



ANNUAL REPORT



Krungthai Card
Public Company Limited
Annual Report 2011



CONTENTS

• Key Financial Ratio	01	• Internal Control	121
• Shareholders Structure	02	• Dividend Payment Policy	124
• Organization Structure	03	• Human Resources	125
• Message from Chairman	04	• Legislations Applicable	
• Board of Directors	07	to Business Operations	
• Executives	24	of the Company	127
• Business Description	47	• Related Party Transaction	129
• Risk Factors	51	• Report of the Audit Committee	137
• Management Discussion		• Financial Statements	139
of Financial Condition		• Auditor's Remuneration	220
and Result of Operations	58	• General Information	221
• Corporate Management	82		
• Corporate Governance	110		
• Monitoring of Inside			
Information Usage	120		

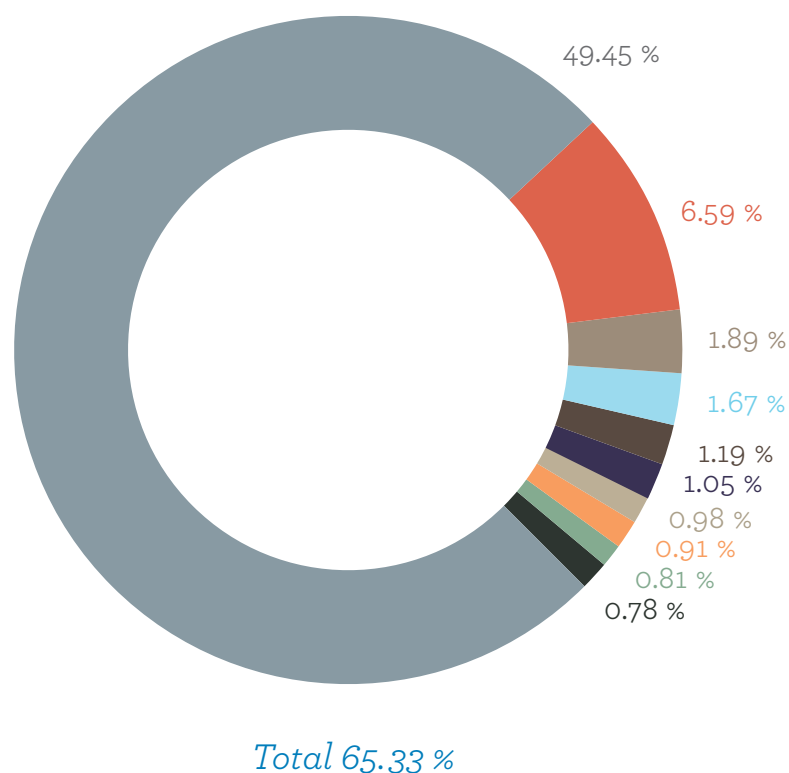
KEY FINANCIAL RATIO

Summary of Financial Ratio Year 2009 - 2011

<i>Profitability Ratio</i>	<i>Unit</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
Gross Profit Margin	%	80.0%	79.7%	79.0%
Net Profit Margin	%	(13.0%)	1.8%	(3.2%)
Return on Average Shareholders' Equity (ROE)	%	(28.4%)	3.5%	(6.1%)
Net Interest Margin (including credit usage fees)	%	13.6%	13.2%	13.7%
Non-Interest Income to Total Revenue (including credit usage fees)	%	54.0%	53.7%	51.2%
<i>Efficiency Ratio</i>				
Net Interest Revenue to Total Assets	%	12.9%	12.3%	12.8%
Return on Assets (ROA)	%	(3.4%)	0.5%	(0.8%)
Asset Turnover	times	0.3	0.2	0.2
<i>Financial Ratio</i>				
Debt to Equity (D/E)	times	8.8	6.4	7.0
Loan to Borrowing	%	120.6%	122.0%	113.8%
<i>Asset Quality Ratio</i>				
Doubtful Account to Total A/R	%	9.3%	6.8%	6.8%
Credit loss	%	10.2%	9.1%	9.3%

SHAREHOLDERS STRUCTURE

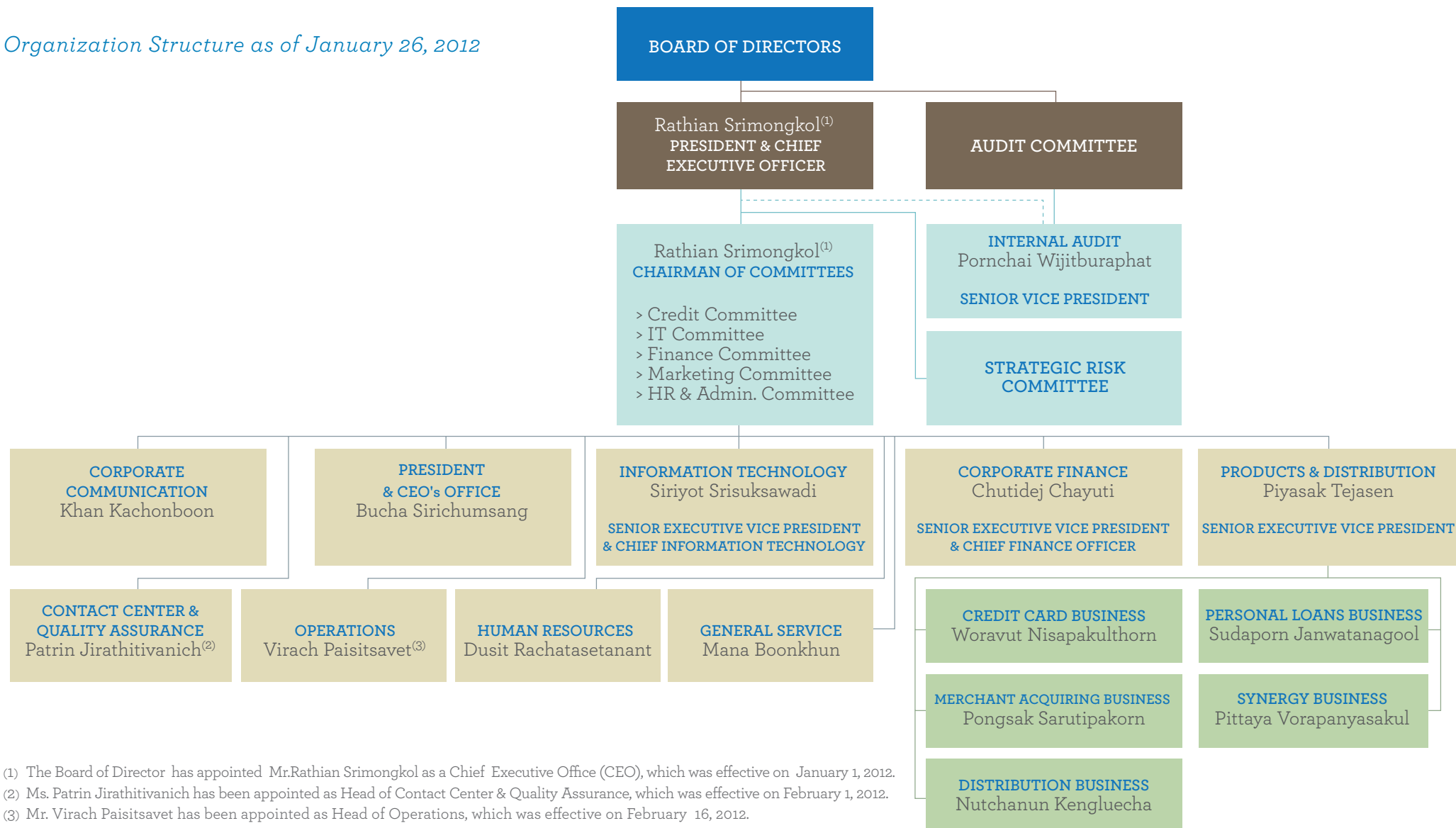
As of December 31, 2011, total Number of Authorized Capital and Paid-Up Capital 257,833,407 shares, top ten shareholders consist of;



Name	No. of shares
1 Krung Thai Bank Public Company Limited	127,500,000
2 The Bank of New York Mellon	17,001,900
3 Mr. Jessada Lertnantapanya	4,864,900
4 Mr. Yue Kwok-Leung	4,307,700
5 Mrs. Somchong Lapananrat	3,076,500
6 Thaisri Insurance Company Limited	2,711,500
7 Mr. Suphot Lapananrat	2,530,000
8 Dr. Thaiyin Srimongkol	2,357,100
9 Thai NVDR Company Limited	2,093,150
10 Mrs. Chutima Laochinda	2,000,000
Total	168,442,750

ORGANIZATION STRUCTURE

Organization Structure as of January 26, 2012



(1) The Board of Director has appointed Mr.Rathian Srimongkol as a Chief Executive Office (CEO), which was effective on January 1, 2012.

(2) Ms. Patrin Jirathitivanich has been appointed as Head of Contact Center & Quality Assurance, which was effective on February 1, 2012.

(3) Mr. Virach Paisitsavet has been appointed as Head of Operations, which was effective on February 16, 2012.

MESSAGE FROM CHAIRMAN

04



Dear Stockholders:

2011 was a challenging year for KTC. While the situation in the first nine months was relatively stable, in the last quarter a few unavoidable external factors posed significant negative impacts to KTC's performance. The country faced a severe and widespread inundation resulting in a stagnant economic growth and a deterioration of consumer credit quality. A consumer confidence level stumbled, directly affecting credit card usage. A change of corporate tax bracket also attributed negatively on KTC's accounting bottom line. KTC's 2011 profit hence plunged to a loss of 1,621 Million Baht.

Three main contributors to the negative returns included an additional credit provision, an increase of loyalty expenses and a reduction of deferred taxes. On the credit provision front, a cushion of 633 Million Baht was provided in anticipation of lowering credit quality from the flood victim group. The loyalty expenses, comprising redemption costs and additional reserves, increased as the loyalty strategy and loyalty reserve policy have been altered. The change aimed to lower redemption costs in a longer term while preparing for a new accounting standard. As a result, the loyalty point expenses increased to 838 Million Baht from 198 Million Baht in the previous year. The last negative factor caused by a change of corporate tax bracket from 30% to 23% and 20% in 2012 and 2013 respectively. Because KTC implemented a deferred tax practice in the previous years, calculating the amount at a 30% rate, KTC needed to reverse the difference deferred taxes of the previous and the newly introduced tax rate. This difference amounted to 404 Million Baht were subtracted from the bottom line.

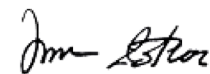
While causing a negative return, the additional credit provisions in turn created a strong balance sheet with a loan provisioning rate of 9.3% as compared to 6.8% in the previous year. The portfolio continued to shift towards the higher yield personal loans which accounted for 27% in 2011, comparing to 24% in 2010. The debt-to-equity ratio was still under the governed ratio. Thus, KTC is well positioned to emerge from the losses and become sustainably profitable company, while regaining its market leadership

To achieve a turnaround, KTC is committed to execute five strategic programs with focuses on not only cost reduction but credit and revenue enhancement as well. First, both credit and non-credit outsourcing operations will be integrated back for better control and scale benefits. As a margin for consumer finance products could be further squeezed due to competition and regulation, a cost advantage will be a crucial differentiation factor. Second, IT systems will be migrated in-house for greater flexibility and a higher service level. Next, the contact center service will be upgraded to an international standard, enabling KTC to compete in a more demanding market. The forth lever pertains to an online program which contributes both cost and revenue benefits. We will retain our marketing innovation leadership and the online channel will be our strategic anchor. The online channel enables us not only to capture new market and consumer segments, but also to better manage costs in a sustainable manner. Last, we will implant a knowledge-based organization culture where every staffs understand and aim, in every activity they do, to create a higher shareholder value return. With a well-orchestrated execution of these strategic initiatives, we are certain that KTC will return to profits and attain a sustainable business result and hence strong shareholder returns in an immediate- and longer-term.

MESSAGE FROM CHAIRMAN

06

On behalf of the Board of Directors and management, we are thankful for your strong and continuing supports. We are fully committed to continuing to operate in full energy to deliver greater results.



Mr. Pongsathorn Siriyodhin
Chairman

BOARD OF DIRECTORS



Mr. Pongsathorn Siriyodhin

Chairman

Age 60

Education

- > Doctoral Degree, Economics, University of Cincinnati, U.S.A.
- > Master's Degree, Economics, California State University, U.S.A.
- > Bachelor's Degree, Economics, California State University, U.S.A.
- > Certificate, Director Certificate Program, Thai Institute of Directors Association
- > Certificate, Capital Market Academy Leadership Program, class 7

% of KTC Shares Held

0%

Family Relationship

None

BOARD OF DIRECTORS

Mr. Pongsathorn Siriyodhin

Chairman

Work Experience

2001 - Present	<i>Chairman</i> Krungthai Card Public Company Limited / Consumer Finance
2011 - Present	<i>Chairman</i> Ananda Development Public Company Limited / Property Development
1997 - 2011	<i>First Senior Executive Vice President</i> Operation Group / Krung Thai Bank Public Company Limited / Banking
2004 - 2011	<i>Director</i> Nok Airlines Company Limited / Airline
2003 - 2009	<i>Director</i> Trinity Wattana Public Company Limited / Securities
1998 - 2001	<i>Director</i> Krung Thai Computer Services Company Limited / Information Technology



Mr. Akarat Na Ranong

*Director / Audit Committee /
Nominating and Remuneration Committee
Age 58*

Education

- > Master's Degree, Business Administration (Management), Marshall University, U.S.A.
- > Bachelor's Degree, Economics, Chulalongkorn University
- > Certificate, Audit Committee Program, Thai Institute of Directors Association
- > Certificate, Director Accreditation Program, Thai Institute of Directors Association
- > Certificate, Role of the Compensation Committee, Thai Institute of Directors Association
- > Certificate, Capital Market Academy Leadership Program, class 6

% of KTC Shares Held

0.0004%

Family Relationship

None

BOARD OF DIRECTORS

10

Mr. Akarat Na Ranong

*Director / Audit Committee /
Nominating and Remuneration Committee*

Work Experience

2011 - Present	<i>Lecturer College of Music / Mahidol University</i>
2001 - Present	<i>Director / Audit Committee / Nominating and Remuneration Committee Krungthai Card Public Company Limited / Consumer Finance</i>
2011 - Present	<i>Independent Director / Audit Committee FINANSA Public Company Limited / Financial advisory and Management</i>
2011 - Present	<i>Independent Director / Audit Committee FINANSA Securities Company Limited / Investment Banking</i>
2011 - Present	<i>Independent Director / Audit Committee FINANSA Asset Management Company Limited / Fund Management</i>
2010 - Present	<i>Director / Chairperson of the Audit Committee Matching Maximize Solution Public Company Limited / Media & Publishing</i>
2010 - 2011	<i>Associate Dean for Resources Development College of Music / Mahidol University</i>
1996 - 2009	<i>President TSFC Securities Limited / Securities</i>
1995 - 1996	<i>President Thai Finance and Securities Public Company Limited / Securities</i>
1990 - 1995	<i>Vice President Country Treasurer, Citibank N.A. / Banking</i>



Mrs. Kittiya Todhanakasem

Director /

*Chairman of Nomination and
Remuneration Committee*

Age 53

Education

- > Master's Degree, MBA, University of Illinois, Champaign - Urbana, U.S.A.
- > Bachelor's Degree, Accounting (Honor), Thammasat University
- > Certificate, Director Accreditation Program, Thai Institute of Directors Association
- > Certificate, Director Certification Program, Thai Institute of Directors Association
- > Diploma, National Defence College, The Joint State-Private Sector Course Class 51/21, Nation Defence College of Thailand
- > Leader Program of Capital Market Academy Class 13

% of KTC Shares Held

0%

Family Relationship

None

BOARD OF DIRECTORS

12

Mrs. Kittiya Todhanakasem

Director /

Chairman of Nomination and

Remuneration Committee

Work Experience

2011 - Present

First Senior Executive Vice President - Managing Director

Financial Management Group / Krung Thai Bank Public Company Limited / Banking

2005 - 2010

Senior Executive Vice President - Managing Director

Financial Management Group / Krung Thai Bank Public Company Limited / Banking

2005 - Present

Director

Krungthai Card Public Company Limited / Consumer Finance

2011 - Present

Chairman

Krungthai Panich Insurance Company Limited / Insurance

2001 - 2011

Director

Krungthai Panich Insurance Company Limited / Insurance

2009 - Present

Chairman

KTB Advisory Company Limited / Financial Advisory



Mr. Suvit Mapaisansin

Director /

Chairman of Audit Committee

Age 52

Education

- > Master's Degree, MBA, Sasin Graduate Institute of Business Administration
- > Bachelor's Degree, BA in Economics, Chulalongkorn University
- > Director Certification Program (DCP), 2001, Thai Institute of Directors Association (IOD)
- > Audit Committee Program (ACP), 2011, Thai Institute of Directors Association (IOD)

% of KTC Shares Held

0%

Family Relationship

None

BOARD OF DIRECTORS

14

Mr. Suvit Mapaisansin

*Director /
Chairman of Audit Committee*

Work Experience

2009 - Present	<i>Director / Chairman of Audit Committee</i> Krungthai Card Public Company Limited / Consumer Finance
2011 - Present	<i>Director / Executive Director</i> Phatra Capital Public Company Limited / Securities
2009 - 2011	<i>Director / Executive Director</i> Phatra Securities Public Company Limited / Securities
2003 - 2009	<i>Chief Executive Officer</i> Phatra Securities Public Company Limited / Securities
2002 - 2003	<i>Vice Chairman of the Board</i> The Stock Exchange of Thailand
2001 - 2002	<i>Director</i> The Stock Exchange of Thailand
2000 - 2002	<i>Managing Director</i> Merrill Lynch Phatra Securities Company Limited / Securities
1998 - 2000	<i>Senior Executive Vice President</i> Merrill Lynch Phatra Securities Company Limited / Securities
1997 - 1998	<i>Senior Executive Vice President</i> Phatra Securities Company Limited / Securities



Ms. Pimpen Ladpli

Director /

Audit Committee

Age 41

Education

- > Doctoral Degree, Economics, University of Southampton, U.K.
- > Master's Degree, MBA Finance, University of Exeter, U.K.
- > Bachelor's Degree, Economics, California State University, Northridge U.S.A.
- > Certificate, Director Accreditation Program, Thai Institute of Directors Association
- > Certificate, Finance for Non-Finance Director, Thai Institute of Directors Association
- > Certificate, Economic and Financial Management for Mid-Ranking Executives (class 3), King Prajadhipok's Institute
- > Certificate, Role of the Compensation Committee, Thai Institute of Directors Association
- > Certificate, Audit Committee Program, Thai Institute of Directors Association

