KRUNGTHAI CARD PLC

Announcement no. 895 | 13 July 2012

Company Rating: BBB+

Outlook: Stable

New Issue Rating: BBB+

Rating History:

Date	Company	Issue (Secured/ Unsecured)
11/05/09	BBB+/Sta	-/BBB+
30/04/09	BBB+/Alert Dev	-/BBB+
24/04/09	A-/Alert Dev	-/A-
08/11/05	A-/Sta	-/A-
09/02/05	A-/Pos	-/A-
12/07/04	A-/Sta	-/A-
26/03/03	A-	-/A-

Contacts:
Thiti Karoonyanont, CFA
thiti@trisrating.com

Siriporn Krairos
siriporn@trisrating.com

Raithiwa Naruemol
raithiwa@trisrating.com

Rating Rationale

TRIS Rating affirms the company rating and the ratings of Krungthai Card PLC's (KTC) current senior debentures at "BBB+". At the same time, TRIS Rating assigns "BBB+" rating to KTC's proposed issue of up to Bt10,000 million in senior debentures. The ratings take into consideration the strong financial and business support from its parent company, Krung Thai Bank PLC (KTB), which holds a 49.45% stake in KTC. KTC's financial profile has substantially weakened due to a huge operating loss in 2011. However, a big part of the loss was caused by certain extraordinary expenses incurred in the last quarter of 2011. KTC's franchise in credit cards remains strong and its personal loan portfolio has been growing. On the other hand, the continued deterioration in asset quality throughout 2011, which worsened after the flood in the fourth quarter, remains a cause for concern. KTC has implemented several measures to improve the efficiency of its loan collection procedures and reduce customers' delinquency rate. TRIS Rating will closely monitor the improvement in KTC's asset quality. The ratings are also constrained by KTC's less competitive cost of funds, the increasingly competitive operating environment, and regulatory risk, which might further affect the industry's growth potential and profitability.

KTC reported a net loss of Bt1,621 million in 2011. While the loss caused a sharp drop in its equity base and may affect the company's borrowing capacity, more than half of the loss was not driven by poor business performance. The reduction in corporate tax rate, from 30% to 23% in 2012 and finally to 20%, resulted in the recognition of Bt404 million deferred tax expense in 2011. In addition, to prepare for the adoption of Thailand Financial Reporting Interpretations No. 13 "Customer Loyalty Program" (TFRI 13), KTC decided to ramp up its provision for credit card reward points in 2011. The TFRI 13 is expected to be in effect in 2013, with a requirement for retroactive adjustment. The additional provisions for credit card reward points amounted to Bt838 million, on a pre-tax basis. This move made KTC's total provision large enough to cover much higher redemption rate of the reward points awarded to its credit card clients.

Spending by KTC cardholders grew from Bt87.9 billion in 2010 to Bt93.6 billion in 2011, representing 12.2% and 11.5% market share, respectively. Despite the growth in spending, gross credit card receivables shrank from Bt35.7 billion in 2010 to Bt33.7 billion in 2011, due to continued shift in the client mix towards more transactors (convenience users). The number of outstanding cards fell from 1.73 million in 2010 to 1.62 million in 2011. The fall was due mainly to KTC's policy in 2011 to terminate inactive cards in an effort to reduce operating expenses. In the personal loan business, KTC's gross receivables grew, in line with the industry, from Bt11.4 billion in 2010 to Bt12.7 billion in 2011, representing 6.1% and 6.0% market share, respectively.

