

Management Discussion and Analysis For the Third Quarter ended September 30, 2011

(This report discusses principal changes in the unreviewed consolidated financial statement for the third quarter ended September 30, 2011)

Movement of Money Market and Capital Market

During the third quarter of 2011, the Bank of Thailand (BOT) raised the policy rate twice from 3.00% at the end of second quarter of 2011 to 3.25% and 3.50% driven by continual rising inflationary pressure. Meanwhile, average 3-month fixed deposit rates of Top 5 commercial banks increased from 1.76% at the end of second quarter of 2011 to 2.07 % at the end of this quarter, while the average minimum lending rate of Top 5 commercial banks increased from 6.95% at the end of second quarter of 2011 to 7.33% at the end of this quarter.

In the third quarter of 2011, the capital market was significantly declined in tandem with stock markets worldwide amid concerns over global economic uncertainty. Moreover, the SET index dropped from the second quarter of 2011 ending at 1,041.48 points to 916.21 points at the end of this quarter. The average daily turnover improved from 29,438.92 million baht in second quarter of 2011 to 32,218.90 million baht in this quarter partly due to strong selling volume of foreign investors.

Operating Results

The Management Discussion and Analysis compares operating performance for the third quarter of 2011 and third quarter of 2010

TISCO Financial Group Public Company Limited had net profit from operations on a standalone basis totaling 744.24 million baht mainly contributed by service fee and dividend income from subsidiary companies within the group. As a holding company, TISCO Financial Group Public Company Limited operates as shareholder in other company and no other major business. Therefore, the analysis was based on the Company's consolidated operating performance and financial position which comprised of 2 main businesses: commercial banking business and securities business.

During the third quarter of 2011, TISCO Group had the net profit after minority interest at 898.93 million baht, increased by 168.29 million baht (23.0% YoY) contributed by an increase in total interest income of 37.6% (YoY) following strong expansion in loan portfolio. However, loan spread declined from 4.8% compared to 3.5% in this quarter. Non-interest income from core business reported at 1,108.37 million baht, increased by 91.10 million baht (9.0% YoY) mainly contributed by growth in banking fee of 29.2% (YoY) following the growth in loan and bancassurance businesses.

During the first nine months of 2011, TISCO Group had the net profit after minority interest at 2,590.72 million baht, increased by 384.94 million baht (17.5 % YoY) compared to 2,205.78 million baht in

same period of last year, contributed by an increase in net interest income of 6.9% (YoY). However, loan spread declined from 4.9% to 4.0% in this period. Moreover, non-interest income from core business reported at 3,130.22 million baht, increased by 313.29 million baht (11.1% YoY) contributed by growth in banking fee of 24.2 % (YoY) following the growth of loan and bancassurance businesses. Furthermore, the basic fee income from asset management business increased by 12.3% (YoY), which was mainly contributed by expansion of asset under management and the issuance of various funds that match with clients' needs. In addition, the brokerage income increased by 13.7% (YoY) following higher trading volume of the market.

Diluted earnings per share for the third quarter and first nine months of 2011 were 1.23 baht and 3.56 baht respectively compared with those in the same period in 2010 of 1.00 baht and 3.03 baht, respectively. The return on average equity (ROAE) for the third quarter and first nine months of 2011 were at 23.9% and 22.8% compared with those in the same period of 2010 at 21.4% and 22.1%, respectively.

Net Interest Income

Net interest income in this quarter was 1,741.41 million baht, which was at the same level as last year, while interest income was 3,311.80 million baht, increased by 904.25 million baht (37.6% YoY), following an expansion in loan portfolio. Meanwhile, interest expense increased by 916.24 million baht (140.1% YoY) to 1,570.39 million baht, following the upward interest rate environment.

However, yield on loan improved from 6.8% to 6.9% (YoY) amid upward interest rate cycle. Meanwhile, TISCO Group's cost of fund increased from 2.0% to 3.4% driven by upward interest rate cycle and intensifying deposit competition. As a result, loan spread declined from 4.8% to 3.5% (YoY).