% of KTC Shares Held

0.004%

Family Relationship

None

Ms. Pimpen Ladpli

*Director /
Audit Committee*

Work Experience

2010 - Present	<i>Action Director Bond Market Development Bureau Public Debt Management Office / Ministry of Finance / Government</i>
2010 - Present	<i>Director of Government Bond Market Division Public Debt Management Office / Ministry of Finance / Government</i>
2002 - Present	<i>Director / Audit Committee Krungthai Card Public Company Limited / Consumer Finance</i>
2006 - Present	<i>Guest Professor Faculty of Economics / Chulalongkorn University</i>
1996 - 2010	<i>Economist Public Debt Management Office / Ministry of Finance / Government</i>
2005 - 2006	<i>Assistant Advisor to the Minister of Commerce Ministry of Commerce / Government</i>
2004 - 2005	<i>Assistant Advisor to the Minister of Finance Ministry of Finance / Government</i>
2003 - 2004	<i>Assistant Advisor to the Deputy Prime Minister Office of the Prime Minister / Government</i>
2001 - 2002	<i>Assistant Advisor to the Minister of Finance Ministry of Finance / Government</i>



Mr. Suvit Maesincee

Director /

Nominating and Remuneration Committee

Age 50

Education

- > Ph.D. in Marketing, Kellogg Graduate School of Management, Northwestern University, USA
- > MBA in Marketing, School of Business Administration, National Institute of Development Administration
- > BSc. in Pharmacy, Faculty of Pharmacy Mahidol University
- > Certificate, Director Certification Program (DCP) , Thai Institute of Directors Association
- > Certificate, Director Accreditation Program (DAP) , Thai Institute of Directors Association
- > Certificate, Audit Committee Program (ACP) , Thai Institute of Directors Association

% of KTC Shares Held

0%

Family Relationship

None

Mr. Suvit Maesincee

Director /
Nominating and Remuneration Committee

Work Experience

2008 - Present	Director Sasin Institute for Global Affairs / Sasin Graduate Institute of Business Administration of Chulalongkorn University
2011 - Present	Director / Nominating and Remuneration Committee Krungthai Card Public Company Limited / Consumer Finance
2008 - Present	Director Berli Jucker Public Company Limited / Commerce
2007 - Present	Consultant Market Alternative Investment / The Stock Exchange of Thailand
2000 - Present	Director Thai Vegetable Oil Public Company Limited / Food and Beverage
2002 - 2010	Director Siam City Bank Public Company Limited / Banking
2005 - 2006	Assistant Minister of Commerce Ministry of Commerce / Government
2004 - 2005	Assistant Minister Prime Minister's Office / Government
2004	Consult to the Deputy Prime Minister's Office / Government
2000 - 2001	Senior Consultant L.E.K. Consulting Company Limited / Consulting



Mrs. Sriprabha Pringpong

Director

Age 59

Education

- > MBA The University of Toledo, Ohio, USA
- > BS in Commerce and Accountancy, Chulalongkorn University

% of KTC Shares Held

0%

Family Relationship

None

Mrs. Sriprabha Pringpong
Director

Work Experience

2011 - Present	<i>Senior Executive Vice President - Managing Director</i> Government & State Enterprise Relations Group / Krung Thai Bank Public Company Limited / Banking
2011 - Present	<i>Director</i> Krungthai Card Public Company Limited / Consumer Finance
2009 - 2010	<i>Executive Vice President - Managing Director</i> Government & State Enterprise Relations Group / Krung Thai Bank Public Company Limited / Banking
2008 - 2009	<i>Senior Vice President</i> Government Relations Group / Krung Thai Bank Public Company Limited / Banking
2007 - 2008	<i>Senior Vice President</i> Government Relations Group / Krung Thai Bank Public Company Limited / Banking
2005 - 2007	<i>Senior Director</i> Government Relations Group / Krung Thai Bank Public Company Limited / Banking
2003 - 2005	<i>Senior Director</i> Public Relations Department / Krung Thai Bank Public Company Limited / Banking
2002 - 2003	<i>Senior Director</i> State Enterprise Relations Department / Krung Thai Bank Public Company Limited / Banking

BOARD OF DIRECTORS

21

Mrs. Sriprabha Pringpong
Director

2001 - 2002	<i>First Vice President</i> Government Relations Department / Krung Thai Bank Public Company Limited / Banking
1998 - 2001	<i>First Vice President</i> Business Relations Department / Krung Thai Bank Public Company Limited / Banking
1994 - 1998	<i>First Vice President</i> Personal Loan Department / Krung Thai Bank Public Company Limited / Banking
1993 - 1994	<i>First Vice President</i> Electronic Banking & Personal Loan Department / Krung Thai Bank Public Company Limited / Banking
1986 - 1993	<i>Branch Manager</i> Branch Manager – Nana Nua Office / Krung Thai Bank Public Company Limited / Banking



*Mr. Niwatt Chittalarn**

Director /

President & Chief Executive Officer

Age 60

Education

- > Master's Degree, Education Management, University of Kansas at Emporia, U.S.A.
- > Bachelor's Degree, Education, Prince of Songkhla University, Pattani Campus

% of KTC Shares Held

0%

Family Relationship

None

Mr. Niwatt Chittalarn*

Director /
President & Chief Executive Officer

Work Experience

1996 - 2011	Director / President & Chief Executive Officer Krungthai Card Public Company Limited / Consumer Finance
2004 - 2005	Chairman KTC World Company Limited / Travel Management
1992 - 1996	Vice President Project Administrator / Rajavej Company Limited / Hospital
1991 - 1992	Vice President Country Human Resources Division / Citibank N.A. / Banking
1981 - 1989	Vice President Card Marketing / American Express (Thailand) Company Limited / Credit Card

* Mr. Niwatt Chittalarn has resigned from Company directorship due to his retirement from being Chief Executive Officer. The resignation was effective from January 1, 2012 onwards

EXECUTIVES

24



Mr. Rathian Srimongkol

Director /

President & Chief Executive Officer

Age 52

Education

- > Master's Degree, MBA , Thammasat University
- > Master's Degree, M.P.A in General Administration, Suan Sunandha Rajabhat University
- > Medical Degree, Siriraj Hospital Mahidol University
- > Bachelor's Degree, Medical Science, Mahidol University
- > Certificate in Politics and Governance in Democratic Systems for Executives Course (Class 9), King Prajadhipok's Institute
- > Diploma, Course for The Joint State Private Sector, Thailand National Defence College
- > Capital Market Academy Leadership Program, Capital Market Academy (Class 11)
- > Financial Statements Demystified for Director / Thai Institute of Directors Association (IOD)
- > Directors Certification Program (DCP) / Thai Institute of Directors Association (IOD)
- > Role of the Chairman Program (RCP) / Thai Institute of Directors Association (IOD)

% of KTC Shares Held

0%

Family Relationship

None

Mr. Rathian Srimongkol

Director /
President & Chief Executive Officer

Work Experience

2012 - Present	Director / President & Chief Executive Officer Krungthai Card Public Company Limited / Consumer Finance
2009 - Present	Vice Chairman and Chairman Audit Committee Indorama Ventures Public Company Limited / Holding
2004 - Present	Performance Agreement Subcommittee Organization Management (Internal Audit and Internal Control) Ministry of Finance / Government
2001 - Present	Performance Agreement Subcommittee (Energy Sector) Ministry of Finance / Government
2010 - 2011	Director and Chairman Audit Committee Indorama Polymers Public Company Limited / Petrochemicals & Chemicals
2008 - 2011	Executive Vice President Thanachart Bank Public Company Limited / Banking
2008 - 2011	Director Ministry of Finance / Government
2004 - 2011	Director Thailand Center of Excellence for Life Sciences / Government
2008 - 2010	Director TOT Public Company Limited / Communication

<i>Mr. Rathian Srimongkol</i> <i>Director /</i> <i>President & Chief Executive Officer</i>	2007 - 2009	<i>Advisor</i> Siam City Securities Company Limited / Finance & Securities
	2008	<i>Chairman</i> Industrial Estate Authority of Thailand / Public Enterprise
	2004 - 2008	<i>First Executive Vice President</i> Siam City Bank Public Company Limited / Banking
	2004 - 2008	<i>Chairman</i> The Zoological Park Organization / Public Enterprise
	2003 - 2007	<i>Chairman</i> Siam City Securities Company Limited / Finance & Securities
	1999 - 2006	<i>Chairman Audit Committee and Director</i> Matichon Public Company Limited / Media and Publishing
	2005	<i>Director</i> TOT Public Company Limited / Communication
	2004 - 2005	<i>Director</i> Thailand Privilege Card Company Limited / Business Travel Card
	2001 - 2004	<i>Executive Vice President</i> Siam City Bank Public Company Limited / Banking
	1996 - 1999	<i>Speaker - Securities Analysis Course</i> The Stock Exchange of Thailand

<i>Mr. Rathian Srimongkol</i> <i>Director /</i> <i>President & Chief Executive Officer</i>	1993 - 1997	<i>Executive Director and Acting President</i>
	1990 - 1993	Thana One Finance & Securities Public Company Limited / Finance & Securities <i>Manager</i>
	1989 - 1990	Investment Banking / Bank of Ayudhya Public Company Limited / Banking <i>Manager</i>
	1985 - 1989	Treasury Department / Bank of Ayudhya Public Company Limited / Banking <i>Chief Dealer</i> Bank of Ayudhya Public Company Limited / Banking



Mr. Chutidej Chayuti

*Senior Executive Vice President &
Chief Finance Officer -
Corporate Finance
Age 49*

Education

- > Master's Degree, M.S. (Industrial Technology), Indiana State University, U.S.A.
- > Master's Degree, MBA, Indiana State University, U.S.A.
- > Bachelor's Degree, Commerce and Accountancy (Industrial Management), Thammasat University

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

2002 - Present	<i>Senior Executive Vice President & Chief Finance Officer</i> Corporate Finance / Krungthai Card Public Company Limited / Consumer Finance
1998 - 2002	<i>Assistant Secretary General</i> Financial Sector Restructuring Authority / State Enterprise
1995 - 1998	<i>Senior Vice President</i> Financial Sector Restructuring Authority / State Enterprise
1993 - 1995	<i>Vice President</i> Planning and Financial Business Development Department and Office of The President / Wall Street Finance and Securities Public Company Limited / Financials and Securities



Mr. Siriyot Srisuksawadi
Senior Executive Vice President &
Chief Information Officer –
Information Technology
Age 53

Education

- > Master in Marketing English Language Certificate Program, Joint Education Program Thammasat University and University of Gothenburg, Sweden
- > Bachelor's Degree, Electronic Data Processing, Chulalongkorn University

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

2006 - Present	<i>Senior Executive Vice President</i> Information Technology / Krungthai Card Public Company Limited / Consumer Finance
2000 - 2006	<i>Executive Vice President</i> Head of Branch Services and Operations Division / Bank Thai Public Company Limited / Banking
1999 - 2000	<i>Chief Information Officer (CIO)</i> GE Capital (Thailand) Limited / Consumer Finance
1996 - 1999	<i>Executive Vice President</i> TSFC Securities Limited / Securities



Mr. Piyasak Tejasen
Senior Executive Vice President –
Products & Distribution
Age 47

Education

- > Master’s Degree, Political Science, The School of Public Administration, University of Southern California, U.S.A.
- > Bachelor’s Degree, Political Science, Ramkhamhaeng University

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

2002 - Present	<i>Senior Executive Vice President</i> Products & Distribution / Krungthai Card Public Company Limited / Consumer Finance
1999 - 2002	<i>Human Resources Director</i> Human Resources and Administration Department / Bangkok Capital Alliance Company Limited / Financials



Ms. Sudaporn Janwatanagool
Executive Vice President -
Personal Loans Business
Age 53

Education

- > Master’s Degree, Finance and Banking, Sripatum University
- > Bachelor’s Degree, Faculty of Commerce and Accountancy, (Accounting), Chulalongkorn University
- > Certificate, Mini MBA, Bank of Ayudhya Public Company Limited

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

1997 - Present	<i>Executive Vice President</i> Personal Loans Business / Krungthai Card Public Company Limited / Consumer Finance
2010 - Present	<i>Chairman</i> Personal Loan Club / The Thai Bankers’ Association
1990 - 1997	<i>Vice President</i> Accounting Department / Citibank N.A. / Banking
1987 - 1990	<i>Head of Accounting Department</i> Credit Card Center / Head Office / Bank of Ayudhya Public Company Limited / Banking



Mr. Pongsak Sarutipakorn
Executive Vice President -
Merchant Acquiring Business
Age 53

Education

- > Master's Degree, Business Administration, Kasetsart University
- > Bachelor's Degree, Economics, Ramkhamhaeng University

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

2003 - Present	<i>Executive Vice President</i> Merchant Acquiring Business / Krungthai Card Public Company Limited / Consumer Finance
1997 - 2003	<i>Senior Vice President</i> Information Technology Department / Krungthai Card Public Company Limited / Consumer Finance
1995 - 1997	<i>Unit Head & Assistant Vice President</i> General Service Unit / Citibank N.A. / Banking
1982 - 1995	<i>Specialist & Assistant Vice President</i> Credit Card Operation and Control / Bangkok Bank Public Company Limited / Banking



Mrs. Pittaya Vorapanyasakul
Executive Vice President –
Synergy Business
Age 50

Education

> Bachelor’s Degree, Travel Industry Management, University of Hawaii, U.S.A.

% of KTC Shares Held

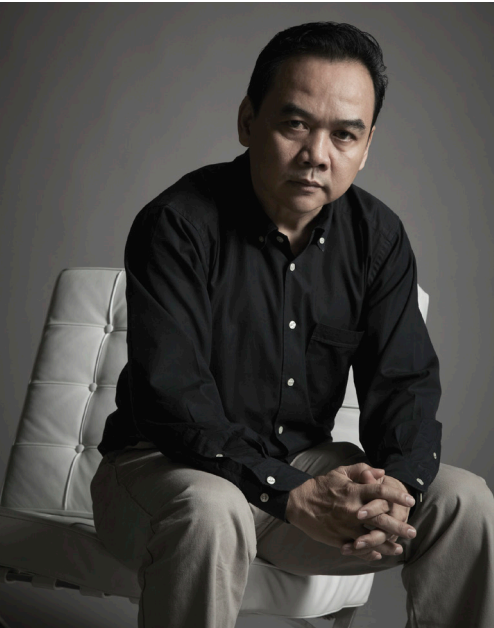
0%

Family Relationship

None

Work Experience

1997 - Present	<i>Executive Vice President</i> Synergy Business / Krungthai Card Public Company Limited / Consumer Finance
2005 - 2010	<i>Director and Member of Audit Committee</i> Krung Thai Asset Management Public Company Limited / Asset Management
2004 - 2005	<i>Director</i> KTC World Company Limited / Travel Management
1993 - 1995	<i>Manager</i> National Key Accounts Department / American Express (Thailand) Company Limited / Credit Card



Mr. Mana Boonkhun
Executive Vice President –
General Services
Age 49

Education

- > Master’s Degree, Business Administration, University of Missouri, U.S.A.
- > Bachelor’s Degree, Architecture, Chulalongkorn University

% of KTC Shares Held

0.00001%

Family Relationship

None

Work Experience

2003 - Present	<i>Executive Vice President</i> General Services / Krungthai Card Public Company Limited / Consumer Finance
2000 - 2003	<i>General Manager</i> Alpine Golf and Sports Club Company Limited / Golf
1990 - 2000	<i>Vice President</i> Tanayong Public Company Limited / Real Estate



Mr. Khan Kachonboon
Executive Vice President -
Corporate Communication
Age 49

Education

- > Master’s Degree, MBA, United States International University (USIU), U.S.A.
- > Bachelor’s Degree, Business Administration (Marketing), Assumption University

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

2003 - Present	<i>Executive Vice President</i> Corporate Communication / Krungthai Card Public Company Limited / Consumer Finance
1995 - 2003	<i>Senior Vice President</i> J Walter Thompson Company Limited / Advertising



Mr. Bucha Sirichumsang
Executive Vice President -
President & CEO's Office
Age 49

Education

- > Master's Degree, Business Administration (International Business), Rosary College, River Forest, Illinois, U.S.A.
- > Bachelor's Degree, Law, Chulalongkorn University
- > Barrister – at – Law, Institution of Legal Education, Thai Bar Association

% of KTC Shares Held

0%

Family Relationship

None

Mr. Bucha Sirichumsang

*Executive Vice President -
President & CEO's Office*

Work Experience

2004 - Present	<i>Executive Vice President</i> President & CEO's Office / Krungthai Card Public Company Limited / Consumer Finance
1999 - 2004	<i>Vice President</i> Legal Consultant Department / Krung Thai Legal Services Company Limited / Law Counsel
1996 - 1999	<i>Assistant Vice President</i> Capital Market Services Department / Krung Thai Bank Public Company Limited / Banking
1996	<i>Vice President</i> Managing Director's Office / Ekachart Finance and Securities Public Company Limited (EFS) / Finance and Securities
1994 - 1996	<i>Manager</i> Managing Director's Office / Ekachart Finance and Securities Public Company Limited (EFS) / Finance and Securities



Mr. Woravut Nisapakulthorn

Executive Vice President -

Credit Card Business

Age 41

Education

- > Master's Degree in Marketing (English Program, MIM) Thammasat University
- > Bachelor's Degree Advertising Chulalongkorn University

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

2001 - Present	<i>Executive Vice President</i> Credit Card Business / Krungthai Card Public Company Limited / Consumer Finance
1995 - 2000	<i>Marketing Manager</i> Land & Houses Public Company Limited / Real Estate Business
1992 - 1994	<i>Account Supervisor</i> McCan Erickson (Thailand) Company Limited FarEast Advertising Public Company Limited / Advertising



Mr. Dusit Rachatasetanant
Executive Vice President –
Human Resources
Age 46

Education

- > Certificate of Micro MBA , Chulalongkorn University
- > Bachelor of Education , Chandrakasem Rajabhat University

% of KTC Shares Held

0.00001%

Family Relationship

None

Mr. Dusit Rachatasetanant

Executive Vice President -
Human Resources

Work Experience

2002 - Present	Executive Vice President Human Resources / Krungthai Card Public Company Limited / Consumer Finance
1999 - 2002	Manager Human Resources & Administration / Alpha Capital AMC Company Limited / Asset Management
1998 - 1999	Officer Human Resources / Cathay Asset Management Company Limited / Asset Management
1993 - 1997	Assistant Manager Human Resources / Securities One Public Company Limited / Finance
1992 - 1993	Officer Human Resources / STA Group 1993 Public Company Limited / Furniture Industry



Mrs. Nutchanun Kengluecha
Executive Vice President –
Distribution Business
Age 51

Education

> BBA – General Management Assumption University (ABAC)

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

1998 - Present	<i>Executive Vice President</i> Distribution Business / Krungthai Card Public Company Limited / Consumer Finance
1987 - 1997	<i>Area Sales Manager</i> Credit Card & Traveler Cheque / American Express (Thai) Co., Ltd.