However, asset quality did deteriorate in 2011, even before the flood. The overall delinquency rate (over 90 days past due) climbed to 5.2% at the end of 2011, from 4.0% a year earlier, before jumping to 6.3% at the end of the first quarter of 2012 as the effects from the flood were fully realized. Net charge-off rate jumped to 10.0% in 2011, up from 6.8% a year earlier. The rise was partly due to the extra allowance for doubtful accounts worth Bt633 million in 2011, provisioned in response to the expected rise in delinquency as a consequence of the flood. Despite the extra provision in 2011, the net charge-off rate remained high in the first quarter of 2012, at 2.3% (non-annualized). KTC reported a net loss of Bt155 million in the first quarter of 2012, with provisions for bad debts and doubtful accounts amounted to 42% of total revenues, compared with 36% in the same period of 2011. In the beginning of 2012, the company decided to bring the collection service back in-house under its full control. The improvement in the efficiency of collection is expected to help reduce delinquency rate. The company has also put more emphasis on pre-delinquent collections. TRIS Rating expects the asset quality to show signs of improvement in the second quarter of 2012.

With its ability to access a diverse funding base, plus the financial support it receives from KTB, short-term liquidity is not a major concern for KTC. Its portfolio was funded by borrowings from many financial institutions, and by debentures with a range of maturities. It has a credit line from KTB worth Bt18,030 million, which remained unutilized as of 31 March 2012. In addition to the funding support, KTC has been expanding by making use of KTB's nationwide branch network. Around 20% of KTC's new credit card and personal loan clients have been obtained through this channel over the last few years.

KTC relies on borrowings from financial institutions and the debt market as its main funding sources. Its commercial bank competitors, in contrast, have access to relatively cheap funding from deposit. The high funding cost partly offsets the strength of KTC's franchise and makes it difficult for KTC to compete more aggressively and expand its market share. KTC's average cost of funds in 2011 was 4.9%, almost unchanged from 2010, but rose slightly to 5.2% in the first quarter of 2012. Intensifying competition and the inability to tap the higher yield segment of the market due to certain regulations will continue to put pressure on KTC's profitability.

Rating Outlook

The "stable" outlook reflects the expectation that KTC will be able to improve its asset quality and achieve stronger overall financial performance within 2012. TRIS Rating also expects that KTB will continue to provide financial and business support to KTC.

Krungthai Card PLC (KTC)

Company Rating:	BBB+
Issue Ratings:	
KTC128A: Bt4,500 million senior debentures due 2012	BBB+
KTC129A: Bt300 million senior debentures due 2012	BBB+
KTC12OA: Bt220 million senior debentures due 2012	BBB+
KTC135A: Bt1,000 million senior debentures due 2013	BBB+
KTC135B: Bt1,000 million senior debentures due 2013	BBB+
KTC135C: Bt1,000 million senior debentures due 2013	BBB+
KTC13NA: Bt7,500 million senior debentures due 2013	BBB+
KTC14OA: Bt6,000 million senior debentures due 2014	BBB+
KTC15OA: Bt1,000 million senior debentures due 2015	BBB+
Up to Bt10,000 million senior debentures due within 2017	BBB+
Rating Outlook:	Stable

KEY RATING CONSIDERATIONS

Strengths/Opportunities

- Experienced management team
- Strong franchise in credit card industry
- Support from parent company

Weaknesses/Threats

- Weakened financial profile and deteriorated asset quality
- Increasingly competitive operating environment
- Regulatory risks

CORPORATE OVERVIEW

KTC was established in 1996 as a wholly-owned subsidiary of KTB to manage its credit card business. The company was spun off in July 2002 and was listed on the Stock Exchange of Thailand (SET) in October 2002 with issued and paid-up capital of Bt1 billion, comprising 100 million shares at a par value of Bt10 per share. Its major shareholder was KTB, holding a 49.45% stake; the remaining 50.55% was held by the general public.

In June 2002, KTC purchased all the credit card and related businesses from KTB for Bt4,008 million. The company launched "KTC Cash", a personal loan program, in October 2003. In November 2003, KTC made a rights offering to increase registered capital from Bt1,050 million to Bt2,580.2 million, reducing KTB's shareholding to 48.73%. By December 2007, KTB's shareholding in KTC dropped slightly to 47.56%, due to the warrants exercised under the Employee Stock Ownership Program (ESOP). As of February 2009, KTB's stake increased slightly to 49.45%.