TISCO Group reported net interest income after impairment loss of loans and debt securities for the third quarter of 2011 of 1,439.63 million baht, increased by 290.71 million baht (25.3 % YoY). Impairment loss of loans and debt securities was 301.79 million baht, which was considered as normal level in supporting future loan growth, compared to 604.48 million baht (YoY). Despite, the set up of provision at normal level, the general reserve was increased by 45.65 million baht due to improvement in asset quality.

Non-interest Income

Non-interest income of TISCO Group's core businesses was recorded at 1,108.37 million baht increased by 91.10 million baht (9.0% YoY) following an increase in banking fee of 164.22 million baht (29.2% YoY), to 727.05 million baht following the growth of loan and bancassurance businesses. Meanwhile, the basic fee income from asset management business was at 158.64 million baht, slightly increased by 1.6% (YoY), amid declining capital market during this quarter. Furthermore, brokerage income was at 188.03 million baht decreased 11.6 % (YoY).

In addition, total non-interest income was at 1,147.18 million baht, decreased by 14.08 million baht (1.2% YoY). In this quarter, TISCO Group record gain from investment and foreign exchange transaction totaled 38.81 million baht compared to 143.99 million baht (YoY).

Non-interest Expenses

Non-interest expenses for this quarter were 1,257.79 million baht, increased by 101.55 million baht (8.8% YoY). The increase was due to higher variable expenses associated with higher business volume and revenue. In this quarter, the cost to income ratio was 44.4%, comparing to 40.4% in the third quarter of 2010.

Corporate Income Tax

In the third quarter of 2011, the corporate income tax was 370.43 million baht, equivalent to the effective tax rate of 29.1%, compared to 33.4%(YoY).

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|-------------------------|
| Financial Status |
|-------------------------|

The Management Discussion and Analysis on operating results on financial status is a comparison between the financial positions as of September 30, 2011 and June 30, 2011.

Assets

TISCO Group's total assets as of September 30, 2011 were 206,869.10 million baht increased by 8,447.61 million baht (4.3% QoQ) mainly contributed by loan growth from 174,979.44 million baht to 181,738.37 million baht (3.9% QoQ).

Liabilities

Total liabilities as of September 30, 2011 were 191,383.63 million baht, increased by 7,623.81 million baht (4.1% QoQ) from 183,759.82 million baht mainly contributed by an increase in bill of exchanges amounted to 6,724.08 million baht (5.8% QoQ) and deposit of 2,896.12 million baht (8.3% QoQ). The liabilities mix comprised of 83.9% total deposit including bill of exchange, 6.5% interbank and money market items, 6.1% long-term borrowings, and 3.5% other liabilities.

Shareholders' Equity

Shareholder's equity as of September 30, 2011 was 15,485.45 million baht, increased by 823.78 million baht (5.6% QoQ) following continual increase in profit. The book value per share (BVPS) as of September 30, 2011 was 21.27 baht per share, increased from 20.14 baht per share (QoQ). In the third quarter of 2011, the Company had paid-up shares amounting 727.91 million shares, comprising of 727.88 million common shares and 0.04 million preference shares.

Business Segment Performance**(1) Banking Business****Loans**

At the end of the third quarter of 2011, total consolidated loans and receivables were 181,738.37 million baht, up by 6,758.93 million baht (3.9% QoQ) and increased by 32,007.57 million baht (21.4% YTD) following growth in all businesses especially corporate & SME loans. The composition of loan portfolio was 72.6 % of retail loans, 16.8 % of corporate loans, 7.6 % of SME loans and 3.0% of other loans.

Retail lending portfolio totaled 132,018.39 million baht, consisted of 93.7% car, motorcycle, and other hire purchase loans, 5.3% consumer loan and 1.0% mortgage loans. The outstanding hire purchase loans totaled 123,609.76 million baht, up by 4,822.59 million baht (4.1% QoQ). Car hire purchase new business volume amounted 16,167.94 million baht, increased by 1,880.77 million baht (13.2% YoY), while the domestic car sales in the first 8-month of 2011 reported at 583,957 units increased from 488,088 units (19.6% YoY). The car penetration rate for the first 8-month was reported at 11.3 %, which was at same level of average penetration rate of 11.2% in 2010. In addition, the consumer loan which was mainly contributed by loan against auto license (TISCO Auto Cash) totaled 7,024.54 million baht, increased by 556.40 million baht (8.6% QoQ)

Corporate lending portfolio totaled 30,493.11 million baht, slightly decreased by 391.69 million baht (1.3% QoQ).