Ms. Patrin Jirathitivanich
Head of Contact Center & Quality Assurance
Age 54

Education

> Bachelor’s Degree, Business Administration (Accounting), Assumption University

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

2012 - Present	<i>Head of Contact Center & Quality Assurance</i> Contact Center & Quality Assurance / Krungthai Card Public Company Limited / Consumer Finance
2004 - 2010	<i>Executive Vice President</i> Payment Product Business / Krungthai Card Public Company Limited / Consumer Finance
1984 - 2004	<i>Director</i> Consumer Card Marketing & Business Development / American Express (Thailand) Company Limited / Charge & Credit Card



Mr. Virach Paisitsavet

Head of Operations

Age 50

Education

- > Master's Degree, Business Administration, Sripatum University
- > MINI MBA, Chulalongkorn University
- > Bachelor's Degree, Political Science, Ramkhamhaeng University
- > Bachelor's Degree, Business Administration Bangkok University
- > Certificate, in payment system MasterCard university
- > Certificate, Director Accreditation Program (DAP) , Thai Institute of Directors Association

% of KTC Shares Held

0%

Family Relationship

None

Mr. Virach Paisitsavet

Head of Operations

Work Experience

2012 - Present	<i>Head of Operations</i> Operations / Krungthai Card Public Company Limited / Consumer Finance
2011 - 2012	<i>Senior Vice President</i> Lending Services Group / Thanachart Bank Public Company Limited / Banking
2005 - 2011	<i>Senior Vice President</i> Card Operations Department / Siam City Bank Public Company Limited / Banking
2002 - 2005	<i>First Vice President</i> Marketing and Retail Banking Department / Siam City Bank Public Company Limited / Banking
2001 - 2002	<i>Senior Vice President</i> Branch Administration Department / Bangkok Metropolitan Bank Public Company Limited / Banking
1998 - 2001	<i>Vice President</i> Asset Development Department / Bangkok Metropolitan Bank Public Company Limited / Banking
1995 - 1998	<i>Vice President</i> Credit Cards & ATM Department / Bangkok Metropolitan Bank Public Company Limited / Banking
1993 - 1995	<i>Assistant Vice President</i> Credit Card Department / Bank of Ayudhya Public Company Limited / Banking

BUSINESS DESCRIPTION

KTC domestically provides unsecured financial products to consumers offering Credit Card and Personal Loan as its core products. Geographically, 54% of KTC existing customers are in Bangkok and vicinity.

Economic growth in 2011 was lower than expected, because of the crisis, a major flood that occurred late last year. The impact will be reflected until the first quarter of 2012. KTC remains prudently expand its business as well as mainly leveraging from its existing customer base. In addition to, KTC aims to reduce cost to income to be lower than the industry. It will gradually get lower costs from 2012 onwards. Moreover, KTC has increased the number of distribution channels to provide more accessibility to customers through social network with an aim of having sustainable growth and ability to maintain its assets quality.

KTC's businesses are as follow:

1. Credit Card Business

Credit card as a core business accounted for 72.09% of total receivables (net) this year. KTC credit card business has unique competitive differentiation such as varied segmentation and unique value-added program offerings. “Forever Rewards” program, for example, is designed to deliver real benefits to KTC’s members with a exceptional feature of “no expiration” for KTC reward points which can be redeemed for goods and services at any participated stores. KTC credit card business consists of 3 main products, which are as follow:

1.1 Issuing business

Main operations involve acquiring members, issuing credit cards, approving credit line, monitoring card usage, receiving outstanding balance payments, and processing collection. The Company mainly acquires its revenue from interest and fee incomes. Fee incomes generally come from interchange fee, credit usage fee, cash advance fee, etc.

1.2 Acquiring Business

This business engages to stores that receive payment for goods and services by credit card. After selecting merchants, KTC will install an electronic data capture (EDC) or card-reading terminal at the merchants with supervision on sales approval and providing fraud detection. The merchant fee income is calculated by using “Merchant Discount Rate” on amount of payment made by credit card through the EDC machine. Some parts of the fee income will go to other credit card issuers whose card being used on KTC’s machine.

1.3 Circle Loan Business

Circle loan accounts are normally attached to credit card accounts. This circle loan product was created by Krung Thai Bank (KTB), and it was transferred to KTC. The features of the product are more like bank's overdrafts (O/D). However KTC has ceased its expansion in this business since 1996, therefore, the receivables are gradually declined every year. Thus circle loan receivables decreased to Baht 271 million at end of 2011.

2. Personal Loan Business

Personal loan business accounted for 27.14% of total receivables (net). KTC Personal Loan consists of two key products, KTC Cash and KTC Cash Revolve which are provided for individuals without any requirement for collateral and being KTC cardholder.

KTC Cash is a fixed installment product with one-time cash transfer to clients' bank account. KTC Cash clients are able to choose their due date and loan maturity period (normally 12-60 months) to suit their payment behavior. KTC Cash Revolve is a revolving loan. Members will have the first amount transferred to their bank accounts which can be withdrawn at any ATM. The credit line particularly will become available again after customers made their payment.

KTC basically selects its personal loan customer based on their fixed income. The minimum income criteria will be different depending on type of personal loan. Approved customers will be given a credit line of 1-5 times their monthly income. KTC also uses credit scoring to set up the interest rate charged to each customer with a maximum interest rate of 28%. The personal loan revenue usually comes from interest and fee income such as credit usage fee, collection fee, duty fee, etc.

Besides the above-mentioned products, KTC has another unsecured loan called "self-employed loan (KTC Million)." KTC Million specifically provides fund for business owners who are in need of business operating capital. Due to the economic slowdown, KTC has had no intention to expand this business since 2006. At the end of 2011, KTC Million receivable was Baht 58 million or accounted for 0.14% of total receivables (net).

RISK FACTORS

For each separate risk area, the Company recognizes and declares its risk management objectives, policies in terms of strategy, process, scope, and mitigation mechanism clearly as follow:

1. Credit Risk

Risk from internal rating process

The Company is aware that the inadequately controlled internal rating process could pose significant credit risk to its business. It thus adopts advanced and practical risk management methods. For credit cards and personal loans, its approval process depends on both statistical scoring model and experienced credit analysts. Moreover, the approval process has to verify by various related staffs and divisions for increasing accuracy while reducing an error.

Risk from credit card fraud

The Company gives priority to credit card fraud. The development of chip card and EMV Technology has applied instead of Electronic Data Capture (EDC) for upgrading safety standard. Moreover, the Company has invested in the new online Fraud Detection system for protecting any of fraudulent charges. For E-Commerce transactions, the Company uses 3D-Secure system to assure the security of both cardholders and merchant outlets. In 2011, the Company incurred Baht 5.1 million or 0.01% of total receivables

Default risk

The Company is fully aware of negatively default payment according to economic situation. In order to control default risk, the Company has set up each credit line for the clients depending upon his/her payment ability. Moreover, the Company also diversifies its customer base across industry, geography and various occupations. With this policy, the Company also renders lower risk level for consumer finance lending.

2. Market Risk

Interest rate risk

The Company is exposed to interest rate risk that will impact the performance of the company as the interest rate rises, incurring higher funding costs. Therefore, to reduce volatile interest rate effect; the Company manages its portfolio by issuing both short-term and long-term funding including type of fixed and floated interest rate. Moreover, the Company always adjusts its ratio of funding structure to balance with interest rate movement and its liquidity.

KTC reported total borrowing of Baht 39,224 million at the end of Y2011. The total borrowing came from short-term loans-other financial institutions, Long-term loans and Long-term debentures of Baht 8,204 million, Baht 4,500 million and Baht 26,520 million of total borrowing respectively.

Risk from insufficient working capital

The Company has a policy regarding capital budgeting which is adequate for the continuous expansion of loans. However, the Company is aware of the risk which may arise from inadequacy of revolving funds. The world economy affects Thailand's economy and the fluctuation of the money market, fixed income market or capital market, may have an impact on the financial liquidity of the Company. In order to protect the Company from the risk of inadequacy of revolving funds, the Company has developed measures by using the assessment model to evaluate the short-term and long-term liquidity of the Company and allocation of capital to be justifiable with the age of the Company's account receivables. Moreover, Krung Thai Bank has also provided the Company with supportive credit lines totaling of Baht 18,000 million, and an overdraft loan Baht 30 million. As of 31 December

2011, these credit lines were not withdrawn. The Company also diversifies its funds rising from capital markets by the way of issuing bonds, promissory notes, and funding from many financial institutions so that the Company does not rely on any particular financial institution. As at 31 December 2011, the Company has available credit line of Baht 25,740 million from financial institutions and debt to equity ratio of 8.76 times stays at satisfy level and bond covenant at the maximum D/E Ratio of 10 times

3. Operational Risk

Risk from data loses

The Company recognizes that its business relies on a set of huge database of customer and transactional information. It is thus exposed to a risk affected from leaking confidential information to public, losing data from accidental or intentional deletion, or system failure. To ensure confidentiality of data, the Company has a solid procedure and delegated authorization rule as to who will have access to certain information. To avoid losing data from deletion, the Company requires its core IT system outsourcers (FIS (Former Certegy) and KCS) to maintain back-up database. Also, as part of the outsourcing deals, the outsourcer companies provide a disaster recovery site option.

Risk from government's control

The Ministry of Finance issued a Notification operation of credit card services and personal loans under the Notification of Revolutionary Council No. 58 and authorized the Bank of Thailand (the “BOT”) to supervise by announcing the Notifications specifying the requirements and regulations for such business, including stipulating rates of interest and fees chargeable to customers and the qualifications of credit card holders and personal loan clients. The Company granted approval for conducting credit card services and personal loans under supervision, together with approval for electronic payment services providers under the Royal Decree Regulating of Electronic Payment Services B.E. 2551 (2008) and the Electronics Transaction Commission and the BOT as the control and supervision division regarding the requirements and regulations for such business.

The Company has been complying with all regulations issued. Also, should there be other regulations issued, the Company will also comply with such regulation.

Risk from discontinuation of contracts with KTB

The Company has a 15-year contract with its major shareholder, KTB, in that KTB is committed to support the Company on some back office operations. This agreement allows the Company to leverage some of KTB's functions such as the branch network (for acquisition and payment) and the shared IT applications. In return, the Company has to pay servicing fees which were set at fair market price level. The Company calculates that the risk from contract discontinuation is limited for at least two reasons. First, the Company believes that this discontinuation is very unlikely to happen, since the agreement was officially concurred at the KTB board level. Second, the Company does not solely rely on KTB's operational support. For acquisition, it has multiple channels to attract new members. For payment, the Company already has multiple payment options to provide convenience to its members.

Moreover, many payment providers desire to facilitate the Company payment, thus the additional alternative means can be easily substitute when KTB stops servicing the Company customer bill payment. For IT applications, the Company only leverages a few sets of applications on KTB's shared platform. Its core system is outsourced to the internationally acclaimed outsourcer. Thus, the operational disruption, if at all happens, should not be significant. In sum, the Company foresees limited chance that this risk will occur and anticipates slim impact even if it happens.

Risk of a higher competition

The Company is aware that there is a possibility for a fiercer competition that might lead to price-cut and debt-transfer tactics. This situation could pose some risks on the Company's portfolio and profitability. To be able differentiate from its competitor, the Company uses their expertise and long term experience of consumer finance in Thailand to compete against them. Moreover, continually invests in new devices/systems as well as develops more value added new products and services are also competitive strategies. Therefore, the higher competition should not have much effect on the Company in both short-term and long-term.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion is intended to further the reader's understanding of the financial statements, financial condition, and results of operations of Krungthai Card PCL. It should be read in conjunction with the financial statements, notes, and tables included in this report. For the purpose of comparability, certain prior period amounts have been reclassified.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

59

Summary of Thailand economic and consumer finance

Despite the positive economic growth during the first nine-month, Thailand's gross domestic product has been revised down from 3.5%-4.0% to 0.1% for the full-year 2011 as the nation faced the worst flood in decades. Consumer confidence and private spending had struggled due to the crisis, as well as for the tourism sector. Thai economy has been impacted not only by the internal factors but also through the influence of external factors such as the current weakening global economy as a consequence of economic uncertainties in US and Europe.

Confidences in career and earning ability generally lead to high spending atmosphere which is directly related to the consumer finance business. Thailand's Consumer Confidence Index as of December 2011 was 21.4, way below the mean index of 50. The number represented the lack of confidence in the current economic situation.

According to the figures from Bank of Thailand (BOT), the credit card industry was affected by the massive flood in 4Q11. BOT actually reported Baht 228,903 million in total credit card receivable for the industry, grew by 6% in 2011, which is lower than the 10% growth of the previous year. The total number of credit card in the market was 15.3 million cards, up by 8%. Credit card spending (excluding foreign cards spending and cash advance) rose to Baht 811,010 million or by 13% from 2010, lesser than the 16%, compare 2010 to 2009. Total personal loan receivable for industry was Baht 213,236, a growth of 14% compare to a negative growth in 2010.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

60

<i>The Value of the Industry</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
Credit card receivable (MB)	179,276	189,227	196,599	216,427	228,903
Growth (%)	4.8%	5.6%	3.9%	10.1%	5.8%
Number of credit card (cards)	12,003,369	12,971,694	13,489,402	14,187,815	15,328,291
Growth (%)	10.1%	8.1%	4.0%	5.2%	8.0%
Credit card spending (MB)	515,363	585,148	621,983	719,687	811,010
Growth (%)	13.8%	13.5%	6.3%	15.7%	12.7%
Personal loan receivable (MB)	204,514	229,137	214,058	187,491	213,236
Growth (%)	10.8%	12.0%	(6.6%)	(12.4%)	13.7%

* Source: Bank of Thailand

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

61

Overviews of KTC's performance

In 2011, KTC was impeded by undesired financial market situation in which it lessened card member spending. Total receivables (net) showed the amount of Baht 42,920 million, decreased by 4% despite an increase of 10% in personal loan receivables (net) to Baht 11,650 million. This is due to the 8% decline of the credit card receivables to Baht 30,940 million, which accounted for 73% of total portfolio. However, KTC was able to generate a revenue growth of 3%, reaching Baht 12,497 million which mostly came from personal loan business. Regardless of maintaining the finance cost at Baht 1,941 million, KTC reported total expense of Baht 14,094 million, up by 20% as a result of three main factors. The first important factor that influenced KTC's performance was the extra provision for customers who were flood victims. The second was the extraordinary provision for the KTC - Royal Orchid Plus (ROP) point redemption for which the redemption scheme was altered. Finally, the Government's tax reduction policy stated a reduction of tax rate from 30% to 23% for the year 2012. This tax reduction policy had a 7% downside effect on the company's future benefit recognition for deferred tax which was temporary differences of bad debt and doubtful account and other items. With all these facts, the financial statement as at December 31, 2011 showed a net loss of Baht 1,621 million.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

62

Effects of imperative factors

The key factors that influenced the company's performance are as follow:

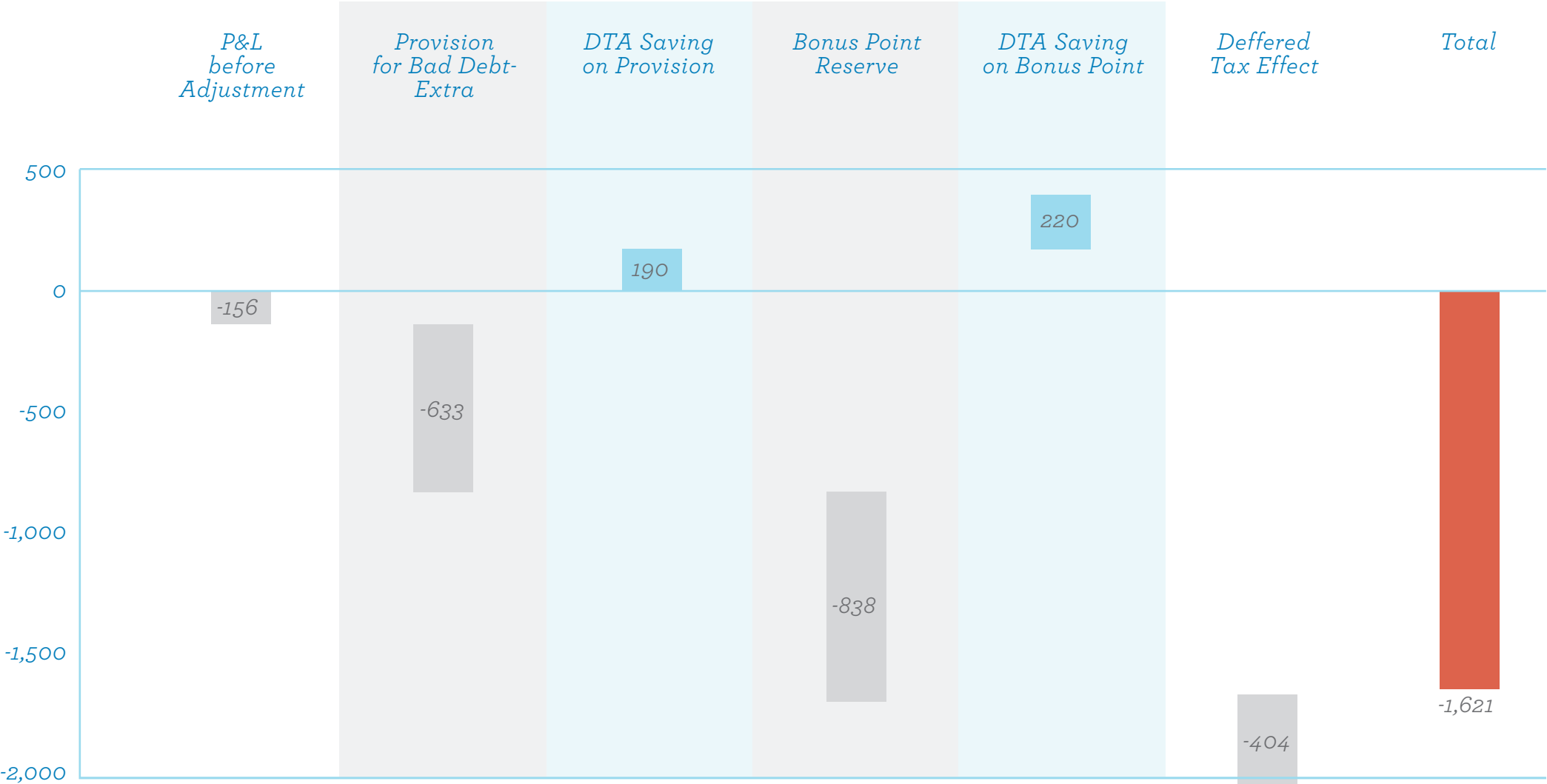
<i>Operating Results (Unit: Baht Million)</i>	<i>Y2011</i>	<i>(%)</i>	<i>Y2010</i>	<i>(%)</i>	<i>Y2009</i>	<i>(%)</i>
Total Revenue	12,497	100%	12,180	100%	12,354	100%
Operating Expense	5,704	46%	5,734	47%	5,359	43%
(2) Bonus Point – Extra	838	7%	-	-	-	-
Finance Cost	1,941	16%	1,944	16%	2,036	16%
Bad debts and doubtful accounts	4,978	40%	4,073	33%	5,604	45%
(1) Provision for bad debt – Extra (flooding)	633	5%	-	-	-	-
Profit (loss) before tax	(1,597)	-	428	4%	(645)	-
Income tax – income (expense)	(19)	0.20%	(204)	2%	250	2%
(3) Deferred tax	(404)	3%	-	-	-	-
Deferred tax benefit (bonus point)	220	2%	-	-	-	-
Deferred tax benefit (flooding)	190	2%	-	-	-	-
Net Profit (Loss)	(1,621)	-	224	2%	(395)	-

(1) Regarding the flood crisis in 4Q11, KTC expected a rise in bad debt and doubtful account for those customers who suffered from the flood. The extra provision, a sum of Baht 633 million, accounted for 5% of total revenue, was appended to the regular provisioning policy (based on percentage of loss rate net of recovery plus economic factors). It was an additional amount to the regular provision of Baht 4,978 million or accounted for 40% of total revenue.