In September 2004, KTC launched a new financial product, self-employed loans, which is a type of unsecured loan for micro entrepreneurs. The new product helps diversify KTC's product line by targeting a new group of customers. However, the company has terminated this business and has not underwritten any new loans since the last quarter of 2006. The business was terminated due to the excessive deterioration in asset quality.

In 2005, KTC developed a marketing strategy to enlarge its customer base and improve market penetration through programs such as: KTC Cash Executive Plus and KTC Cash Education (for the personal loan business), forever reward program (for the credit card business), and KTC Million Club (for the self-employed loans business).

In early 2006, KTC was the first card issuer to launch the Titanium card, licensed by MasterCard. In February 2006, KTC launched the "Cash Revolving Product Program", providing clean loans for customers needing financial flexibility for a specific period of time. The credit line granted to each individual will not exceed five times their monthly income.

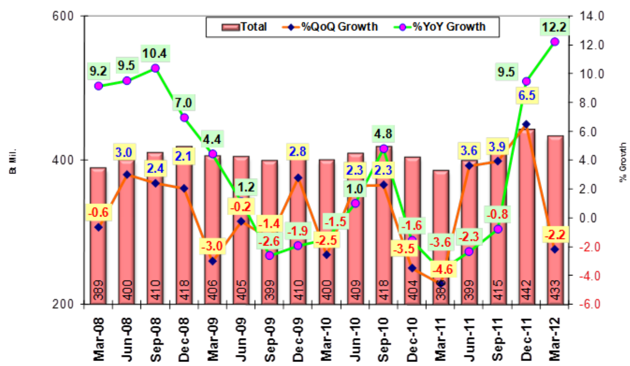
To follow the Financial Sector Master Plan announced by the Bank of Thailand (BOT), KTC, as a subsidiary of KTB, has to ensure its accounting policies meet the banking standards. The company started implementing the Thai Accounting Standard no. 12 (TAS12) and gearing toward the IAS39 in December 2009. By adopting the TAS12, the company can record the deferred tax assets or deferred tax liabilities to more accurately reflect its future income tax refunds or payables, respectively. Under the IAS39, KTC will recognize and measure the fair value of financial instruments and assess the impairment of financial assets. The values will be determined by applying well-accepted mathematical and statistical models to measure historical losses. The values are then adjusted based on current observable data and will be used as the criteria for setting the provisional losses from impaired assets. As a result, KTC will record a more stringent allowance for doubtful accounts, for example, 100% provisioning for receivables over 90 days past due. With respect to the Master Plan, the company is expected to be able to fully implement IAS39 by the time it becomes effective, along with other commercial banks and other financial institutions.

In 2011, KTC changed its accounting policy regarding employee benefits in order to comply with the TAS19 regarding the post-employment benefit obligations. The company elected to recognize past service costs by adjusting retained earnings as at 1 January 2011, which complies with the transitional provision of the TAS19. The effect on the financial statements as at 1 January 2011 from this change in accounting policy resulted in a Bt25.5 million increase in deferred tax assets, a Bt85.0 million increase in provision for employee benefits, and a Bt59.5 million decrease in retained earnings brought forward.

INDUSTRY ANALYSIS

In 2011, the condition of consumer finance industry in Thailand was better than in 2010, although the severe flood and the Euro zone crisis significantly depressed the Thai economy in the last quarter of 2011. Most lenders mitigated the deteriorations in asset quality by applying more stringent credit policies, such as higher minimum salary requirements, increasing the focus on upper-tier customers, and implementing more aggressive collection policies. In addition, the market is still highly regulated amidst intense competition. According to data from the BOT, there are 28 non-bank consumer finance companies in Thailand. Eleven are credit card providers: Aeon Thana Sinsap (Thailand) PLC, American Express (Thai) Co., Ltd., Ayudhya Card Services Co., Ltd., Capital OK Co., Ltd., Citi Consumer Products (Thailand) Ltd., EASY BUY PLC, Ayudhya Capital Services Co., Ltd., General Card Services, Ltd., Krungsri Ayudhya Card Co., Ltd., KTC, and Tesco Card Services Co., Ltd. The other 17 companies focus on personal loans and installment sales financing.