SME lending portfolio totaled 13,865.26 million baht, up by 1,925.04 million baht (16.1% QoQ), mainly due to an increase in loan to car dealer.

Other loan portfolio totaled 5,361.61 million baht, slightly decreased by 173.98 million baht (3.1% QoQ) from 5,535.59 million baht in previous quarter.

Deposit

Total deposit¹ totaled 160,578.56 million baht, increased by 9,620.20 million baht (6.4% QoQ). Meanwhile, the portion of saving accounts and current accounts of total deposits was at 11.8% in this quarter. In addition, the portion of retail deposit with deposit amount less than 20 million baht to total funding in terms of clients was at 18.5% at the end of this quarter.

¹ Total Deposits includes deposits and short-term bill of exchanges

Non-Performing Loans (NPLs) and Loan Loss Provision

In this quarter, NPL ratio was at 1.2% declined from 1.6% (QoQ) resulting from additional write-off of non-performing hire purchase receivables together with corporate NPL settlement totaled 276.35 million baht, consisted of 210.78 million baht of principal and 65.56 million baht of interest. Additionally, NPL ratio of retail loan, corporate loan, and SME loan were 1.1%, 1.6% and 0.6%, respectively with total NPLs of 2,274.04 million baht which decreased by 19.8% (QoQ) or 560.63 million baht during the period. (NPLs of the Bank was 2,008.79 million baht and 265.25 million baht from other subsidiaries).

TISCO Group has applied Collective Approach for loan loss provisioning to the car hire-purchase portfolio following the Basel II framework. The loan loss reserve was derived from the best estimate of expected credit losses from the portfolio over the next 12 months, based historical loss data incorporating with adjustment for the recent market situation and economic cycle.

TISCO Group set up provision for impairment loss of loans and debt securities totaling 301.79 million baht, compared to 604.48 million baht (YoY) which was considered as normal level. However, the general reserve increased by 45.65 million baht due to an improvement in asset quality. As of September 30, 2011, loan loss reserve of TISCO Group was 4,616.21 million baht or 203.0% of NPLs. Total loan loss reserve of the Bank was 4,346.45 million baht with specific reserve for classified loan of 1,727.25 million baht and general reserve of 2,619.21 million baht. Total reserve was higher than the minimum loan loss reserve required by the Bank of Thailand at 1,704.31 million baht, reflecting the prudent provisioning policy to mitigate potential risk.

(2) Securities Business

At the end of the third quarter of 2011, the SET index decreased from previous quarter due to the investors concern over uncertainty of European country and USA economies. Average daily turnover of TISCO Securities Co., Ltd. was 1,362.98 million baht decreased by 16.9% (YoY). Furthermore, TISCO Securities' average market share was declined from 2.27% to 1.92% (YoY), mainly due to the decrease in market share of local and foreign institutional. Brokerage fee was 188.03 million baht, up by 11.6% (YoY) from 212.77 million baht in same period of 2010. Meanwhile, TISCO brokerage volume in third quarter of 2011 comprised of 26.3 % of local institutions, 20.9% of foreign institutions, and 52.8% of retail customers. In addition, fee income from investment banking business for the first nine months of 2011 was 30.35 million baht, comparing to 161.55 million baht in same period of 2010 due mainly to in the third quarter of 2010, investment banking business recorded fee from advisory service to the Financial Institution Developments Fund (FIDF) for the sales of stake in Siam City Bank Plc.

(3) Asset Management Business

As of August 31, 2011, asset management industry slightly declined from June 30, 2011 by 46,556.15 million baht (1.7% QoQ). TISCO's assets under management as of September 30, 2011 were 131,793.85 million baht, decreased by 4,502.09 million baht (3.3% QoQ). Total market share of TISCO Asset

Management Co., Ltd. as of August 31, 2011 was 5.0%, ranking 6th in the market. The market share of provident fund was 13.5%, ranking 3rd while the market share of private fund was and 13.5%, ranking 2nd in the market. For mutual fund, the market share was 0.9%, ranking 15th in the market.