(2) Due to a change in marketing redemption scheme for the KTC – ROP which basically switched from airline mileage redemption to KTC's forever reward point redemption, hence, most of the KTC – ROP cardholders may immediately redeem their mileages. According to the Thailand Financial Reporting Interpretations no. 13 "Customer Loyalty Program" (TFRI 13) which is expected to be in effect in 2013 with a requirement of the retroactive adjustment, KTC decided to change the estimation of provision for reward points in 2011. As a result, KTC reported an increase in provision by Baht 838 million or accounted for 7% of total revenue. Before this extraordinary factor, operating expense was Baht 5,704 million, accounted for 46% of total revenue, which was in line with last year of Baht 5,734 million, or 47% of total revenue.

(3) The resolution of the Council of Ministers in October 2011 announced a corporate income tax reduction from 30% to 23% and 20% in the year 2012 and 2013-2014, respectively. This tax reduction policy had a 7% and 3% downside effects on future benefit recognition for deferred tax assets which was temporary differences of allowance for doubtful accounts and others in 2012 and 2013, correspondingly. The deduction of 7% leads to an increase in deferred tax expense of Baht 404 million.

MANAGEMENT'S
DISCUSSION OF FINANCIAL
CONDITION AND RESULTS
OF OPERATIONS



MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

65

KTC's performance 2009-2011

Table 2 : Summary of Financial Ratio

<i>Year Ended December 31,</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
Profitability Ratio			
Net interest margin (including credit usage fee)	13.6%	13.2%	13.7%
Non-interest income (excluding credit usage fee) to total revenue	34.9%	34.4%	30.7%
Return on average total assets (ROA)	(3.4%)	0.5%	(0.8%)
Return on average shareholders' equity (ROE)	(28.4%)	3.5%	(6.1%)
Asset Quality Ratio			
Credit losses to average receivables	10.2%	9.1%	9.3%
Allowance for doubtful accounts to receivables	9.3%	6.8%	6.8%
Efficiency Ratio			
Cost-to-income – excluding extra bonus point reserve	46%	47%	43%
Financial Ratio			
Debts to equity (times)	8.8	6.4	7.0

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

KTC's strategy focuses on expanding its membership base in which credit card and personal loan are core businesses. As at December 31, 2011, KTC had a total of 2.20 million accounts consisting of 1,619,863 credit cards and 583,637 KTC Cash accounts. Risk management policy has played a big role in controlling portfolio quality.

Cardmember spending grew by 6% from the same period last year. The growth was lower than the 13% industry average. Having quite lower growth of spending, KTC has to concentrate on creating more effective marketing campaigns to induce cardmember spending.

The Company's financial statements showed total revenue of Baht 12,497 million, 3% growth from 2010. The total revenue came from interest income (including credit usage fee), fee income, and other incomes of Baht 8,139 million, Baht 3,166 million, and Baht 1,193 million which accounted for 65%, 25%, and 10% of total revenues respectively, of which 71% of the other income was bad debt recovery.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Total expense (excluding income tax) for 2011 was Baht 14,094 million, a rise of 20% from Baht 11,752 million in 2010 as a result of three main factors mentioned above. The increase led to the cost to income ratio of 52% compare to 47% last year. However, taking out the bonus point reserve of Baht 838 million, 7% of total revenue, cost to income ratio would come down to 46%.

Net interest margin rose from 13.2% to 13.6% as interest income for personal loan increased. Average cost of fund slightly grew to 4.94% from 4.81% at the end of 2010.

Total borrowing consisted of Baht 8,204 million short-term borrowings from other financial institutions, Baht 4,500 million of long-term borrowings (including long-term borrowings maturity within one year) and Baht 26,520 million of long-term debentures (including long-term debentures maturity within one year). To sustain its liquidity and maintain the suitable cost of fund, KTC diverge its source of borrowings through Local and Foreign Banks, Securities Companies, Insurance Companies and Asset Management Companies. The funding structure has been adjusted from 15% short-term loans and 85% long-term loans at the end of 2010 to 21% short and 79% long. Total available credit line summed to Baht 25,740 million. The financial statement showed the debt to equity ratio of 8.8 times, which stays at satisfy level and lower than the bond covenant at the maximum D/E ratio of 10 times.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Table 3 : Statement of Balance (Baht Million)

<i>Year Ended December 31,</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
Assets:			
Interest earning assets:			
Credit card receivables- net	30,940	33,752	33,998
Circle loan receivables - net	271	307	357
Personal loan receivables - net	11,650	10,597	9,424
Self-employed loan receivables - net	58	119	228
Total receivables - net	<u>42,920</u>	<u>44,775</u>	<u>44,007</u>
Non-interest earning asset:			
Cash and cash equivalents	755	778	3,059
Leasehold improvements and equipment - net	556	445	443
Other current & non-current assets	<u>3,212</u>	<u>2,543</u>	<u>2,319</u>
Total non-interest earning assets	<u>4,523</u>	<u>3,766</u>	<u>5,821</u>
Total assets	<u><u>47,443</u></u>	<u><u>48,541</u></u>	<u><u>49,828</u></u>

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

<i>Year Ended December 31,</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
Liabilities and Shareholders' Equity:			
Liabilities:			
Short-term loans	19,724	15,334	11,011
Bond and Long-term loans	19,500	24,020	30,483
Other current & non-current liabilities	3,357	2,648	2,067
Total liabilities	<u>42,581</u>	<u>42,002</u>	<u>43,561</u>
Shareholders' equity:			
Total shareholders' equity	<u>4,862</u>	<u>6,539</u>	<u>6,267</u>
Total liabilities & shareholders' equity	<u><u>47,443</u></u>	<u><u>48,541</u></u>	<u><u>49,828</u></u>

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Assets

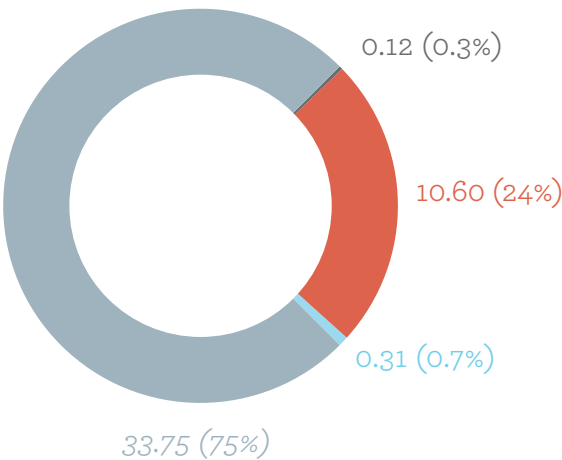
KTC's assets included 90% loan receivables and 10% non-interest earning assets such as deferred tax asset, leasehold improvement and equipments etc. Total assets dropped 2% from Baht 48,541 million in 2010 to Baht 47,443 million in 2011.

Loan Receivables

Net loan receivables increased to Baht 42,920 million from Baht 44,775 million at the end of 2010. The portfolio consisted of 72% credit cards, 0.6% circle loans, 27% personal loans and 0.1% self-employed loans, as compared to 75%, 1%, 24%, and 0.3% in 2010

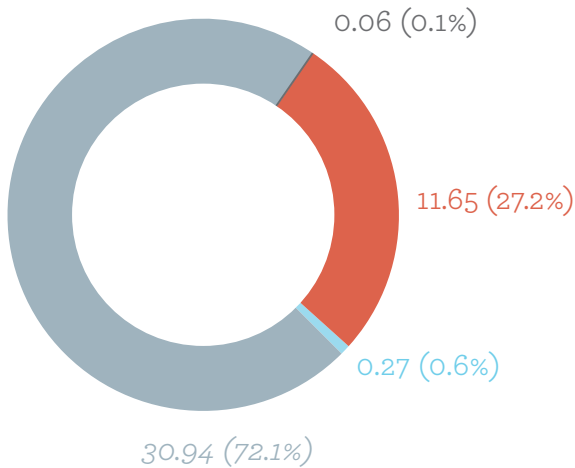
Graph 1 : Loan Receivables Portfolio

As of December 31, 2010
(Net Account Receivables 44.8 MB)



- Credit Card
- Self-Employed
- Personal Loan
- Circle Loan

As of December 31, 2011
(Net Account Receivables 42.9 MB)



- Credit Card
- Self-Employed
- Personal Loan
- Circle Loan

Credit Card Receivables

Credit Card receivables slightly decreased by 8% as Baht 33,752 million to Baht 30,940 million in the Year 2011 as the nation faced the worst flood in decades as a consequence of all sectors of business, including the consumer finance business.

In order to increase credit card spending, the company motivates its members to use their credit card instead of cash. Besides, KTC has employed a loyalty program to make KTC credit cards a major card in customer's wallets.

Personal Loan Receivables

Personal loans receivables totaled to Baht 11,650 million in 2011, increased 10% from Baht 10,597 million by adding up to 583,637 accounts from 529,983 accounts in Year 2010.

KTC acquired new booking on personal loan in 2011 by targeting good quality customers with minimum income of 10,000 Baht especially for those who work for Government and State-Owned enterprise. These people tend to be a low risk group of member since they have fixed income and have no risk of being unemployed.

Self-Employed Loan Receivables

KTC decided to optimize its risks from economic downturn by retracting its self-employed portfolio. Thus, the self-employed loan receivables reduced to Baht 58 million in 2011 from Baht 119 million in 2010.

Loan Quality

KTC classified its receivables into three groups based on days past due: not over 89 days, 90-179 days and over 179 days. Each group has differing level of propensity to default. For the year 2011, receivables not over 89 days accounted for the largest proportion 95.0% of total receivables. Receivables 90 days -179 days were 2.4% of total receivables. Lastly, receivables over 179 days were 2.4% of total receivables. Quickly written-off is able to reflect the portfolio.

For the Year 2011, NPL increased to 5.2 % comparing to 4.0% as the previous year. KTC reported total provision for bad debt and doubtful accounts of Baht 4,390 million, increased 35% from Baht 3,250 million in 2010. Credit card and personal loan had the amount of provision as Baht 2,728 million and Baht 1,071 million, Meanwhile , for non expanding business likes circle loan and self employed loan had Baht 23 million and Baht 567 million.

Liabilities and Shareholder's Equity

KTC's funding structure at the end of 2011 was consisted of 48% of current liabilities (short-term loans, current portion of long-term loans/debentures), 41% of non-current liabilities (long-term loans/debentures) and 10% of shareholders' equity of total asset. This funding structure implicates its debt-to-equity ratio at 8.8 times, which stays at satisfy level and lower than the bond covenant at the maximum D/E ratio of 10 times.

Interest Income (Including Credit Usage Fees)

KTC reported interest income (including usage fee) of Baht 8,139 million in 2011, increased 2% from the year 2010. The interest income (including credit usage fees) structure in 2011 comprised of 62% credit cards, 1% circle loans, 36% personal loans and 1% self-employed loans. The number of account for KTC Cash Revolve alone increased around 60,000 accounts from last year. The total KTC Cash receivable (net) was Baht 11,650 million, up by 10%. On the other hand, interest income for credit card declined by 4% from the same period last year as a result of higher payment rate, larger portion of transactor, and flood effect during the last quarter of 2011.

Net interest margin rose from 13.2% to 13.6% as interest income for personal loan increased. Average cost of fund slightly grew to 4.94% from 4.81% at the end of 2010.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

75

Table 4 : Summary of Interest Income and Interest Expenses

Year Ended December 31,	2011		2010		2009	
	Income or Expenses	Proportion	Income or Expenses	Proportion	Income or Expenses	Proportion
Interest Income (including credit usage fees)						
Credit Card	5,074	62%	5,302	66%	5,514	64%
Circle Loan	49	1%	57	1%	67	1%
Personal Loan	2,943	36%	2,538	32%	2,847	33%
Self-Employed	73	1%	88	1%	133	2%
Total Interest Income (including credit usage fees)	<u>8,139</u>	<u>100%</u>	<u>7,985</u>	<u>100%</u>	<u>8,561</u>	<u>100%</u>
Yield on Interest Income (including credit usage fees)	<u>18.6%</u>		<u>18.0%</u>		<u>18.5%</u>	
Total Financial Expenses	<u>1,941</u>		<u>1,944</u>		<u>2,036</u>	
Cost of Fund	<u>4.9%</u>		<u>4.8%</u>		<u>4.8%</u>	
Net Interest Income (including credit usage fees)	<u>6,197</u>		<u>6,041</u>		<u>6,525</u>	
Net Interest Margin (including credit usage fees)	<u>13.6%</u>		<u>13.2%</u>		<u>13.7%</u>	

Non-interest Income (Excluding Credit Usage Fees)

Total non-interest income (excluding credit usage fees) increased to Baht 4,359 million in 2011 from Baht 4,195 million in 2010. In 2011, KTC's non-interest income (excluding credit usage fees) accounted for 35% of total revenue and it was consisted of 73% fees and service income, 25% bad debt recoveries and other income and 2% gain on exchange.

KTC's fees and service income were mainly from cash advance fees (a one-time charge for 3% of withdrawal amounts) and interchange fees. For the Year 2011, KTC's fees and service income slightly moved up to Baht 3,166 million from Baht 3,078 million in 2010 as the result of the interchange fees increased.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

77

Table 5: Component of non-interest income

Year Ended December 31,	2011		2010		2009	
	Income	Proportion	Income	Proportion	Income	Proportion
Non-interest Income (excluding credit usage fees)						
Fees and Service Income	3,166	73%	3,078	73%	3,062	81%
Bad Debt Recoveries	851	20%	812	19%	497	13%
Management Fees	53	1%	38	1%	4	0%
Net Gain(Loss) on Exchange	69	2%	76	2%	60	2%
Other Income	219	5%	191	5%	170	4%
Total Non-interest Income (excluding credit usage fees)	<u>4,359</u>	<u>100%</u>	<u>4,195</u>	<u>100%</u>	<u>3,793</u>	<u>100%</u>
Total Interest Income (including credit usage fees)	<u>8,139</u>		<u>7,985</u>		<u>8,561</u>	
Total Revenue	<u>12,497</u>		<u>12,180</u>		<u>12,354</u>	
Non-interest Income (excluding credit usage fees)	35%		34%		31%	

Finance Cost

Average cost of fund rose to 4.94% from 4.81% in Y2010. Total borrowing decreased to Baht 39,224 million from Baht 39,355 million at the end of 2010. Total borrowing consisted of Baht 8,204 million short-term borrowings from other financial institutions, Baht 4,500 million of long-term borrowings (including long-term borrowings maturity within one year) and Baht 26,520 million of long-term debentures (including long-term debentures maturity within one year). To sustain its liquidity and maintain the suitable cost of fund, KTC diverge its source of borrowings through Local and Foreign Banks, Securities Companies, Insurance Companies and Asset Management Companies. The funding structure has been adjusted from 15% short-term loans and 85% long-term loans at the end of 2010 to 21% short and 79% long. Total available credit line summed to Baht 25,740 million.

Bad Debt and Doubtful Accounts

Regarding the flood crisis in 4Q11, KTC expected a rise in bad debt and doubtful account for those customers who suffered from the flood. The extra provision, a sum of Baht 633 million, accounted for 5% of total revenue, was appended to the regular provisioning policy (based on percentage of loss rate net of recovery plus economic factors). It was an additional amount to the regular provision of Baht 4,978 million or accounted for 40% of total revenue.

Total Expenses

Total expense (excluding income tax) for 2011 was Baht 14,094 million, a rise of 20% from Baht 11,752 million in 2010 as a result of three main factors mentioned above. The increase led to the cost to income ratio of 52% compare to 47% last year. However, taking out the bonus point reserve of Baht 838 million, 7% of total revenue, cost to income ratio would come down to 46%.