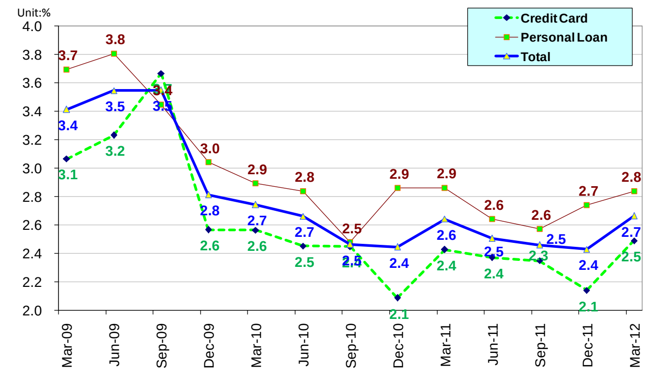
Chart 1: Credit Card Receivables and Personal Loans in Thailand



Sources: Bank of Thailand (BOT) and TRIS Rating

According to the data from the BOT, total credit card receivables and personal loans across commercial banks and non-bank consumer finance companies amounted to Bt433 billion as of March 2012. This represents a 2.2% drop from Bt442 billion as of December 2011. Of the total outstanding amount of loans and receivables, 53% were generated by commercial banks and 47% by non-bank issuers. Non-performing loans (NPLs) and receivables, defined as loans three months past due, were 2.7% of total personal loans and credit card receivables as of March 2012, up from 2.6% in the same period of 2011. Classified by type of provider, the ratio of NPLs to total personal loans plus credit card receivables was 2.5% for commercial banks and 2.9% for non-bank consumer finance companies. When considered by type of loan, the NPL ratio was 2.8% for personal loans and 2.5% for credit card receivables.

Chart 2: NPL Ratio for Credit Card and Personal Loans



Sources: BOT and TRIS Rating

- ***Bank cards show higher usage per card***

According to the BOT, the number of credit cards issued by commercial banks and non-bank issuers increased from 14.2 million cards in 2010 to 15.3 million cards in 2011, and to 15.7 million cards in the first four months of 2012. Non-bank issuers were the main issuers of credit cards (51% of all cards issued in the first four months of 2012), while the remainder (49%) was issued by commercial banks.

Table 1: Number of Credit Card Accounts

Unit: '000 accounts

Institution	2010	%	2011	%	Apr-12	%
Commercial banks	7,141	50.3	7,895	51.5	7,649	48.7
Non-bank	7,047	49.7	7,433	48.5	8,045	51.3
Total	**14,188**	**100.0**	**15,328**	**100.0**	**15,694**	**100.0**

Source: BOT

Due to a rise in consumer confidence in 2011 and competitive strategies employed by most card issuers to induce card usage, the total value of credit card spending increased by 11.7% to Bt1,174 billion, from Bt1,051 billion in 2010. The spending value was Bt416 billion for the first four months of 2012. Average spending per card per month in the first four months of 2012 was Bt6,706, a 1.4% increase from Bt6,616 in the same period last year. Classified by type of card issuer, the average spending per card per month was Bt9,656 for commercial banks and Bt3,771 for non-bank issuers.