In third quarter of 2011, basic fee income from asset management totaled 158.64 million baht, increased by 2.43 million baht (1.6% YoY) despite the declining in capital market. The composition of total asset under management was 61.3 % of provident fund, 27.4 % of private fund, and 11.3% of mutual fund.

Risk Management

As of September 30, 2011, TISCO Group's capital stood at 13,579.34 million baht comprising of Tier-I and available reserve adjustment. The integrated risk capital increased by 917.32 million baht or 10.2% (QoQ) to 9,901.52 million baht resulting from business expansion. In addition, the capital surplus remained strong at 3,677.81 million baht or 27.1%.

Comparing to the second quarter of 2011, the credit risk capital rose by 983.88 million baht to 7,185.29 million baht following the expansion of overall portfolio during the quarter. The non-performing loan to total loans decreased from 1.6% to 1.2%. Meanwhile, the market risk capital decrease by 66.56 million baht from 1,609.20 million baht to 1,542.64 million baht, resulting from an offset between decreasing interest rate risk and rising in risk of equity investment.

The overall interest rate risk in banking book increased following the portfolio expansion. As the assets duration increased from 1.54 years to 1.56 years resulting from increasing in long term hire purchase loan, the liabilities duration excluding saving and current accounts which are less sensitive to the interest rate movement stable at 0.64 year. Therefore, the duration gap of assets and liabilities increased which was still manageable level in the range of 11 months. However, the interest rate risk has been improved due to the rising interest rate has been decelerated in the past quarter.

In terms of regulatory capital requirement of the Bank and Securities Company, the positions are still in strong and sufficient levels to cushion for the expansion of asset in the future. At the end of third quarter, the projected regulatory capital adequacy ratio based on IRB approach (BIS ratio) after an adjustment of capital floor stood at 14.13% remaining higher than the 8.50% required by the Bank of Thailand. While projected Tier-I and Tier-II capital adequacy ratio before an adjustment of capital floor stood at 10.07% and 5.83%, respectively, Tier-I capital adequacy ratio also remained higher than the minimum requirement at 4.25%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 75.37%, higher than the minimum required ratio by the SEC of 7.0%

Table 1: Consolidated Revenue Structure

| Type of Revenue | 3Q10 | | 3Q11 | | Change |
|---|-------------------------|-------------|-------------------------|--------------|--------------|
| | Amount (Bt. million) | % | Amount (Bt. Million) | % | % YoY |
| Interest income | | | | | |
| Interest on loans | 437.26 | 15.3 | 923.44 | 32.6 | 111.2 |
| market items | 47.86 | 1.7 | 178.96 | 6.3 | 274.0 |
| income | 1,826.37 | 63.8 | 2,155.17 | 76.1 | 18.0 |
| Investments | 96.07 | 3.4 | 54.23 | 1.9 | (43.5) |
| Total interest income | 2,407.55 | 84.1 | 3,311.80 | 116.9 | 37.6 |
| Interest expenses | (654.15) | (22.8) | (1,570.39) | (55.4) | 140.1 |
| Net interest income | 1,753.40 | 61.2 | 1,741.41 | 61.5 | (0.7) |
| Fee Income | | | | | 0.0 |
| Fee Income | 805.43 | | 782.97 | 27.6 | (2.8) |
| Fee Expenses | (51.84) | | (54.83) | (1.9) | 5.8 |
| Net Fee Income | 753.60 | | 728.14 | 25.7 | (3.4) |
| exchange | | | | | |
| transaction | 143.99 | | 38.81 | 1.4 | (73.0) |
| Other Income | 211.83 | | 325.40 | 11.5 | 53.6 |
| Net Operating Income | 2,862.83 | | 2,833.77 | 100.0 | (1.0) |
| Non-interest expenses | (1,156.24) | | (1,257.79) | | |
| Impairment loss of loans and debt securities | (604.48) | | (301.79) | | |
| Bad debt written back revenue | - | | - | | |
| Profit before income tax and minority interest | 1,102.11 | | 1,274.19 | | |
| Corporate income tax | (368.05) | | (370.43) | | |
| Profit before minority interest | 734.06 | | 903.77 | | |
| Minority interest in net earnings in subsidiary company | (3.43) | | (4.84) | | |
| Net Profit | 730.63 | | 898.93 | | |