Economic trend and 2012 strategies

The Office of the National Economic and Social Development Board (NESDB) expected to see a rebound for Thai economic in 2012 as government has set up a huge amount of rehabilitation budget for reconstructing the country after the worst flood. Consumption is expected to recover within the first quarter of 2012. Unlike the consumption, private sector normally needs more time to assess the damage before another reinvestment. Its restoration would probably take place during the second quarter. NESDB and BOT reported the economic growth projection at 4.6%-4.9% relying mainly on exportation despite the fact that the global economy is still in an unpredictable phase.

In order to assist the flood victims, credit card issuers have loosened their term and conditions (i.e. extending debt repayment period, reducing minimum payment, omitting late payment fee, etc.) Credit card spending ought to return to its normal circumstances starting in the first quarter of 2012 with the same growth expectation compared to 2010. As market recuperates, credit card issuers will need to prepare themselves for highly competitive situation.

Under the financial liberalization, foreign banks are able to establish new branches, which will help increase their opportunity in approaching the personal loan customers. Hence, personal loan business is expected to be in progression with more intense competitive environments.

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

80

As to the complexity of the consumer finance business, KTC has thoroughly planned its 2012 strategies. In order to turnaround its business, KTC intends to lower its operating cost while enhancing relationship with its business alliances, especially KTB. Information technology would be another key concern, particularly when online business has become a big deal nowadays. In addition to maintaining its portfolio quality, KTC needs to focus on improving confidences of shareholders, business alliances, customers, and employees.

In order to control cost to income at a lower rate relative to the industry's level, KTC initially enhanced its operating structure by developing the company's performance. The vital strategies are as follow:

- 1) Focusing on credit risk improvement, KTC has moved its outsource collection back to in-house to promote higher efficiency.
- 2) KTC has invested in a new system to restructure its operation. In order to have more flexibility and good cooperation between company and customers, IT outsourcing has been brought back to in-house operation.
- 3) Call center services must be improved. Under knowledge-based organization, employee training has played an important role to increase the company's performance.

- 4) Product pricing and positioning need to be revised by focusing on the group of customers that create more benefit to the company. Launching e-campaigns and promoting greater collaboration with KTB are also the major keys to sustain the company's profit in the long-run.

With the first priority of operating cost reduction, the process requires some extent period of time to gradually be operative to the overall business. In short, the cost reduction process will take sometimes before it becomes observable.

The effect of the flood has still been an issue regarding government's rehabilitation projects. We expect to see a rise of bad debts in the 1st quarter of 2012 since the company normally put in full provision for receivable aging 90 days and up. Therefore, the financial statement will probably report a loss for the 1st quarter of 2012. Having stated that, the company's performance should show sign of recovery starting in the 2nd quarter of 2012.

CORPORATE MANAGEMENT

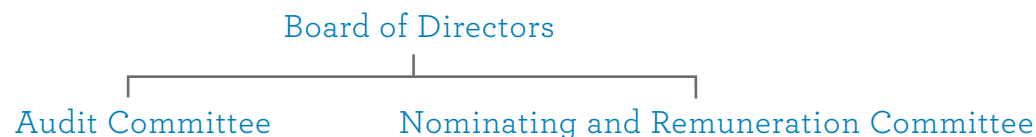
1. Board of Directors Structure

As at 31 December 2011, the Board of Directors of the Company consists of eight directors i.e. one Executive Director who is the President & CEO, four Non-Executive Directors and three Independent Directors.

The Company nominates directors from various businesses with strong leadership skill vision, work experience, business ethics and the ability to show their independent comments.

For the appropriate balance of power in the operation, the Chairman and the President & CEO are held by different individuals. The Chairman acts as the policy leader while the President & CEO is the executive leader who counterbalances power for the proper conduct of business.

The Company has three sets of Directors; the Board of Directors, Independent Directors and Audit Committee, and Nominating and Remuneration Committee. The Company prescribed the authorities, duties, including the appointment and the removal of directors in the Articles of Association of the Company which were registered with the registrar of public companies limited, Department of Business Development, Ministry of Commerce.



Board of Directors

As at 31 December 2011, the Board of Directors of the Company consists of eight Directors, one the Board Secretary and one Company Secretary as follows:

<i>Name</i>	<i>Position</i>	<i>Shareholding (%)</i>
1. Mr. Pongsathorn Siriyodhin	Chairman	0.000%
2. Mr. Akarat Na Ranong	Director / Audit Committee / Nominating and Remuneration Committee	0.0004%
3. Ms. Pimpen Ladpli	Director / Audit Committee	0.004%
4. Mrs. Kittiya Todhanakasem ⁽²⁾	Director / Chairperson of Nominating and Remuneration Committee	0.000%
5. Mr. Suvit Mapaisansin ⁽²⁾	Director / Chairperson of Audit Committee	0.000 %
6. Mr. Suvit Maesincee ⁽¹⁾⁽²⁾	Director / Nominating and Remuneration Committee	0.000 %
7. Mrs. Sriprabha Pringpong ⁽¹⁾	Director	0.000 %
8. Mr. Niwatt Chittalarn ⁽³⁾	Director / President & CEO	0.000 %
9. Mr. Pakorn Matrakul ⁽⁴⁾	The Board Secretary	0.000 %
10. Mr. Peerapong Ruamjai	Company Secretary	0.000 %

- (1) The Annual General Shareholders' Meeting No.9 held on 8 April 2011 resolved to appoint the following directors:
 - > Mr. Suvit Maesincee is appointed as director and independent director in replacement of Miss Chanathip Poshyananda, a director and independent director who retired by rotation; and
 - > Mrs. Sriprabha Pringpong is appointed as director in replacement of Mr. Narathorn Wongvises, a director who retired by rotation;
- (2) The Board of Directors' Meeting No. 5/2011 held on 22 April 2011, No. 6/2011 held on 12 May 2011 and No. 7/2011 held on 23 June 2011 resolved to appoint the following committee members:
 - > Mr. Suvit Mapaisansin is appointed as Chairperson of the Audit Committee in replacement of Miss Chanathip Poshyananda who retired by rotation;
 - > Mrs. Kittiya Todhanakasem is appointed as Chairperson of the Nominating and Remuneration Committee in replacement of Mr. Suvit Mapaisansin; and
 - > Mr. Suvit Maesincee is appointed as the Nominating and Remuneration Committee in replacement of Miss Pimpen Ladpli;
- (3) On 30 December 2011, Mr. Niwatt Chittalarn resigned from the director position and retired as President and CEO. As Mr. Niwatt Chittalarn resigned from the director position and retired as President and CEO, the Board of Directors' Meeting No. 15/2011 held on 6 December 2011 and No. 1/2012 held on 11 January 2012 resolved to appoint Mr. Rathian Srimongkol as President and CEO, respectively; and
- (4) Mr. Pakorn Matrakul resigned from the Board Secretary position on 1 January 2012, and the Board of Directors' Meeting No. 1/2012 held on 11 January 2012 resolved to appoint Mr. Bucha Sirichumsang in replacement.

Authorities of the Board of Directors

-
1. Directors may assign a director or directors to perform any actions on behalf of the Board of Directors.
 2. Directors may determine the name of authorized signatory directors of the Company who can sign and affix the seal to bind the Company.
 3. The Board of Directors may appoint any person to conduct the Company's operation under the control of the Board of Directors or authorize that person to perform any action, within the certain period which the Board of Directors deems appropriate. The Board of Directors may cancel, revoke, change or amend such authorities as appropriate.
 4. Any Director who has a conflict of interest in any transaction shall not be allowed to participate in the consideration and approval of such transaction.
 5. The Board of Directors may approve payment of interim dividends for shareholders from time to time as the Board of Directors may recommend if appropriate considering the profits and retained earnings position of the Company. This payment should be reported to the next Shareholders' Meeting.

6. Any transaction which requires approval from the Company's Shareholders pursuant to the Public Company Limited Act B.E. 2535 (1992), the Board of Directors must obtain prior approval from the Shareholders' Meeting e.g. considering and approving balance sheet and profit and loss statements, allocation of profit and capital reserve, the election of a director to replace a director who retired by rotation and specifying remuneration, appointing all or some of auditors and fixing the auditing fee, the sale or transfer of the whole or important parts of the business of the Company to other persons, the purchase or acceptance of transfer of the business of other companies by the Company, the making, amending or terminating of contracts with respect to the granting of a hire of the whole or important parts of the business of the Company, the entrustment of the management of the business of the Company to any other person or the amalgamation of the business with other persons with the purpose of profit and loss sharing.

Duties of the Board of Directors

1. The Board of Directors shall manage the Company's operations to ensure compliance with laws as well as the objectives, the Articles of Association of the Company and resolutions of the Shareholders' Meeting with honesty to protect the interests of the Company.
2. The Board of Directors shall notify the Company without delay when there is a direct or an indirect interest in any contract which is made by the Company during the fiscal year, holding shares or debentures of the Company or an affiliated company and shall indicate the total increase or decrease of shares during the fiscal year.
3. The Board of Directors shall hold the meetings at least every three months, at which not less than 50% of the total number of directors must attend the meeting to form a quorum. A majority vote is required for any decision made at such a meeting.
4. The Board of Directors must arrange the Annual General Meeting within four months as the end of the fiscal year.
5. The Board of Directors shall not operate any business which has the same nature as and is in competition with the business of the Company or become a partner in an ordinary partnership or any other company operating business which has the same nature as the business of the Company.

Nomination, Appointment and Removal of the Board of Directors

-
1. The Nomination and Remuneration Committee will find, select and nominate qualified persons who have qualifications as described for the position of directors and independent directors and propose them to the Shareholders' Meeting for further approval.
 2. The Shareholders' Meeting shall pass a resolution to appoint directors; each shareholder shall have one vote for one share and vote for each candidate individually. After the vote, the candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be appointed as directors in that order until the positions are filled. Where there is an equality of votes cast for candidates in descending order causing the number of directors to be exceeded, the chairman shall make the final decision. The number of the directors of the Company must not be less than 5.
 3. The Board of Directors shall elect one of the directors to be the chairman of the Board. In the case where the Board of Directors deems it expedient, the Board of Directors may elect one or several directors to be vice-chairman.
 4. In every Annual General Meeting, at least or the closest number of one-third of total directors shall be resigned from the Board. The resigned directors shall be re-appointed by the Shareholders' Meeting.
 5. The meeting of shareholders may pass a resolution removing any director from office prior to vacancy as a result of the termination of the term of office of the director, by a vote of not less than three-fourths of the number of shareholders attending the meeting and having the right to vote and the total number of shares being not less than half of the number of shares held by the shareholders attending the meeting and having the right to vote.

6. In case of a vacancy in the Board of Directors or Independent Director for reasons other than the termination of the term of office, the Board of Directors shall elect a person who has qualifications and is not prohibited by law from acting as such, as the substitute director at the next meeting of the Board of Directors, unless the remaining term of office of the said director is less than two months. The resolution of the Board of Directors shall be by a vote of not less than three-fourths of the number of directors remaining. The substitute director shall hold office only for the remaining term of office of the director whom he or she replaces.

Assignment of Executive Power to the Managing Director and President & CEO

The Board of Directors' Meeting No.16/2005 held on 16 December 2005 passed a resolution to amend the power of attorney dated 5 July 2002 to be suitable and in accordance with the Company's operations. The power of attorney dated 16 December 2005 is based on the same principle as the previous power of attorney which authorized the Managing Director (currently, the President and Chief Executive Officer) to conduct and manage the Company's operation, to specify the value of transactions which the Company's officer may be authorized to approve and to consider and approve the operations of each department of the Company. However, the President & CEO is not authorized to approve connected transactions, the acquisition or disposition of important assets of the Company, and/or any transaction which the President & CEO or any person has an interest or has a conflict of interest in, the said transactions are required to receive approval from the Audit Committee and/or the Board of Directors, and/or the Shareholders' Meeting as the case may be.

The Board of Directors' Meeting No. 3/2011 held on 8 March 2011 resolved to amend the authorized signatories to be directors comprised of eight persons as follows:

Name

1. Mr. Pongsathorn Siriyodhin
2. Mr. Akarat Na Ranong
3. Ms. Pimpen Ladpli
4. Mrs. Kittiya Todhanakasem
5. Mr. Suvit Mapaisansin
6. Mr. Suvit Maesincee
7. Mrs. Sriprabha Pringpong
8. Mr. Niwatt Chittalarn ⁽¹⁾

Signing Conditions: two of directors can sign and affix the Company's seal

The Company prepared the Power of Attorney dated 20 April 2011 to reflect the abovementioned amendments of the authorized signatories. The Power of Attorney incorporates the same principles, contents and main points as the Power of Attorney dated 16 December 2005 in all respects.

(1) According to the resignation of Mr. Niwatt Chittalarn from the director and President and CEO positions, the Board of Directors' Meeting No. 15/2011 held on 6 December 2011 and No. 1/2012 held on 11 January 2012 resolved to appoint Mr. Rathian Srimongkol as the President and CEO and director respectively. The Company prepared the Power of Attorney dated 4 January 2012 to reflect the abovementioned amendments of the authorized signatories. The Power of Attorney incorporates the same principles, contents and main points as the Power of Attorney dated 20 April 2011 in all respects.

2. Sub-Committee

2.1 Independent Directors and Audit Committee

Independent Director

As at 31 December 2011, the Company has three Independent Directors i.e. Mr. Akarat Na Ranong, Mr. Suvit Mapaisansin and Mr. Suvit Maesincee. The Board of Directors' Meeting No. 9/2011 held on 8 April 2011. resolved to appoint Mr. Suvit Maesincee as director and independent director in replacement of Miss Chanathip Poshyananda, a director and independent director who retired by rotation.

Independence of the Independent Directors

- > Being capable of performing duties and giving opinions on the Company's operations.
- > Hold totally not more than 1 % of the number of shares with voting rights in the Company (paid-up capital), or any subsidiary, associated company, or any juristic person possibly possessing a conflict of interest including shares held by related persons;
- > Is not and has not been a director participating in management of the Company, or an employee or an officer of the Company, or an advisor of the Company receiving a regular salary from the Company, a person having controlling power over the Company or the Company's parent company, subsidiary, or any associated company, or any juristic person possibly possessing a conflict of interest (if any);

- > Is not related either through blood or lineage or legal registration as a father, mother, spouse, sibling or child, including as a spouse of a child of any member of management or major shareholder of the Company or the Company's subsidiary, or of any person having power to control the Company or the Company's subsidiary, or of the person nominated to hold a management role or a person having power to control the Company or the Company's subsidiary (if any);
- > Is not and has not had any business relationship with the Company or the Company's parent company, subsidiary, associated company, or any juristic person possibly possessing a conflict of interest in the manner in which his/her independent discretion might be affected, e.g. being a professional service provider or having numerous related party transactions with special conditions different from other clients, receiving financial support from the Company or being a major shareholder or being a person with power to control a professional service provider;
- > Is not a director appointed as a representative of a director of the Company, a representative of a major shareholder of the Company, or a representative of a shareholder of the Company which is a related person of the major shareholder of the Company;
- > Is not a director appointed by the Board of Directors to make decisions on the operations of the Company, the Company's parent company, subsidiary, associated company, or a subsidiary of another company at the same level as the Company, or any juristic person possibly possessing a conflict of interest;
- > Is not a director of the Company's parent company, subsidiary, or a subsidiary of another company at the same level as the Company which is a public company limited.
- > Does not have any characteristics by which his/her independent comment or opinion on the Company's operation may be affected.

Audit Committee

As at 31 December 2011, the Audit Committee comprises three members as follows:

<i>Name</i>	<i>Position</i>
1. Mr. Suvit Mapaisansin ⁽¹⁾	Chairperson of Audit Committee
2. Mr. Akarat Na Ranong	Audit Committee Member
3. Ms. Pimpen Ladpli	Audit Committee Member

(1) The Board of Directors' Meeting of Krungthai Card PCL. No. 6/2011 held on 12 May 2011 resolved to appoint Mr. Suvit Mapaisansin is appointed as Chairperson of the Audit Committee in replacement of Miss Chanathip Poshyananda who retired by rotation;

The Audit Committee is independent and all of the directors in the Audit Committee have passed either one of the training programs held by the Thai Institution of Directors (IOD) i.e. Audit Committee Program, Finance for Non-Finance Director Program, Director Certification Program, Role of the Compensation Committee Program or Director Accreditation Program. Also, Mr. Akarat Na Ranong is an audit director who has knowledge and experience in conducting review of the credibility of the Company's financial statements.

Duties of Audit Committee

1. Review the Company's financial reporting processes to ensure that they are accurate and adequate;
2. Review the Company's internal control system and internal audit system to ensure that they are suitable and efficient;
3. Review the Company's operation to comply with the Securities and Exchange Act, the Stock Exchange of Thailand's regulation and the law relating to the Company's Business;
4. Consider, select and nominate independent persons to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year;
5. Consider and review Connected Transactions, or the transactions that may lead to conflict of interest, to ensure that they are in compliance with the laws and the Stock Exchange's regulations, and are reasonable and for the highest benefit of the Company;
6. Prepare the corporate governance report, signed by the chairperson of the Audit Committee, and disclose in the Company's Annual Report.
7. Perform any other duty as assigned by the Board of Directors

2.2 Nominating and Remuneration Committee

As at 31 December 2011, the Nominating and Remuneration Committee comprises three members as follows:

<i>Name</i>	<i>Position</i>
1. Mrs. Kittiya Todhanakasem ⁽¹⁾	Chairperson of Nominating and Remuneration Committee
2. Mr. Akarat Na Ranong	Nominating and Remuneration Committee
3. Mr. Suvit Maesincee ⁽¹⁾	Nominating and Remuneration Committee

(1) The Board of Directors' of Krungthai Card PCL. No. 5/2011 held on 22 April 2011 and No. 7/2011 held on 23 June 2011 resolved to appoint the followings directors:

- > Mrs. Kittiya Todhanakasem is appointed as Chairperson of the Nominating and Remuneration Committee in replacement of Mr. Suvit Mapaisansin; and
- > Mr. Suvit Maesincee is appointed as the Nominating and Remuneration Committee in replacement of Miss Pimpen Ladpli;

The Board of Directors of the Company approved the Charter of Rules and Procedures for the Nominating and Remuneration Committee which set out the duties of the Nominating and Remuneration Committee as follows:

1. Determine the qualifications of the Directors, Managing Directors and the Chief Executive Officer which depends on structure, size and complements as required by law, directors and/or the resolutions of the Shareholders' Meeting as the case may be;
2. Find, select and nominate qualified persons who have qualifications as described for the position of Directors, Independent Directors, Executive Directors and Chief Executive Officer and propose to the Board of Directors' or the Shareholders' Meeting as the case may be for further approval;
3. Consider criteria for the evaluation of the Board of Directors and the Chief Executive Officer's performances and propose to the Board of Directors' Meeting for further approval;
4. Propose remuneration policy, the structure for remuneration and other benefits for the Directors, Independent Directors, Executive Directors and Chief Executive Officer to the Board of Directors' Meeting or the Shareholders' Meeting as the case maybe for further approval. The said policy and structures must be appropriate and consistent with duties and responsibilities of such position, and standard used by businesses of the same nature as the Company, the Company's performance and market situation, the Board of Directors' or the Shareholders' Meeting as the case may be for further approval;
5. Ensure that the number and composition of the Directors are appropriate in accordance with the size of the organization including to propose adjustment to reflect the change of environment;
6. Perform any act related to nomination and remuneration as assigned by the Board of Directors of the Company.