Table 2: Total Credit Card Spending

Unit: Bt billion

Institution	2010	%	2011	%	Jan-Apr 2012	%
Commercial banks	741	70.5	849	72.3	299	71.8
Non-bank	310	29.5	326	27.7	117	28.2
Total	**1,051**	**100.0**	**1,174**	**100.0**	**416**	**100.0**

Source: BOT

- ***Growing loan portfolio for credit card and personal loans***

Across the industry, the amount of credit card receivables grew to Bt229 billion in 2011, up by 5.8% from Bt216 billion in 2010. Personal loan receivables increased by 13.8%, from Bt187 billion in 2010 to Bt213 billion in 2011. For the first four months of 2012, most card issuers have moved to expand their personal loan portfolios in order to improve interest yields. In aggregate, the personal loan portfolio increased by 3.4% from the end of 2011 to Bt221 billion as of April 2012.

BUSINESS ANALYSIS

As of December 2011, KTC provided services through 1,395 staff and 37 KTC Touch points (mostly in Bangkok). Each of these sites offers personal loans and credit card applications, information, and repayment transactions. Moreover, KTC is also utilizing KTB's nationwide branches and network of co-brand alliances.

Table 3: KTC's Revenue Structure

	2009		2010		2011	
	Bt Million	%	Bt Million	%	Bt Million	%
Credit card	**8,395**	**68**	**8,234**	**68**	**8,091**	**65**
Interest (including credit usage fee)	5,581	45	5,359	44	5,122	41
Credit card	5,515	45	5,302	44	5,074	41
Circle loan	67	1	57	0	49	0
Fees	**2,813**	**23**	**2,875**	**24**	**2,969**	**24**
Issuing	2,154	17	2,214	18	2,260	18
Acquiring	654	5	656	5	706	6
Circle loan	5	0	4	0	4	0
Personal loan	**3,087**	**25**	**2,737**	**22**	**3,138**	**25**
Interest (including credit usage fee)	2,847	23	2,538	21	2,943	24
Fee	240	2	199	2	195	2
Others	**873**	**7**	**1,209**	**10**	**1,268**	**10**
Self-employed loan	142	1	92	1	75	1
Bad debts recovered	497	4	812	7	851	7
Others	234	2	305	3	342	3
Total revenues	**12,354**	**100**	**12,180**	**100**	**12,497**	**100**

Source: KTC

KTC derived 65% of its total revenues in 2011 from the credit card business, consisting of interest-based income (41%), fee from issuing business (18%), and fees from acquiring business (6%). In 2010 and 2011, the fee-based portion from the credit card business grew by 2%-3% per year. In contrast, the interest-based portion of the credit card business shrank by around 4% a year because the loan portfolio was smaller.

Revenue from personal loans recovered in 2011 but remained lower than it had been in 2008. The personal loan business contributed 25% of total revenue in 2011. Following the economic slowdown in 2009, KTC tightened its underwriting criteria for personal loans. The company started to expand this portfolio again in the second half of 2010.

- ***Steady growth in credit card spending but credit card receivables continue to shrink***

Spending by KTC cardholders grew from Bt87.9 billion in 2010 to Bt93.6 billion in 2011, representing 12.2% and 11.5% market share, respectively. The number of outstanding cards fell from 1.73 million in 2010 to 1.62 million in 2011. The fall was due mainly to KTC's policy in 2011 to terminate inactive cards, in an effort to reduce operating expenses.

Despite the steady growth in the usage of KTC's credit cards in the past few years, credit card receivables have not grown accordingly. KTC's gross credit card receivables declined to Bt33,668 million as of December 2011, down from Bt35,703 million, Bt35,767 million, and Bt35,970 million, as of December 2010, 2009, and 2008, respectively. This drop was due to a continued shift in the client mix towards more transactors. If this trend persists, the company will be relying more on fee-based revenue and less on interest-based revenue. Although this strategy involves less risk, the shrinking loan portfolio would impair KTC's earning power over longer term. It remains a management challenge to set credit card receivables growing again while maintaining the asset quality.