Table 2: Interest Spread

| % | 2010 | 3Q10 | 3Q11 | 9M10 | 9M11 |
|--------------------|------------|------------|------------|------------|------------|
| Yield on Loans | 6.7 | 6.8 | 6.9 | 6.8 | 6.8 |
| Cost of fund | 1.9 | 2.0 | 3.4 | 1.9 | 2.9 |
| Loan spread | 4.8 | 4.8 | 3.5 | 4.9 | 4.0 |

Table 3: Assets Breakdown

| Assets | June 30, 2011 | | September 30, 2011 | | % Change |
|--|-------------------------|--------------|-------------------------|--------------|------------|
| | Amount (Bt. million) | % | Amount (Bt. million) | % | |
| Cash | 849.35 | 0.4 | 980.22 | 0.5 | 15.4 |
| Interbank and Money Market Items | 16,881.86 | 8.5 | 18,749.19 | 9.1 | 11.1 |
| Derivative Asset | 4.78 | 0.0 | 18.40 | 0.0 | 0.0 |
| Fixed income | 1,857.12 | 0.9 | 2,358.29 | 1.1 | 27.0 |
| Equity | 2,563.72 | 1.3 | 2,123.29 | 1.0 | (17.2) |
| Corporate Loans | 30,884.81 | 15.6 | 30,493.11 | 14.7 | (1.3) |
| Retail Loans | 126,618.82 | 63.81 | 132,018.39 | 66.53 | 4.26 |
| SME Loans | 11,940.22 | 6.0 | 13,865.26 | 6.7 | 16.1 |
| Other Loans | 5,535.59 | 2.8 | 5,361.61 | 2.6 | (3.1) |
| Allowance for doubtful accounts and for loss on debt restructuring | (4,605.18) | (2.3) | (4,616.21) | (2.2) | 0.2 |
| Other Assets | 5,890.40 | 3.0 | 5,517.55 | 2.7 | (6.3) |
| Total – The Company and Subsidiaries | 198,421.49 | 100.0 | 206,869.10 | 100.0 | 4.3 |

Table 4: Liabilities Breakdown by Area

| Type of Borrowings | June 30, 2011 | | September 30, 2011 | | Change % |
|----------------------------------|----------------------|--------------|----------------------|--------------|------------|
| | Amount (Bt. million) | % | Amount (Bt. million) | % | |
| Total deposits | 150,958.36 | 82.1 | 160,578.56 | 83.9 | 6.4 |
| Interbank and money market items | 13,377.75 | 7.3 | 12,501.51 | 6.5 | (6.5) |
| Long-term borrowings | 12,330.84 | 6.7 | 11,625.60 | 6.1 | (5.7) |
| Others | 7,092.88 | 3.9 | 6,677.97 | 3.5 | (5.8) |
| Subsidiaries | 183,759.82 | 100.0 | 191,383.63 | 100.0 | 4.1 |

Table 5: Loans and Receivables Breakdown

| Type of Business | June 30, 2011 | | September 30, 2011 | | % Change |
|---|----------------------|--------------|----------------------|--------------|--------------|
| | Amount (Bt. million) | % | Amount (Bt. million) | % | |
| Manufacturing and commerce | 16,428.16 | 9.4 | 15,834.88 | 8.7 | (3.6) |
| Real estate and construction | 8,313.44 | 4.8 | 7,958.07 | 4.4 | (4.3) |
| Public utilities and services | 5,944.22 | 3.4 | 6,452.79 | 3.6 | 8.6 |
| Agriculture and mining | 198.99 | 0.1 | 247.37 | 0.1 | 24.3 |
| Commercial Lending | 30,884.81 | 17.7 | 30,493.11 | 16.8 | (1.3) |
| SME Loans | 11,940.22 | 6.8 | 13,865.26 | 7.6 | 16.1 |
| Hire purchase | 118,787.17 | 67.9 | 123,609.76 | 68.0 | 4.1 |
| Housing | 1,363.50 | 0.8 | 1,384.09 | 0.8 | 1.5 |
| Consumer | 6,468.15 | 3.70 | 7,024.54 | 3.87 | 8.60 |
| Retail Loans | 126,618.82 | 72.4 | 132,018.39 | 72.6 | 4.3 |
| Others | 5,535.59 | 3.2 | 5,361.61 | 3.0 | (3.1) |
| Total – The Company and Subsidiaries | 174,979.44 | 100.0 | 181,738.37 | 100.0 | 3.9 |