2.3 *Company Secretary*

The Board of Directors Meeting held on 13 August 2008 resolved to appoint Mr. Peerapong Ruamjai as the Company Secretary.

1. Advise on rules, regulations and laws which the Board of Directors is required to comply with.
2. Prepare and keep the following documents:
 - > a register of directors;
 - > a notice calling the Board of Directors' Meeting, minutes of the Board of Directors' Meeting and annual report of the Company; and
 - > a notice calling the Shareholders' Meeting, minutes of the Shareholders' Meeting;
3. Keep records of strategic shareholders reported by a director or an executive and provide copy of the said report to the Chairman and the Chairperson of Audit Committee within 7 days of the receiving date of the report;
4. Perform any act as assigned by the Board of Directors of the Company;
5. Perform any act as required by the laws, the Securities and Exchange Commission, Capital Market Commission and /or other supervising organization.

3. Roles and Responsibilities of Board of Directors

The Board are responsible for setting policies and directions of the Company's operation by participating and approving setting the Company's vision, mission, overall strategic goal of the Company and ensure the established policy, goal and financial plan are efficiently and effectively implemented by the Management in order to increase the value of the business and safeguard the interests of the Company and shareholders including following up the Company's operations so as to ensure that the Management has complied with the law and policy.

The Board has consistently monitored the risk management and internal control of the Company. Sub-Committee has been appointed with authorities and responsibilities separately from those of the Board and the Management. *(See more details in 2) Sub-Committee)*

Having the best practices for a Code of Conduct and a Code of Business Conduct is a significant basic for creation of good corporate governance. The best practices on the Code of Conduct and the Code of Business Conduct are the integration of ethical behaviors with an aim to preserve and promote the Company's honor and good reputation. The Company also lays down rules and regulations for staff to perform their activities in compliance with integrity and a Code of Business Conduct.

The Company recognizes an importance of good internal control at both Management and Operation levels. Environment or factors are set up for motivation all staffs to recognize this importance. This helps the Company reach the targeted good internal control system. Internal Control Department, which reports directly to the Audit Committee, has been set up to be responsible for this matter. This department is the main driver to promote, review and to ensure that the system is appropriate and effective. The efficiency of the internal control system is reviewed and adjusted on a continual basis to reduce operational risks. At the same time, the recommendations or opinions from external auditor are considered in order to develop the system with more effectiveness. The Company is confident that its internal control system is adequate enough to prevent its properties from any possible damages.

4. Board of Directors' Meeting

The Board organizes the Board of Directors' Meeting with a consistent basis; however, the extra meetings may be held; if needed. Many agenda are included in the meeting such as the reviewing of the quarterly financial statements, the monitoring the progress of any project and the consideration of the Company's policy and the operating results.

In 2011, the Board organized 16 meetings and the Audit Committee organized 7 meetings with details as follows;

<i>Name</i>	<i>Board of Directors' Meeting Total 16 Meetings</i>	<i>Audit Committee's Meeting Total 7 Meetings</i>
1. Mr. Pongsathorn Siriyodhin	16	-
2. Ms. Chanathip Poshyananda ⁽¹⁾	4/4	2/2
3. Mr. Akarat Na Ranong	15	7
4. Ms. Pimpen Ladpli	14	6
5. Mrs. Kittiya Todhanakasem ⁽²⁾	13	-
6. Mr. Narathorn Wongvises ⁽¹⁾	4/4	-
7. Mr. Suvit Mapaisansin ⁽²⁾	15	5/5
8. Mr. Suvit Maesincee ⁽¹⁾⁽²⁾	11/12	-
9. Mrs. Sriprabha Pringpong ⁽¹⁾	10/12	-
10. Mr. Niwatt Chittalarn	8	-

- (1) The Annual General Shareholders' Meeting No. 9 held on 8 April 2011 resolved to appoint the following directors:
 - > Mr. Suvit Maesincee is appointed as director and independent director in replacement of Miss Chanathip Poshyananda, a director and independent director who retired by rotation; and
 - > Mrs. Sriprabha Pringpong is appointed as director in replacement of Mr. Narathorn Wongvises, a director who retired by rotation;
- (2) The Board of Directors' of Krungthai Card PCL. No. 5/2011 held on 22 April 2011, No. 6/2011 held on 12 May 2011 and No. 7/2011 held on 23 June 2011 resolved to appoint the followings directors:
 - > Mr. Suvit Mapaisansin is appointed as Chairperson of the Audit Committee in replacement of Miss Chanathip Poshyananda who retired by rotation;
 - > Mrs. Kittiya Todhanakasem is appointed as Chairperson of the Nominating and Remuneration Committee in replacement of Mr. Suvit Mapaisansin; and
 - > Mr. Suvit Maesincee is appointed as the Nominating and Remuneration Committee in replacement of Miss Pimpen Ladpli;

5. Board of Directors - Remuneration

With the appropriate policy of the remuneration for the Board of Directors, and Sub-Committee, the Nominating and Remuneration Committee is responsible for proposing that appropriate level and asking for the resolution from the Shareholders' Meeting. In the Shareholders' Meeting No.9 on April 8, 2011, the Shareholders have passed the resolution to approve the remuneration for each director.

Remuneration of the Board of Directors

The total remuneration of the ten directors for the year 2011 amount Baht 4,774,500 including the remuneration and bonus of Mr. Niwatt Chittalarn as a director. The total remuneration of the Board of Directors and Executives amount Baht 119,610,165 with details as follows;

<i>Name</i>	<i>Position</i>	<i>Remuneration Year 2011 (Baht)</i>	<i>Bonus Year 2011 (Baht)</i>
1. Mr. Pongsathorn Siriyodhin	Chairman	337,500	175,900
2. Ms. Chanathip Poshyananda ⁽¹⁾	Director	145,000	146,300
	Chairperson of Audit Committee		
3. Mr. Akarat Na Ranong	Director	702,000	146,300
	Audit Committee Member		
	Nominating and Remuneration Committee Member		
4. Ms. Pimpen Ladpli	Director	558,000	146,300
	Audit Committee Member		
	Nominating and Remuneration Committee Member		
5. Mrs. Kittiya Todhanakasem ⁽²⁾	Director	442,000	146,300
	Nominating and Remuneration Committee Member		
6. Mr. Narathorn Wongvises ⁽¹⁾	Director	70,000	146,300
7. Mr. Suvit Mapaisansin ⁽²⁾	Director	546,000	146,300
	Chairperson of Audit Committee		
8. Mr. Suvit Maesincee ⁽¹⁾⁽²⁾	Director	344,000	-
	Nominating and Remuneration Committee Member		
9. Mrs. Sriprabha Pringpong ⁽¹⁾	Director	190,000	-
10. Mr. Niwatt Chittalarn	Director	240,000	146,300

- (1) The Annual General Shareholders' Meeting No. 9 held on 8 April 2011 resolved to appoint the following directors:
 - > Mr. Suvit Maesincee is appointed as director and independent director in replacement of Miss Chanathip Poshyananda, a director and independent director who retired by rotation; and
 - > Mrs. Sriprabha Pringpong is appointed as director in replacement of Mr. Narathorn Wongvises, a director who retired by rotation;
- (2) The Board of Directors' of Krungthai Card PCL. No. 5/2011 held on 22 April 2011, No. 6/2011 held on 12 May 2011 and No. 7/2011 held on 23 June 2011 resolved to appoint the followings directors:
 - > Mr. Suvit Mapaisansin is appointed as Chairperson of the Audit Committee in replacement of Miss Chanathip Poshyananda who retired by rotation;
 - > Mrs. Kittiya Todhanakasem is appointed as Chairperson of the Nominating and Remuneration Committee in replacement of Mr. Suvit Mapaisansin; and
 - > Mr. Suvit Maesincee is appointed as the Nominating and Remuneration Committee in replacement of Miss Pimpen Ladpli;

*Remuneration of Executive
Year 2011*

<i>Remuneration</i>	<i>Persons</i>	<i>Remuneration ⁽¹⁾⁽²⁾⁽³⁾ (Baht)</i>
Salary	14	87,218,703
Bonus	14	18,278,300
Provident Fund	14	5,204,322
Long-term management remuneration for the post employment benefit ⁽⁴⁾	14	4,520,640
<i>Total</i>	14	<i>115,221,965</i>

- (1) The abovementioned Remuneration of Executive includes an executive as defined by the SEC i.e. executive director or a person who occupies a position equivalent to a top four ranking from the executive director which means an executive from Senior Executive Vice President (SEVP) position and above. The executives are the following 14 persons:
- | | |
|--------------------------------|-------------------|
| 1. Mr. Niwatt Chittalarn | President and CEO |
| 2. Mr. Pakorn Matrakul | SEVP |
| 3. Mr. Chutidej Chayuti | SEVP |
| 4. Mr. Siriyot Srisuksawadi | SEVP |
| 5. Mr. Piyasak Tejasen | SEVP |
| 6. Miss Sudaporn Janwatanagool | EVP |
| 7. Mrs. Pittaya Vorapanyasakul | EVP |
| 8. Mr. Pongsak Sarutipakorn | EVP |
| 9. Mr. Khan Kachonboon | EVP |
| 10. Mr. Mana Boonkhun | EVP |
| 11. Mr. Bucha Sirichumsang | EVP |
| 12. Mr. Woravut Nisapakulthorn | EVP |
| 13. Mr. Dusit Rachatasetanant | EVP |
| 14. Mrs. Nuchanun Kengluetcha | EVP |
- (2) Remuneration for executive includes remunerations for Mr. Niwatt Chittalarn as director of the Company and Mr. Pakorn Matrakul as Company Secretary.
- (3) Remuneration for executive includes remunerations for Miss Rattana Cholpryapimolrat who resigned on March 2011.
- (4) Long term Management Remuneration for Executive means evaluation of benefits for each executive by evaluating the current value of cash flow expected to be paid in the future in accordance with Thai Accounting Standards No. 19 (TAS19) Re: Employee Benefits, which the Company has applied since 1 January 2011. The Company recognized costs for employee benefits as employee related costs in the Profit and Loss Statements.

6. Board of Directors - Self Assessment

Even though, all directors are highly qualified persons with knowledge, ability and best understanding in the business, they still continuously monitor its operation such as strategic policy and business plan, risk management and internal control, conflicts of interests, and financial reports and operating result to ensure that the operation has no default.

7. Board of Directors and Managements Training

The Board of Directors consists of persons with various qualifications, who all have skills, experience and expertise that are useful to the company. To generate more efficiency to the Company, the Boards of Directors normally encourage and facilitate trainings for all internal parties related to Corporate Governance, such as the Good Corporate Governance Program and the Audit Committee Program.

Having high qualified Management, the President & CEO shall authorize one of them to operate the business while he is on duty aboard such as business trip. However, this delegation shall be limited with the appropriate level to the current situation of the Company.

CORPORATE GOVERNANCE

Along with the corporate governance policy, which has been classified into 5 categories, and the best practice for directors of listed companies issued by the Stock Exchange of Thailand (“SET”) and the Securities and Exchange Commission (“SEC”), the Company’s Board of Directors (“the Board”) recognizes the significance of the policy and complies with those five categories. Details are as follows;

1. Rights of Shareholders

The Company formulates the corporate governance policy to ensure that the Company operates its business with ethics, transparency and accountability; the main drivers leading the Company to have sustainable growth.

The Company intends to comply with the corporate governance policy set by the government and the official agencies supervising the Company and to comply with other corporate governance standard considered to be applicable to the Company.

Regarding to an importance of right of shareholders, the Company treats all shareholders equally by posting the agenda of the Shareholders' Meeting with supported information on the Company's website. Moreover, the Company allows all shareholders to send us their queries with regard to those agenda before the scheduled meeting.

An invitation letter and supported document for the Annual General Shareholders' Meeting are sent out to shareholders in advance. The Company encourages all shareholders to participate the meeting and exercise their rights in inquiring the Board and submitting suggestions, generating the great benefit to the Management and the Company. The Minutes of Meeting is recorded and filed for further inspecting with integrity.

In the Shareholders' Meetings, all directors, including Audit Committee, are required to attend every meeting with the exception of the one who are otherwise engaged. The Chairman of the meeting grants equal opportunities and times to all shareholders to exercise their rights regarding to the verification of operation, submission of inquiries, comments and recommendations, all of which are reported in the Minutes of Meetings

2. Equal Treatment to Shareholders

The Company treats all shareholders; Managements, Non-Managements, foreign shareholders and minority shareholders, equally. Furthermore, the Company sets the policy of inside information control that does not allow managements, staffs and related persons to use inside information for their own benefits or to distribute the information to outsiders. However, the Company has not seen the usage of inside information of any management, staffs or related person for their own benefits.

The Company prevents and manages conflicts of interest through equitable information disclosure, maintenance of confidential information, refusal to operate any task or any suitable measure to each circumstance. Along with the policy to prevent using inside information of the Managements for their own benefits, KTC defines the policy and approval process on conflicts of interest transactions and connected transactions. Regarding to Section 59 of the Securities and Exchange Act B.E. 2535, all Directors and Managements are required to submit the report of changes in securities holding to the SEC, which are regularly reported in the Board of Directors' Meetings. Transactions generating interests to Directors and Managements are also reported to the Board of Directors' Meetings.

The Company defines the policy allowing shareholders to raise agenda for the Shareholders' Meeting; however, it would be done under suitable condition, timing and related regulation. For shareholders who are unable to attend the Meetings, they are able to submit the proxy, attached in the invitation package, to delegate others; such as the Audit Committee, to attend the Meetings and exercise their rights to vote on agenda in the Meeting. On the Agenda of Director Nomination, the Company proposes shareholders to consider Directors individually. Voting cards are provided in every meeting.

3. Role of Stakeholders

All stakeholders; internal stakeholders (staffs and managements) and external stakeholders (customers, creditors and society) are significant in different practices to the Company. The Company recognizes the appropriate rights and basic benefits, which stakeholders are entitled to receive such as the rights to conveniently access accurate and complete information. Furthermore, the Company establishes the policy to prevent default and illegal transactions of managements and related persons to the Company with facilitating to the one who informs those transactions to the Company. Along with the supporting from our stakeholders, it leads the Company to have strong competition capability and high earning to the Company, contributing successful story in the long term period.

Social Responsibilities are another important duty of the Company. The Company always submits substantial support to help people, who do not have good opportunity or who encounter with the natural disaster also preserves the religion, through the Company itself or coordination with both government agencies and private agencies.

4. Disclosure and Transparency

The Company has established Investor Relations Department to treat and provide equitably information to all investors; retail investors, institutional investors, securities analysts and local and foreign fund managers. The Company organizes many activities; such as reporting quarterly Management Discussion and Analysis along with financial statement, announcing semiannual and annual operating result for both local and foreign investors, analysts and company visits, to inform the progression and the performance of the Company and to give all of them the opportunities to inquire any question or recommendation to the Company. Furthermore, KTC submits continually required information to the SET and also posts that information on the Company's Website at www.ktc.co.th. In 2011, more than 120 investors / analysts visited our company.

The Company's Board of Directors is responsible for preparation of Financial Statements and financial information disclosed in the Company's annual report, complied with the suitable certified account standards in Thailand and disclosure sufficient information in the Notes of Financial Statements. This responsibility is done under prudent caution and best practices.

The Board has appointed the Audit Committee to be responded for monitoring the quality of the Company's Financial Statements and Internal Control System. Regarding to these matters, the comments of the Audit Committee are reported in the Report of Audit Committee disclosed in the Annual Report.

Due to the importance of equitable treatment to all shareholders and related persons, Financial Statements, financial information and operating results of the Company are disclosed with completeness, integrity, transparency and appropriate timing in the Annual Reports and the Company's Website.

5. Responsibilities of the Board of Directors

5.1 Roles, Duties and Responsibilities of the Board of Directors

The Board of Directors are responsible for setting policies and directions of the Company's operation by participating and approving setting the Company's vision, mission, overall strategic goal of the Company and ensure the established policy, goal and financial plan are efficiently and effectively implemented by the Management in order to increase the value of the business and safeguard the interests of the Company and shareholders including following up the Company's operations so as to ensure that the Management has complied with the law and policy.

The Board of Directors has conducted risk management and internal controls by continuously following up the Company's operation. In addition, the Board of Directors has set up the Sub-committees whose powers and duties are clearly separate from the Board of Directors and the Management. *(Please see the details in Corporate Management, 2) Sub-Committees and 3) Roles and Responsibilities of Board of Directors)*

Business ethics have been established as important fundamentals for corporate governance. The Company's business ethics are a code of good behavior which maintain and support the Company's reputation. The Company has established regulations regarding working with honesty and business ethics.

5.2 The Board of Directors' Meeting

The Board of Directors shall hold the Company's Board of Directors Meeting and hold the extraordinary meeting when necessary. The important agenda items are; to consider the Company's financial statements quarterly; to follow up with the Company's improvement projects; to consider important policies and to follow up the Company's performance. The Chief Executive Officer's department shall prepare an invitation to the meeting including agendas and supporting documents for the Directors to review at least 7 days prior to the meeting in order to allow the Directors to consider and study the agenda items and supporting documents. Moreover, the Sub-committee's meeting shall be held and the minutes of meetings must be recorded.