- ***Halt in the slide in transaction volume from acquirer merchants***

KTC's acquiring business had been declining since 2007, due to intense competition, before beginning to stabilize in 2011. The number of KTC's acquirer merchants fell from 11,408 at the end of 2007 to 10,594 at the end of 2010, before rising to 10,666 at the end of 2011. Spending through KTC's acquirer merchants also dropped from Bt46,833 million in 2007 to Bt29,723 million in 2010, before rising to Bt30,544 million in 2011. Fees from merchant discounts grew almost 8% to Bt706 million in 2011. These fees, however, used to be as high as Bt749 million in 2007.

- ***Rebuilding personal loan portfolio since mid-2010***

KTC's gross personal loan receivables dropped from Bt13,066 million as of December 2008 to Bt9,969 million as of June 2010, due to the unfavorable economic conditions and a tighter credit policy. As the economy recovered, KTC's personal loan portfolio started to expand in the second half of 2010. Gross receivables grew to Bt12,364 million as of March 2012. Revenue from personal loans grew by 15% in 2011, recovering from an 11% drop in 2010.

- ***Strong support from KTB***

KTB has provided KTC with a credit line worth Bt18,030 million, which remained unutilized as of 31 March 2012. Besides the shared use of the "Krung Thai" brand, KTC has been utilizing KTB's nationwide branch network to expand. Around 20% of KTC's new credit card and personal loan clients have been obtained through this channel over the last few years. As of 31 March 2012, KTB owned a 49.45% stake in KTC.

- ***Less competitive cost of funds***

KTC relies on loans and the debt market as its main funding sources. These funding sources are more costly than the deposit-based funding employed by its commercial bank competitors. The high funding cost partly offset its franchise strength and has made it difficult for KTC to compete more aggressively and expand its market share. KTC's average cost of funds in 2011 was 4.9%, almost unchanged from 2010, but rose slightly to 5.2% in the first quarter of 2012.

ASSET QUALITY

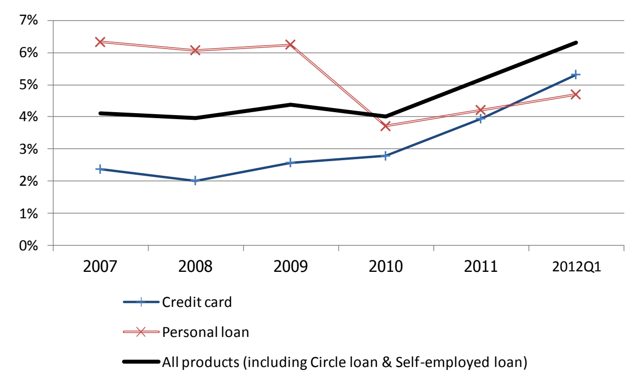
- ***Deteriorated asset quality***

The delinquency rate (NPLs over 90 days past due) for the credit card receivables climbed from 2.0% as of December 2008 to 2.8% as of December 2010. In 2011, the asset quality continued to deteriorate, even before the flood, ending the year with 3.9% NPLs. The effect of the flood mainly hit in the first quarter of 2012, when NPLs jumped to 5.3%.

For personal loans, NPLs dropped significantly at the end of 2010. The NPL ratio fell to 3.7%, from 6.2% a year earlier, as a result of a tightening in the credit policy in 2009. After KTC started to expand the portfolio in the second half of 2010, NPLs began to rise, ending 2011 at 4.2%.

KTC's clients residing in the flood-affected areas have been offered participation in a flood-relief program. Started in October 2011, eligible credit card and personal loan clients were subject to a lower minimum required monthly payment, as a percentage of their outstanding balance. The percentage has been gradually stepped up and will be back to normal in July 2012. TRIS Rating expects no significant surge in NPLs after the flood-relief program comes to an end in July 2012.

