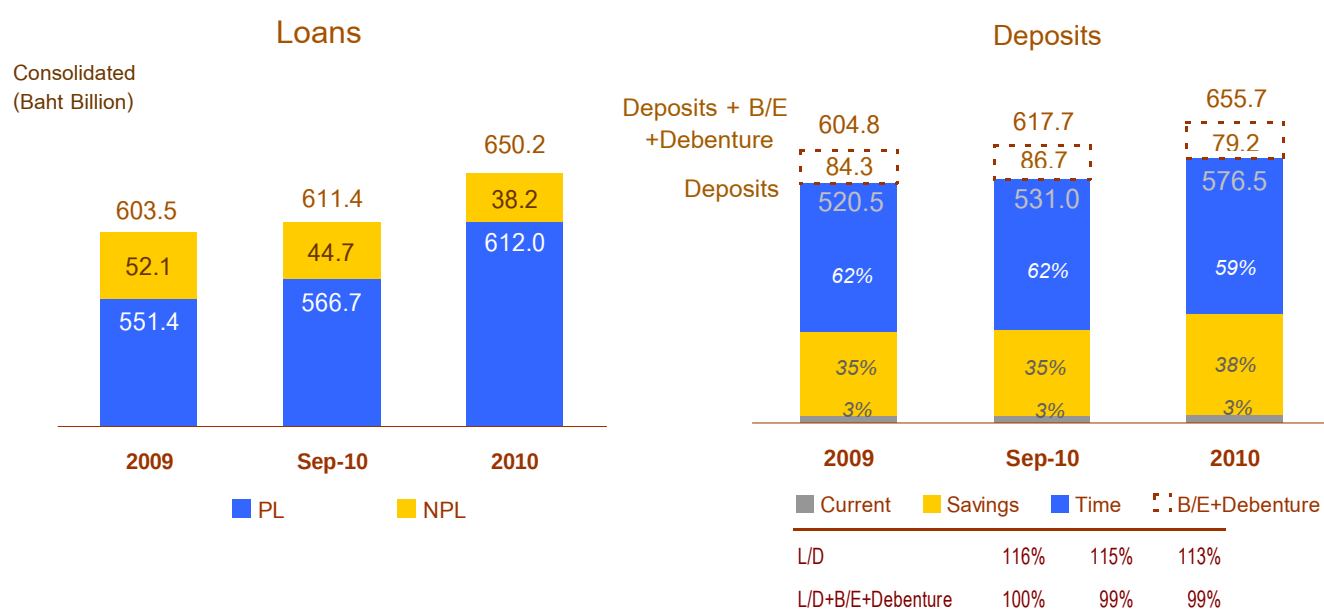


3.3 Deposits

Consolidated	Dec. 31, 2010	Dec. 31, 2009	Change		Deposit Structure	
	(Baht mn.)	(Baht mn.)	Baht mn	%	Dec. 31, 2010	Dec. 31, 2009
Current	18,129	14,907	3,222	21.6	3.14	2.86
Savings	219,464	184,405	35,059	19.0	38.07	35.43
Time	338,886	321,203	17,683	5.5	58.79	61.71
< 6 months	95,395	90,404	4,991	5.5	16.55	17.37
6 M - 1 Year	106,666	114,425	(7,759)	(6.8)	18.50	21.98
> 1 Year	136,825	116,374	20,451	17.6	23.73	22.36
Total	576,479	520,515	55,964	10.8	100.00	100.00

As of December 31, 2010, deposits totaled Baht 576,479 million, an increase of Baht 55,964 million or 10.8% from December 31, 2009. The increase was across the board with savings deposits increasing Baht 35,059 million or 19.0% from new product launches, time deposits increasing Baht 17,683 million or 5.5% and current deposits increasing Baht 3,222 million or 21.6%. Time deposits with tenors of more than 1 year increased by Baht 20,451 million or 17.6% and time deposits with tenors less than 6 months increased by Baht 4,991 million or 5.5% from special deposit incentives, while time deposits with 6 months to 1 year tenor decreased by Baht 7,759 million or 6.8%.

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 mid-year issuance of subordinated debentures of Baht 20,000 million.



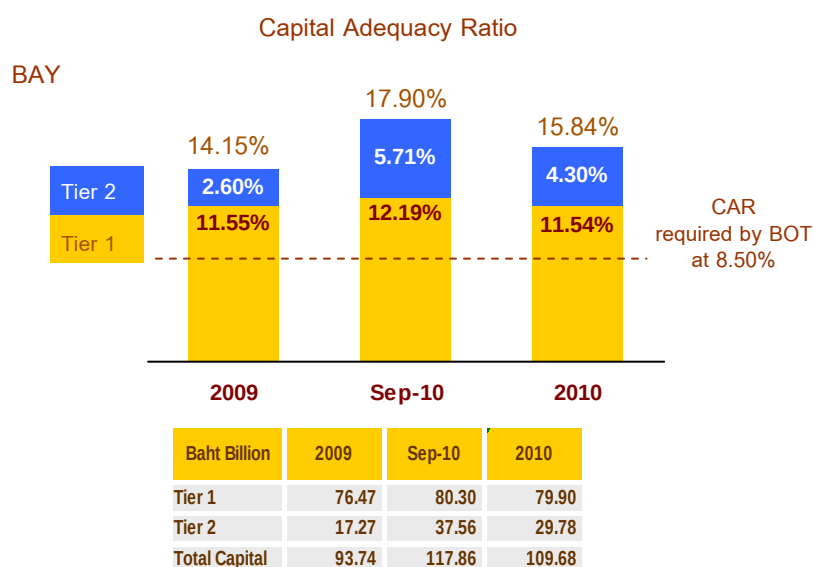
3.4 Off balance sheet items

Consolidated	Dec.31, 10	Sep.30, 10	Dec. 31, 09	Change from		Change from	
				Sep. 30, 10		Dec. 31, 09	
				Baht mn	%	Baht mn	%
<u>Off-Balance Sheet Items - Contingencies</u>							
Avals to bills and Guarantees of loans	3,929	3,655	3,983	274	7.5	(54)	(1.4)
Liability under unmatured import bills	1,202	945	1,380	257	27.2	(178)	(12.9)
Letters of credit	8,126	6,646	5,383	1,480	22.3	2,743	51.0
Other contingencies	403,356	391,365	255,084	11,991	3.1	148,272	58.1
Total	416,613	402,611	265,830	14,002	3.5	150,783	56.7

The Bank and its subsidiaries' off balance sheet items as of December 31, 2010 totaled Baht 416,613 million, an increase of Baht 150,783 million or 56.7% as compared to December 31, 2009. This increase was driven by other contingencies increasing Baht 148,272 million as a result of derivative transactions of Baht 132,862 million and unused overdrafts of Baht 12,007 million.

3.5 Statutory Capital

As of December 31, 2010, the Bank's capital totaled Baht 109,677 million, equivalent to 15.8% of risk-weighted assets with 11.5% 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 December 31, 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 Debt	Ba2
- 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

International Rating (Foreign Currency)

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

National Ratings

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