Each meeting is recorded and the minutes of meeting are prepared and the draft of the minutes is proposed to the Board of Directors to be adopted at the next meeting. The minutes of the Board of Directors' which have been adopted by the Board of Directors will be kept for further audit by the Board of Directors and relevant organizations. In 2011, there were 16 Board of Directors' Meetings and 7 Audit Committee's Meetings. *(Please see the details in Corporate Management, 4) Board of Directors' Meeting)*

5.3 Board of Directors - Remuneration

With the appropriate policy of the remuneration for the Board of Directors, and Sub-Committee, the Nomination and Remuneration Committee is responsible for proposing that appropriate level and asking for the resolution from the Shareholders' Meeting. In the Shareholders' Meeting No.9 on

April 8, 2011, the Shareholders have passed the resolution to approve the remuneration and special remuneration and authorized the Nomination and Remuneration Committee to have the power to appropriate a sum of money to each director. *(Please see the details in Corporate Management, 5) Board of Directors – Remuneration)*

5.4 Board of Directors - Self Assessment

Even though, all directors are highly qualified persons with knowledge, ability and best understanding in the business, they still continuously monitor its operation such as strategic policy and business plan, risk management and internal control, conflicts of interests, and financial reports and operating result to ensure that the operation has no default.

5.5) Board of Directors and Managements Training

The Board of directors consists of persons with various qualifications, who all have skills, experience and expertise that are useful to the Company. To generate more efficiency to the Company, the Boards of directors normally encourage and facilitate trainings for all internal parties related to Corporate Governance, such as the Good Corporate Governance Program and the Audit Committee Program.

Having high qualified Management, the President & CEO shall authorize one of them to operate the business while he is on duty aboard such as business trip. However, this delegation shall be limited with the appropriate level to the current situation of the Company.

MONITORING OF INSIDE INFORMATION USAGE

KTC places an importance on dissemination of transparent information to all parties including institutional investors, analysts, and local & foreign investors, who are subject to receiving information on an equality and fair basis. The Company's policy to provide information to outsiders includes the designation of a person who is assigned to acknowledge accurate specific information for investors. The Company also supervises the use of inside information in terms that the material information which significantly has an impact towards the operational performance shall not be revealed to the public. Such information will be disclosed only to the limited and concerned groups of persons.

Besides determining directors, executives and employees to sign in the agreements for keeping a secret issue and/or the inside corporate information, KTC has also set a means to control them not to use the Company's inside information for their own benefits by defining penalty for those who violate the regulations.

INTERNAL CONTROL

Audit Committee has supervised and monitored the operations of Internal Audit Department on a consistency basis. According to the letter of the Audit Committee No. Kor Tor Sor 2/2011 dated March 8, 2011 on a report of supervision by the Audit Committee submitted to the Board of Directors' Meeting no. 4/2011 held on March 23, 2011, an evaluation of sufficiency for the internal control system can be concluded as follows:

1. Organization and Environment

The Committee views that KTC has prudently set its operational targets with organization structure appropriate for business undertakings. Moreover, it has also set up rules on actions against the company's interests and penalty procedures for those who violate the rules.

2. Risk Management

KTC has considered its problems and risks and sought guidelines, remedial measures to control and reduce risks. KTC has prepared a "Best Practices on Corporate Governance" manual and appointed by preparing a manual concerning best practices on corporate governance. Meanwhile, the Internal Audit Unit Department has been established to carry out the auditing process and submit the audit results to the Audit Committee on a quarterly basis.

3. Administration Control for Executives

KTC has apparently formulated the scope of authority for each level of the executives and determined strict measures in considering actions, activities related to major shareholders, directors, executives or any persons related with these persons on ground of maximum benefit of the company. The approval for such activities must obtain discretion from the Audit Committee and/or the Board of Directors as the case may be.

4. Information system and communication

KTC provides adequate information for decision making of the Board of Directors and put in place filing system with complete, categorized and reliable documents. KTC also applies the accounting policy in accordance with the accounting principles generally accepted and appropriate with its nature of business.

5. Monitoring system

KTC always compare between the business targets and the actual performance on a consistency basis and presents the report to the Board of Directors. Moreover, KTC also implements the internal audit process of which the results will be reported directly to the Audit Committee.

DIVIDEND PAYMENT POLICY

The Shareholders' meeting no. 1/2003 approved the dividend payment policy to not less than 40 percent of net profit after deduction of income tax and appropriation for a legal reserve.

The Shareholders' meeting no. 7/2009 and no. 8/2010 approved the non-distribution of dividends for 2008's and 2009's operating results, correspondingly, and for the operation result in 2010, the paid out dividend was THB 0.45 per 1 ordinary share or equivalent to 51.8% of net profit.

HUMAN RESOURCES

125

Personnel

As of December 31, 2011, KTC recorded the number of 1,395 employees, or a 25.7% growth. Staff remunerations, consisting of salary, bonus (only guarantee bonus), and grant-in-aid (including social security and provident fund), totaled to Baht 988.1 million in 2011 which increased 11.0% from the previous year.

Human Resource Management Policy

Recruitment and Motivation

KTC has a policy to recruit staff as necessary and appropriate task. The employees to be hired must have suitable qualifications and experiences for the jobs. If there are vacancies, KTC places a focus on internal recruitment and then gives additional trainings. Since promotion from within will not only get staff acquainted with the company's operations and help create morale in working, but also attract them to stay longer with the company, which provides them with the comparable compensation with other companies in the same industry. In addition, KTC has provided comfortable working environment that would increase staffs enthusiasm and efficiency. If the company cannot recruit staff within the company, to carry out the recruitment process and KTC would recruit staff from outside.

Human Resource Development

KTC puts high priority on continuous development of the employee's ability, skills and attitude which include core, functional, and managerial/leadership competencies. With respect to functional trainings, various training courses will be arranged by internal lecturers or sending staff to attend outside seminar

programs such as those organized consistently by VISA, MasterCard and JCB or Credit Card Business Club. KTC arranges for the staff both on-the-job training and functional training. For on-the-job training, senior staffs give advices and recommendations all through the whole process to junior staffs (Coaching). KTC encourages staffs to share and learn their ideas with management following “Learning Organization” concept and assigns to receive training from highly qualified professional trainers both local and international. Moreover, all KTC’s staffs are supported to be self-development by e-learning.

In addition, KTC has initiated Learn & Earn @ KTC, which is a long-term program with an objective to promote and serve university students who need to enhance more experiences from their learning schedules. In this connection, KTC offers the Learn & Earn employee to practice in appropriate position relating to their skills for preparing into first-job worker.

With the purpose of developing staff’s skills and improving their operational efficiency, KTC pays attention to creating a network of knowledge within an organization by initiating a program called “KTC Knowledge Sharing” With some help from in-house professional speakers, the topics of the program focus on contents not only related business but also non-related business which can be divided into the following categories: management, marketing, Information Technology, finance and accounting, health and safety, etc.

LEGISLATIONS APPLICABLE TO BUSINESS OPERATIONS OF THE COMPANY

The Ministry of Finance issued a Notification operation of credit card services and personal loans under the Notification of Revolutionary Council No. 58 and authorized the Bank of Thailand (the “BOT”) to supervise by announcing the Notifications specifying the requirements and regulations for such business, including stipulating rates of interest and fees chargeable to customers and the qualifications of credit card holders and personal loan clients. The Company granted approval for conducting credit card services and personal loans under supervision, together with approval for electronic payment services providers under the Royal Decree Regulating of Electronic Payment Services B.E. 2551 (2008) and the Electronics Transaction Commission and the BOT as the control and supervision division regarding the requirements and regulations for such business. The Company has strictly complied with the notifications, rules and regulations which have been announced and if there is any new regulation in the future, the Company will comply with it.

LEGISLATIONS APPLICABLE TO BUSINESS OPERATIONS OF THE COMPANY

Apart from the notifications of the BOT and of the Electronics Transaction Commission as mentioned earlier, the Company is also required to comply with other regulations relevant to the Company's business e.g. Credit Information Business Act B.E. 2545 (2002), Consumer Protection Act B.E. 2522 (1979), Unfair Contract Terms Act B.E. 2540 (1997), etc. The Company confidentially believes that all the regulations related to the business of the Company have been followed correctly.

Moreover, the Company's business may be controlled and supervised by governmental agencies or other organizations which may announce rules, regulations, conditions, procedures and/or criteria to control and supervise the business of the Company. As a result of that, the Company may be required to adjust the operation of the Company in the future. However, the Company believes that it will be able to follow the said rules, regulations , conditions, procedures and/or criteria.

RELATED PARTY TRANSACTIONS

129

Related Party Transactions

The Company discloses related transactions with parties who are related to the Company i.e. companies which are under the same control as the Company through shareholdings and/or common directors. Details of Related Party Transactions are shown in the Notes to Financial Statements clause 23 regarding related transactions for the year ended 31 December 2011, audited by Deloitte Touche Tohmutsu Jaiyos Audit Co., Ltd. Related parties to the Company are Krung Thai Bank, Krung Thai Computer Services Co., Ltd. and Krung Thai General Business Services Co., Ltd. details of the related parties transactions are provided as follows:

1. Credit Card Business Administrative Service Agreement dated 26 June 2002

This agreement was entered into between the Company and Krung Thai Bank in order to replace the Business Administrative Service Agreement dated 1 January 1998. Krung Thai Bank hired the Company to administrate the part of Krung Thai Bank's credit card business that was not transferred from Krung Thai Bank to the Company i.e. Visa Electron Debit Card (VE) and other plastic card businesses, which Krung Thai Bank was willing to conduct after 30 June 2002. The Company agreed to provide services to Krung Thai Bank for the period of 15 years from 1 July 2002. According to the conditions of the Agreement, the administrative service fee for the first three years was put in place in advance and was based on the actual service fee but not exceeding Baht 20 million per year. Both parties would reconsider the administrative service fee every three years to reflect market price at that time.

Afterwards, the Amendment of Credit Card Business Administrative Service Agreement was executed in order to amend the administrative service fees according to the quantity of transactions. Other fees would be charged based on actual expenses plus the service fees which were already agreed. The service fees between the Company and Krung Thai Bank are based on market price and conditions in the ordinary course of the Company's business. Under the agreement, Krung Thai Bank agreed to only hire the Company.

However, the Board of Directors of the Company Meeting No.7/2007 held on 15 June 2007 passed a resolution to end the provision of administrative services for VE under the Credit Card Business Administrative Service Agreement with Krung Thai Bank. Both parties agreed to terminate the administrative services for VE, which was a part of the services under the Credit Card Business Administrative Service Agreement from 1 April 2007, remaining terms and conditions are still effective.

2. Back Office Services Agreement dated 26 June 2002

According to this agreement, Krung Thai Bank agreed to provide Back Office services (including the services provided by Krung Thai Bank and/or its subsidiaries), which included Back Office services related to card membership and information systems, for the period of 15 years from 1 July 2002.

Amendment of the Back Office Services Agreement was executed for a second time in August 2008 amending the fee for Back Office services relating to system work during July - December 2008 to be at the rate of Baht 40.6 million and for the period of 1 January 2009 - 30 June 2011 to be at the rate of

Baht 140.8 million per year. This agreement was executed for the forth time in 1 July 2009 amending the fee for Back Office services relating to system work during 1 July 2009 – 30 June 2010 to be at rate of Baht 36.7 million per year and the fifth time in 1 July 2010 amending the fee for Back Office services relating to system work during 1 July 2010 – 30 June 2011 to be at rate of Baht 4.0 million per year. The fee for other parts of Back Office services will be charged at different rates depending on the quantity of transactions. The service fee between the Company and Krung Thai Bank is based on market price and the conditions in the ordinary course of the Company's business.

According to the agreement, the Company has the right to terminate the agreement prior to the end of the 15 year term if Krung Thai Bank breaches the agreement and/or does not comply with the agreement and does not remedy the breach or failure within 90 days after having received notice from the Company. Krung Thai Bank also has the right to terminate the agreement if the Company fails to make two consecutive payments of the service fee.

3. Loan Agreement

The Company entered into a Loan Agreement with Krung Thai Bank, for a loan of Baht 18,000 million, consisting of a Term Loan of Baht 17,000 million payable within 30 days and the Call Loan not exceeding Baht 1,000 million which is payable on demand or within 3 months. Moreover, Krung Thai Bank approved the provision of the Overdraft Loan of Baht 30 million to the Company.

As at 31 December 2010, the Company has not drawn down money from this loan agreement .

4. Development and Improvement of Working System Service Agreement

The Company entered into the Back Office Services Agreement dated 26 June 2002, which included Back Office services related to card membership and information systems and the services provided by Krung Thai Bank itself or its subsidiaries.

Services were provided by Krung Thai Computer Services Co., Ltd. (“KCS”) for the development and improvement of working systems including card membership and information systems, Krung Thai Bank holds 100% of the shares in KCS. KCS is also a service provider for development and improvement of other working systems and information which are irrelevant to the services under the said agreement and has the space at Bangbuatong Computer Center Building for rent which is for the benefit of the Company as it is used for information storage. The price of the services under the agreement between the Company and KCS is based on the scope of work and service hours. The agreement and hiring conditions are in the normal course of business.

5. Payment System Services Agreement

The Company entered into the Payment System Services Agreement (Turn-Key Basis) with Krung Thai Computer Services Co., Ltd. (“KTBCS”) in which KTBCS has provided payment system services for Krung Thai Bank. As the Company originally had a payment system, KTBCS therefore engaged the Company to improve such systems in order to be compatible with KTBCS services and be able to provide Back Office services for customer transactions occurring from KTBCS payment services. The work under the Agreement must be completed within 180 days from 10 October 2011.

The Company also entered into the Services Agreement with KTBCS for Consultancy and Processing of IT operations of the Silverlake and COBAS systems in order to provide KTBCS consultancy and processing services of IT operations including leasing of relevant systems and maintenance of software and hardware necessary for the aforementioned payment systems to be provided to the customers of KTBCS. This Agreement has a service period of 1 year commencing on 21 January 2012. In the case where no termination of the Agreement occurs, the Agreement shall be renewed by entering into a new agreement for a further 1 year period.

Both Agreements are related party transactions which will benefit the Company. The prices of the services under the Agreements are based on the scope of work and service hours. The agreement and hiring conditions are in the normal course of business.

6. Document Storage Services Agreement

The Company hired Krung Thai General Business Services Co., Ltd. (“KGS”) as a service provider for document deposit, storage and search. Krung Thai Bank holds 100% of the shares in KGS which was hired to provide standardized services of document keeping and to administrate a system for the storage, search and borrowing of documents in order to reduce the space limitations and increase systematic storage and search. The price of the services under the agreement between the Company and KGS is based on the scope of work and service hours. The agreement and hiring conditions are in the normal course of business.

Opinion of the Audit Committee on the Related Party Transactions

The Related Party Transactions have been considered and commented on by the Audit Committee, which opined that the Related Party Transactions are beneficial to the Company and are in the ordinary course of the Company's business. There are neither special conditions nor transferring of benefits between the Company and related parties. In addition, the fee rates or interest rates between the Company and the related parties are in line with normal rates or rates which would be charged to external parties.

Policies Regarding Related Party Transactions and Acquisition and Disposition of Assets of the Company in the Future

Pursuant to Section 89/12 of the Securities and Exchange Act B.E. 2551 (No.4) (the “Securities and Exchange Act”), related parties transactions are prescribed by the law as being any transaction between the Company and a director, an executive or a related person and must be approved by the shareholders’ meeting unless such transaction is categorized as an exceptional transaction e.g. a transaction with the same commercial terms as those an ordinary person would agree with any unrelated counter-party under similar circumstances, on the basis of commercial negotiations and without any dependent interest resulting from the status of the directors, executives or related persons, as the case may be, provided further that the said commercial terms have been approved by the board of directors or are in compliance with the principles approved by the board of directors.

In this regard, the Board of Directors’ Meeting of the Company held on 19 September 2008 resolved to grant in principle approval for trade agreements with related parties to ensure compliance with the said regulation namely that “the Management may enter into any transaction or trade agreement which is considered as a related party transaction as described in the regulation on securities and exchange. A transaction or trade agreement must be on the same commercial terms as those an ordinary person would agree with any unrelated counter-party under similar circumstances, on the basis of commercial negotiation and without any dependent interest resulting from the status of the director, executive or related person (the “Common Trade Transaction”) including a continuing connected transaction and a future transaction. The Management may determine an outline and rule for operation and prepare a summary report of such transaction for the Audit Committee’s Meeting and the Board of Directors’ Meeting at the appropriate time”.

The entering into of the related party transaction and/or the acquisition and disposition of assets of the Company in the future shall be made in compliance with the laws on securities and exchange, the regulations of The Stock Exchange of Thailand and the principle for trade agreements with related parties approved by the Board of Directors, including any regulation in connection with the disclosure of information, connected transactions and the acquisition and disposition of assets of the Company.

If the Company enters into a transaction that may give rise to a conflict of interest, the Audit Committee will consider the justification of the transaction. If the Audit Committee is not qualified enough to consider the transaction in question, the Company will seek more specialized persons such as auditors or asset appraisers or law firms etc. who are independent from the Company and the persons with potential conflict to comment on the transactions for consideration by the Board of Directors or the Shareholders in order to ensure that the transaction will not be considered as a transfer of benefits between the Company, related persons and/or shareholders of the Company. The Company will take into account the best interests of the shareholders, especially minority shareholders. Furthermore, any director or shareholder who has any interest in connection with such related parties transaction or acquisition or disposition of assets of the Company shall not be allowed to participate in the consideration and approval of such transaction.

REPORT OF THE AUDIT COMMITTEE

To the Shareholders

The Audit Committee consists of three independent directors which has appropriate expertise and experience. Chairperson does not position in any other subcommittees. Name of committee member are listed below

- | | |
|--------------------------|-------------------|
| 1. Mr. Suvit Mapaisansin | Chairperson |
| 2. Mr. Akarat Na Ranong | Committee members |
| 3. Ms. Pimpen Ladpli | Committee members |

In addition, the Senior Vice President of Internal Audit Department serves as a secretary of the Committee.


The Committee practices its duty to comply with both Charter of Audit Committee and Best Practice Guidelines for Audit Committee. Seven Audit Committee Meetings were held in 2011. The Committee abides with its independence judgment for the best interest of the Company as well as appropriate information with completeness and transparency disclosure. External auditors were invited to attend every meeting concerning financial statements to give opinions and additional observations in order to ensure that the financial statements were conducted in accordance with the accounting standard reflecting the exact performance and status of the Company including the change of Thai Accounting Standard into International Accounting Standard. In addition, some of the meetings were particularly

held without the present of management, which the auditor and the internal audit are able to contact directly to the Audit Committee.