Chart 3: Delinquency Rate (90 Days Past Due)



Source: KTC's financial statements

- ***Flood impact***

The overall delinquency rate climbed to 5.2% at the end of 2011, from 4.0% a year earlier. The rate jumped to 6.3% at the end of the first quarter of 2012 as the effects from the flood were fully realized. The net charge-off rate jumped to 10.0% in 2011, up from 6.8% a year earlier. The rise was partly due to the extra allowance for doubtful accounts worth Bt633 million in 2011, provisioned in response to the expected rise in delinquency as a consequence of the flood. Despite the extra amount of provisions in 2011, the net charge-off rate remained high in the first quarter of 2012, at 2.3% (non-annualized).

In the beginning of 2012, the company decided to bring the collection service back in-house under its full control. The improvement in the efficiency of collection is expected to help reduce the delinquency rate. The company has also put more emphasis on pre-delinquent collections. TRIS Rating expects the asset quality to show signs of improvement in the second quarter of 2012.

PROFITABILITY

- ***Huge operating loss in 2011***

KTC reported a net loss of Bt1,621 million in 2011. Three major items, each considered as an extraordinary event, contributed to the unusually large loss in the fourth quarter of 2011: a change in the future tax rate, preparations for TFRI 13, and the extra allowance for doubtful accounts as a consequence of the flood.

First, the corporate tax rate in 2012 fell from 30% to 23%. After 2012, the rate will drop further, to 20%. The reduction in the tax rate resulted in KTC recognizing an additional Bt404 million in deferred tax expense in 2011.

Secondly, to prepare for the adoption of TFRI 13, KTC decided to ramp up its provision for credit card reward points in 2011. TFRI 13 is expected to be in effect in 2013, with a requirement for retroactive adjustment. The additional provisions for credit card reward points amounted to Bt838 million, on a pre-tax basis, and contributed to the Bt618 million after-tax loss in 2011. As of 31 December 2011, the provision for reward points stood at Bt1,325 million, compared with Bt487 million a year earlier.

Finally, KTC expected that the flood in the last quarter of 2011 would cause the delinquency rate to rise in the first quarter of 2012. In the last quarter of 2011, before the effects of the flood were fully realized, KTC set up an extra allowance for doubtful accounts worth Bt633 million. This extra provision contributed to the Bt443 million after-tax loss in 2011.

- ***Continued poor performance in the first quarter of 2012***

Despite the extra allowance for doubtful accounts in 2011, KTC reported a net loss of Bt155 million in the first quarter of 2012. The provisions for bad debts and doubtful accounts amounted to nearly 42% of total revenues, compared with 36% in the same period of 2011. TRIS Rating expects that the company's decision to bring the collection service back in-house in the beginning of 2012 will help reduce the delinquency rate and lower the ratio of provisioning expenses to total revenues for the remainder of the year. One key factor determining future profitability is KTC's ability to control asset quality in order to reduce the credit cost burden.

FUNDING/LIQUIDITY

- ***Credit line from KTB enhances financial flexibility***

Short-term liquidity is not a major concern for KTC. Its portfolio was funded by loans from many financial institutions, and by debentures with a range of maturities. No loan from a single financial institution represented a significant proportion of its overall borrowings.

In addition, KTC had a credit line from KTB worth Bt18,030 million, which remained unutilized as of 31 March 2012. The financial support from KTB has enhanced KTC's financial flexibility.

As of 31 March 2012, total borrowings were Bt37,676 million. Of the total, 48% or Bt18,176 million were due within one year.

CAPITALIZATION

- ***Weakened capital base***

The huge operating loss in 2011 has substantially weakened KTC's equity base. Shareholders' equity fell to Bt4,862 million at the end of 2011, down 26% from Bt6,539 million a year earlier. The debt to equity ratio was rising and getting closer to the covenant limit of 10 times. It rose to 8.8 times at the end of 2011, up from 6.4 times at the end of 2010.

As of 31 March 2012, KTC's total shareholders' equity stood at Bt4,729 million. The loan portfolio has not grown since 2008 and borrowings have been declining accordingly. The current equity base may be sufficient for the current portfolio size. However, a larger equity base may be needed if the loan portfolio will grow to the 2008 level.