Table 6: Deposits Structure

| Type of Deposits | June 30, 2011 | | September 30, 2011 | | % Change |
|-------------------------------|----------------------|--------------|----------------------|--------------|------------|
| | Amount (Bt. million) | % | Amount (Bt. million) | % | |
| Current accounts | 3,653.30 | 2.4 | 3,452.19 | 2.1 | (5.5) |
| Saving accounts | 16,482.71 | 10.9 | 15,474.24 | 9.6 | (6.1) |
| Fixed accounts | 998.02 | 0.7 | 1,750.81 | 1.1 | 75.4 |
| Negotiate certificate deposit | 13,883.79 | 9.2 | 17,236.71 | 10.7 | 24.1 |
| Short-term borrowings | 115,940.53 | 76.8 | 122,664.61 | 76.4 | 5.8 |
| Total deposits | 150,958.36 | 100.0 | 160,578.56 | 100.0 | 6.4 |

Table 7: NPL Breakdown by Area

| Type of Business | June 30, 2011 | | | September 30, 2011 | | | % Change |
|-------------------------------------|---------------|----------------------|--------------|--------------------|----------------------|--------------|---------------|
| | % NPL | Amount (Bt. million) | % | % NPL | Amount (Bt. million) | % | |
| Manufacturing and commerce | 0.6 | 94.83 | 3.3 | 0.5 | 78.52 | 3.5 | (17.2) |
| Real estate and construction | 4.2 | 352.04 | 12.4 | 4.3 | 338.23 | 14.9 | (3.9) |
| Public utilities and services | 1.1 | 67.03 | 2.4 | 0.9 | 56.55 | 2.5 | (15.6) |
| Agriculture and mining | 2.3 | 4.50 | 0.2 | 0.0 | 0.03 | 0.0 | (99.3) |
| Total NPL - Commercial Loans | 1.7 | 518.39 | 18.3 | 1.6 | 473.33 | 20.8 | (8.7) |
| NPL-SME Loans | 2.2 | 261.52 | 9.2 | 0.6 | 80.63 | 3.5 | (69.2) |
| Hire purchase | 1.3 | 1,486.99 | 52.5 | 1.1 | 1,354.67 | 59.6 | (8.9) |
| Housing | 8.5 | 115.98 | 4.1 | 8.5 | 117.61 | 5.2 | 1.4 |
| Total NPL - Retail Loans | 1.3 | 1,602.98 | 56.5 | 1.1 | 1,472.29 | 64.7 | (8.2) |
| Others | 6.6 | 451.78 | 15.9 | 3.7 | 247.79 | 10.9 | (45.2) |
| Subsidiaries | 1.6 | 2,834.67 | 100.0 | 1.2 | 2,274.04 | 100.0 | (19.8) |

Table 8: Assets under Management Breakdown by Type of Fund

| Type of Fund | June 30, 2011 | | September 30, 2011 | | % Change |
|----------------|----------------------|--------------|----------------------|--------------|--------------|
| | Amount (Bt. million) | % | Amount (Bt. million) | % | |
| Provident Fund | 79,823.68 | 58.6 | 80,858.31 | 61.4 | 1.3 |
| Private Fund | 39,301.75 | 28.8 | 36,033.86 | 27.3 | (8.3) |
| Mutual Fund | 17,170.51 | 12.6 | 14,901.68 | 11.3 | (13.2) |
| Total | 136,295.94 | 100.0 | 131,793.85 | 100.0 | (3.3) |

Table 9: Average Duration Mismatch of Assets and Liabilities and Its Impact

| Type of Fund | Duration (years) | | 1-Y Net interest income change to 1% interest | |
|----------------|------------------|--------------------|---|--------------------|
| | June 30, 2011 | September 30, 2011 | June 30, 2011 | September 30, 2011 |
| Assets | 1.54 | 1.56 | 647.97 | 654.17 |
| Liabilities* | 0.64 | 0.64 | (1,141.01) | (1,174.64) |
| Net Gap | 0.90 | 0.92 | (493.04) | (520.47) |

Note : * Exclude saving and current account