Financial Statistics

Unit: Bt million

	Jan-Mar 2012	------------------- Year Ended 31 December 2011	2010	2009	2008 -----------------
Total assets	45,743	47,443	48,541	49,828	52,397
Total loans (ending gross receivables)	45,992	47,310	48,026	47,237	50,587
Allowance for doubtful accounts	4,575	4,390	3,250	3,229	1,926
Short-term borrowings	18,176	19,724	15,335	11,011	28,560
Long-term borrowings	19,500	19,500	24,020	30,483	14,778
Shareholders' equity	4,729	4,862	6,539	6,267	6,661
Net interest and dividend income *	1,499	6,197	6,041	6,525	6,559
Net provision for bad debt and doubtful accounts	1,058	4,760	3,262	5,106	3,001
Non-interest income	865	3,508	3,383	3,296	3,333
Operating expenses	1,439	6,542	5,734	5,359	5,895
Net income	(155)	(1,621)	224	(395)	617

* *Including credit usage fee*

Key Financial Ratios

Unit: %

	Jan-Mar 2012	-------------- Year Ended 31 December 2011	2010	2009	2008 --------------
Profitability					
Net interest and dividend income/average assets	3.22*	12.91	12.28	12.77	13.34
Fees and services income/average assets	1.86*	7.31	6.88	6.45	6.78
Operating expenses/total income	46.40	52.35	47.08	43.38	49.01
Operating profit/average assets	(0.29)*	(3.33)	0.87	(1.26)	2.03
Return on average assets	(0.33)*	(3.38)	0.46	(0.77)	1.25
Return on average equity	(3.23)*	(28.44)	3.50	(6.11)	9.78
Asset Quality					
Non-performing loans/average loans	6.22	5.12	4.06	4.22	4.21
Net provision for bad debts and doubtful accounts/average loans	2.27*	9.98	6.85	10.44	6.28
Allowance for doubtful accounts/total loans	9.95	9.28	6.77	6.84	3.81
Capitalization					
Debt/equity (times)	7.97	8.07	6.02	6.62	6.51
Shareholder's equity/total assets	10.34	10.25	13.47	12.58	12.71
Shareholder's equity/total loans	10.28	10.28	13.62	13.27	13.17
Liquidity					
Total loans/total borrowings	122.07	120.61	122.03	113.84	116.73
Payment rate	37.47	37.43	36.16	33.28	32.50

* *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.

D The rating for an issuer for which payment is in default.

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 differentiates a "structured finance product" from other debt instruments by attaching the "(sf)" identifier next to the original letter rating symbol. The "(sf)" identifier is assigned to all debt instruments that are deemed to meet the definition of a "structured finance product" defined by the Securities and Exchange Commission (SEC). The addition of this subscript to the rating symbol does not change the definition of the letter rating symbols mentioned above.

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 the fundamental creditworthiness of the company. The rating outlook will be announced in conjunction with the credit rating. In most cases, the outlook of each debt obligation is equal to the outlook assigned to the issuer or the obligor. The categories for "Rating Outlook" are as followed:

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.

TRIS Rating may announce a **"CreditAlert"** as a part of its monitoring process of a publicly announced credit rating when there is a significant event that TRIS Rating considers to potentially exerting a substantial impact on business or financial profiles of the rated entity. Due to an insufficient data or incomplete developments of the event, such as merger, new investment, capital restructuring, and etc., current credit rating remains unchanged. The announcement aims to forewarn investors to take a more cautious stance in investment decision against debt instruments of the rated entity. CreditAlert report consists of a "Rational" indicating warning reasons, a "CreditAlert Designation", and a current credit rating. Rating Outlook is withheld in the announcement.

CreditAlert Designation illustrates a short-term rating outlook indicative of the characteristics of impacts on the credit rating in one of the three directions (1) *Positive* (2) *Negative* and (3) *Developing*.

TRIS Rating Co., Ltd.
Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com