For the most benefit to the Company, the Committee has continually reviewed and evaluated all significant risks independently by reviewing and monitoring the internal control system through the operation of Internal Audit Department and discussion with external auditors and the Company's Managements. As a matter of fact, the evaluation showed that the Company has appropriated and creditable internal control system, risk management system, business operation and financial statements.

Along with good cooperation from Managements and related persons to follow all the recommendations, the Committee is confident that the Company operates the business with good and adequate corporate governance and all staffs perform their duties with efficiency and caution, reflecting the improvement of good corporate governance of the Company throughout the year.

Signed on behalf of the Audit Committee,



(Mr. Suvit Mapaisansin)

Chairperson of the Audit Committee

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

*To the Shareholders and Board of Directors
Krungthai Card Public Company Limited*

We have audited the statements of financial position of Krungthai Card Public Company Limited as at December 31, 2011 and 2010, and the related income statements, statements of comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

140

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Krungthai Card Public Company Limited as at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Without qualifying our opinion, as described in Note 4.1 to the financial statements, since January 1, 2011, the Company has adopted the new and revised Thai Financial Reporting Standards issued by the Federation of Accounting Professions, which are effective for the financial statements for the financial periods beginning on or after January 1, 2011 onwards, in the preparation and presentation of these financial statements and the financial statements for the year ended December 31, 2010, presented herein for comparison, have been presented in the new format to conform with the financial statements for the year ended December 31, 2011. In addition, as described in Note 4.2 to the financial statements, the Company has also changed the accounting estimate of the provision for reward points for the year ended December 31, 2011.



Chavala Tienpasertkij

Certified Public Accountant (Thailand)

Registration No. 4301

Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

Bangkok

February 21, 2012

STATEMENTS OF FINANCIAL POSITION

141

As at December 31, 2011 and 2010

	<i>Notes</i>	<i>2011 (Baht)</i>	<i>2010 (Baht)</i>
<i>Assets</i>			
<i>Current Assets</i>			
Cash and cash equivalents	23	755,260,614	777,815,600
Trade accounts receivable and other receivables			
Trade accounts receivable - net	6	42,920,071,401	44,775,258,270
Accounts receivable on swap contract - net		-	853,568
Revenue Department receivable		236,916,878	182,163,644
Other receivables	7 and 23	868,525,060	763,061,580
Total Current Assets		<u>44,780,773,953</u>	<u>46,499,152,662</u>

Notes to the financial statements form an integral part of these statements

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

142

	<i>Notes</i>	<i>2011 (Baht)</i>	<i>2010 (Baht)</i>
<i>Assets (Continued)</i>			
<i>Non-current Assets</i>			
Long-term investments	8	230,231,312	89,872,740
Leasehold improvement and equipment - net	9	556,131,455	444,757,048
Intangible assets - net	10	463,227,762	256,750,857
Deferred tax assets	11	1,291,812,997	1,115,291,083
Other non-current assets		120,607,815	135,576,972
Total Non-current Assets		2,662,011,341	2,042,248,700
Total Assets		47,442,785,294	48,541,401,362

Notes to the financial statements form an integral part of these statements

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

143

	<i>Notes</i>	<i>2011 (Baht)</i>	<i>2010 (Baht)</i>
<i>Liabilities and Equity</i>			
<i>Current Liabilities</i>			
Short-term loans - other financial institutions	12	8,203,707,396	5,870,336,375
Trade accounts payable and other payables			
Trade accounts payable			
- Related financial institution and related parties	23	453,625,676	437,358,166
- Others		190,629,406	190,740,900
Accrued interest expenses		254,920,595	233,389,087
Income tax payable		-	345,370,928
Accrued expenses		346,027,106	296,021,767
Other payables		693,358,996	642,561,082
Current portion of long-term loans	13	2,500,000,000	4,784,186,901
Current portion of liability under finance lease contracts	14	6,507,056	9,010,856
Current portion of long-term debentures	15	9,020,000,000	4,680,000,000
Provision for reward points	4.2	1,325,000,000	487,000,000
Total Current Liabilities		<u>22,993,776,231</u>	<u>17,975,976,062</u>

Notes to the financial statements form an integral part of these statements

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

144

	<i>Notes</i>	<i>2011 (Baht)</i>	<i>2010 (Baht)</i>
<i>Liabilities and Equity (Continued)</i>			
<i>Non-current Liabilities</i>			
Long-term loans	13	2,000,000,000	4,500,000,000
Liabilities under finance lease contracts - net	14	1,144,214	6,280,109
Long-term debentures	15	17,500,000,000	19,520,000,000
Provision for employee benefits	16	86,000,000	-
Total Non-current Liabilities		19,587,144,214	24,026,280,109
Total Liabilities		42,580,920,445	42,002,256,171

Notes to the financial statements form an integral part of these statements

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

145

	<i>Notes</i>	<i>2011 (Baht)</i>	<i>2010 (Baht)</i>
<i>Liabilities and Equity (Continued)</i>			
<i>Equity</i>			
Share Capital			
Authorized share capital			
257,833,407 ordinary shares of Baht 10.00 each		<u>2,578,334,070</u>	<u>2,578,334,070</u>
Issued and paid-up share capital			
257,833,407 ordinary shares of Baht 10.00 each, fully paid		<u>2,578,334,070</u>	<u>2,578,334,070</u>
Premium on Ordinary Shares			
Premium on ordinary shares		1,891,808,721	1,891,808,721
Retained Earnings			
Appropriated			
Legal reserve	18	172,500,000	172,500,000
Unappropriated		51,347,752	1,848,090,484
Other Components Of Equity		<u>167,874,306</u>	<u>48,411,916</u>
Total Equity		<u>4,861,864,849</u>	<u>6,539,145,191</u>
Total Liabilities and Equity		<u>47,442,785,294</u>	<u>48,541,401,362</u>

Notes to the financial statements form an integral part of these statements

INCOME STATEMENTS

For the years ended December 31, 2011 and 2010

	<i>Notes</i>	<i>2011 (Baht)</i>	<i>2010 (Baht)</i>
Interest income		5,745,794,024	5,645,409,221
Fee and service income	23	5,612,029,971	5,456,100,642
Bad debt recovered		851,322,700	811,729,371
Gain on exchange rate - net		69,189,843	76,104,550
Other income		219,120,610	190,658,661
Total Revenues		<u>12,497,457,148</u>	<u>12,180,002,445</u>
Administrative expenses	23	6,422,266,833	5,613,919,079
Management remuneration	23.3	119,610,165	120,213,568
Bad debts and doubtful accounts	6.2	5,610,893,341	4,073,286,845
Total Expenses		<u>12,152,770,339</u>	<u>9,807,419,492</u>

Notes to the financial statements form an integral part of these statements

INCOME STATEMENTS (CONTINUED)

147

	<i>Notes</i>	<i>2011 (Baht)</i>	<i>2010 (Baht)</i>
Profit Before Finance Cost and Income Tax		344,686,809	2,372,582,953
Finance Costs	23	1,941,408,819	1,944,379,565
Profit (Loss) Before Income Tax		(1,596,722,010)	428,203,388
Income Tax Expense	21	(24,496,904)	(204,043,673)
Net Profit (Loss)		<u>(1,621,218,914)</u>	<u>224,159,715</u>
Basic Earnings (Loss) Per Share	Baht	(6.29)	0.87
Weighted Average Number of Ordinary Shares	Shares	257,833,407	257,833,407

Notes to the financial statements form an integral part of these statements

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2011 and 2010

	<i>2011 (Baht)</i>	<i>2010 (Baht)</i>
Net profit (loss) for the years	(1,621,218,914)	224,159,715
Other comprehensive income		
Net value gain on available-for-sale investment	119,462,390	48,411,916
Other comprehensive income for the years, net of tax	119,462,390	48,411,916
Total Comprehensive Income (Loss) for The Years	<u>(1,501,756,524)</u>	<u>272,571,631</u>

Notes to the financial statements form an integral part of these statements

STATEMENTS OF CHANGES IN EQUITY

149

For the years ended December 31, 2011 and 2010

	<i>Notes</i>	<i>Issued and paid-up share capital</i>	<i>Premium on ordinary shares</i>	<i>Retained earnings</i>		<i>Other components of equity Revaluation surplus on investments</i>	<i>Total equity</i>
		<i>(Baht)</i>	<i>(Baht)</i>	<i>Appropriated Legal reserve</i>	<i>Unappropriated</i>	<i>(Baht)</i>	<i>(Baht)</i>
Beginning balance as							
at January 1, 2010		2,578,334,070	1,891,808,721	161,200,000	1,635,230,769	-	6,266,573,560
Legal reserves	18	-	-	11,300,000	(11,300,000)	-	-
Total comprehensive income		-	-	-	224,159,715	48,411,916	272,571,631
Ending Balance as							
at December 31, 2010		<u>2,578,334,070</u>	<u>1,891,808,721</u>	<u>172,500,000</u>	<u>1,848,090,484</u>	<u>48,411,916</u>	<u>6,539,145,191</u>

Notes to the financial statements form an integral part of these statements

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

150

	Notes	Issued and paid-up share capital (Baht)	Premium on ordinary shares (Baht)	Retained earnings		Other components of equity Revaluation surplus on investments (Baht)	Total equity (Baht)
				Appropriated Legal reserve (Baht)	Unappropriated (Baht)		
Beginning balance as at January 1, 2011		2,578,334,070	1,891,808,721	172,500,000	1,848,090,484	48,411,916	6,539,145,191
Effect of the change in accounting policy	4.1.2	-	-	-	(59,500,000)	-	(59,500,000)
Beginning balance as at January 1, 2011 - adjusted		2,578,334,070	1,891,808,721	172,500,000	1,788,590,484	48,411,916	6,479,645,191
Dividend paid	18	-	-	-	(116,023,818)	-	(116,023,818)
Total comprehensive loss		-	-	-	(1,621,218,914)	119,462,390	(1,501,756,524)
Ending Balance as at December 31, 2011		<u>2,578,334,070</u>	<u>1,891,808,721</u>	<u>172,500,000</u>	<u>51,347,752</u>	<u>167,874,306</u>	<u>4,861,864,849</u>

Notes to the financial statements form an integral part of these statements

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2011 and 2010

	<i>2011 (Baht)</i>	<i>2010 (Baht)</i>
<i>Cash Flows from Operating Activities</i>		
<i>Income (loss) before income tax expense</i>	(1,596,722,010)	428,203,388
<i>Adjustments for:</i>		
Amortization of premium on debt securities	324,431	312,831
Amortization of deferred interest expense	30,479,017	6,527,330
Employee benefits expense	1,000,000	-
Depreciation and amortization	275,602,197	286,736,238
Reward point expense	838,000,000	198,000,000
Loss (gain) from disposal and written-off of leasehold improvement and equipment	2,491,889	(1,071,321)
Bad debts and doubtful accounts	5,610,893,341	4,073,286,845
Interest expense	1,915,599,406	1,892,215,148
	<u>7,077,668,271</u>	<u>6,884,210,459</u>

Notes to the financial statements form an integral part of these statements

STATEMENTS OF CASH FLOWS (CONTINUED)

	2011 (Baht)	2010 (Baht)
<i>Cash Flows from Operating Activities (Continue)</i>		
Trade accounts receivable increase	(3,755,706,473)	(4,841,051,359)
Management fee receivable - related financial institution decrease	-	3,315,822
Other receivables increase	(105,463,479)	(30,623,124)
Other non-current assets increase	(30,434,923)	(24,250,700)
Trade accounts payable - related financial institution increase	16,267,511	28,051,829
Trade accounts payable - others decrease	(14,655,739)	(9,191,159)
Accrued interest expenses increase (decrease)	54,658,645	(3,624,991)
Income tax payable decrease	-	(136,644)
Accrued expenses increase (decrease)	50,005,340	(15,761,358)
Other payables increase	50,797,914	120,043,137
Cash received from operations	3,343,137,067	2,110,981,912
Interest expense paid	(1,948,726,543)	(1,951,478,253)
Income tax paid	(596,863,592)	(51,013,469)
Net cash provided by operating activities	797,546,932	108,490,190

Notes to the financial statements form an integral part of these statements

STATEMENTS OF CASH FLOWS (CONTINUED)

153

	2011 (Baht)	2010 (Baht)
<i>Cash Flows from Investing Activities</i>		
Proceeds from investment in government bonds	-	20,000,000
Cash paid for purchases of investment in government bonds	-	(20,954,760)
Proceeds from sales of leasehold improvement and equipment	2,496,361	2,580,270
Cash paid for purchases of leasehold improvement and equipment	(298,828,003)	(171,560,181)
Cash paid for purchases of computer software	(239,665,433)	(65,132,737)
Net cash used in investing activities	<u>(535,997,075)</u>	<u>(235,067,408)</u>

Notes to the financial statements form an integral part of these statements

STATEMENTS OF CASH FLOWS (CONTINUED)

154

	2011 (Baht)	2010 (Baht)
<i>Cash Flows from Financing Activities</i>		
Increase in short-term loans from financial institutions	2,302,892,004	4,835,979,522
Proceeds from long-term loans	-	1,000,000,000
Cash paid for repayment of long-term loans	(4,783,333,334)	(3,283,333,333)
Proceeds from issuance of debentures	7,000,000,000	2,000,000,000
Cash payment for redemption of debentures	(4,680,000,000)	(6,700,000,000)
Cash payment for liabilities under financial lease contracts	(7,639,695)	(7,492,762)
Dividend paid	(116,023,818)	-
Net cash used in financing activities	(284,104,843)	(2,154,846,573)
Net Decrease in Cash and Cash Equivalents	(22,554,986)	(2,281,423,791)
Cash and Cash Equivalents as at January 1,	777,815,600	3,059,239,391
Cash and Cash Equivalents as at December 31,	755,260,614	777,815,600

Notes to the financial statements form an integral part of these statements

NOTES TO THE FINANCIAL STATEMENTS

*For the years ended
december 31, 2011 and 2010*

1. General

Krungthai Card Public Company Limited (“the Company”) was registered as a Juristic Company on December 4, 1996 and registered the change in its status to a “Public Company” with the Ministry of Commerce on July 2, 2002 to fully engage in credit card, circle loan and other related businesses. The Company registered as a listed company on The Stock Exchange of Thailand on October 28, 2002.

The Company is located at 14th Floor UBC II Building, 591 Sukhumvit Road, Klongton Nua, Wattana, Bangkok 10110.

*2. Basis for Preparation
and Presentation of
the Financial Statements*

2.1

The Company maintains its accounting records in Thai Baht and prepares its statutory financial statements in the Thai language in conformity with accounting standards and practices generally accepted in Thailand. The financial statements have been prepared on the historical cost basis except for those described in Accounting Policies (Note 3).

The brief particulars in the Company's financial statements for the year ended December 31, 2011 are prepared in compliance with the Notification of the Department of Business Development regarding "The Brief Particulars in the Financial Statements B.E. 2554" dated September 28, 2011, which is effective for financial periods beginning on or after January 1, 2011 onwards. The financial statements for the year ended December 31, 2010, thus, have been reclassified accordingly.

Currently, the Company's operations relate to a single business segment which is the consumer finance business, and are carried out in a single geographic area which is Thailand.

2.2

The Federation of Accounting Professions issued the Notifications regarding Thai Accounting Standards (TAS) and Thai Accounting Standard Interpretations (TSI), which will be effective for the financial periods beginning on or after January 1, 2013 onwards as follows:

TAS

TAS 12	Income Taxes
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates

TSI

TSI 10	Government Assistance - No Specific Relation to Operating Activities
TSI 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSI 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management anticipates that the Company will adopt the above TAS and TSI relevant to the Company in the preparation of the Company's financial statements when they become effective except for TAS 12 Income taxes, which the Company early adopted before the effective date since the year ended December 31, 2009. The Company's management anticipates that the adoption of the other accounting standards as above will have no material impact on the financial statements of the Company in the period of initial application.

3. Significant Accounting Policies

3.1 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits at banks and financial institutions and current investments with original maturities of 3 months or less.

3.2 Trade accounts receivable

Trade accounts receivable are stated in the statements of financial position at the outstanding amount less the allowance for doubtful accounts.

3.3 Investments

The Company's investments consist of debt securities and equity securities which are classified as available-for-sale securities, held-to-maturity debt securities or general investments.

Debt and equity securities with readily determinable market values that are not classified as either trading securities or held-to-maturity securities are classified as available-for-sale securities and are presented as short-term or long-term investments depending on the intent of management and carried at fair value, which is defined by market price at year end. The unrealized gains or losses related to available-for-sale securities are reported as other components of equity through other comprehensive income until realized. Gain or loss on available-for-sale securities are recognized in the income statements upon the sale or disposal of such securities.

3.4 *Leasehold improvement
and equipment*

Debt securities which the Company has the intent and ability to hold until maturity are classified as held-to-maturity and carried at the amortized cost, net of valuation allowances for impairment, if any.

Leasehold improvement and equipment are stated at cost less accumulated depreciation and amortization.

Gain or loss on disposal or write-off leasehold improvement and equipment is recognized in the income statements in the period of disposal or write-off.

Depreciation and amortization of leasehold improvement and equipment are calculated by the straight-line method, over the estimated useful lives of the assets, as follows:

Leasehold improvement	Lease period
Furniture, fixtures and office equipment	5 years
Vehicles	5 years

3.5 Intangible assets

Intangible assets represent computer software which is stated at cost less accumulated amortization.

Amortization of intangible assets is calculated by the straight-line method based on the estimated useful life of intangible assets over 5 years.

3.6 Other non-current assets

Other non-current assets consist of refundable deposits and credit card's embedded chip.

Credit card's embedded chip is stated at cost less accumulated amortization.

Amortization of other asset, which is credit card's embedded chip, is calculated by the straight-line method over the privilege period that the cardholder is entitled to use the card of 5 years.

3.7 Long-term leases

Leases of assets where the Company assumes substantially all the risks and rewards are classified as finance leases. Assets acquired by way of finance leases are capitalized at the estimated present value of the minimum lease payments at the inception of the lease. The corresponding lease liability is recorded in the statements of financial position. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statements.

Leases of assets where substantially all the risks and rewards are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are recognized as expenses in the income statements on a straight line basis over the term of the leases.

Where an operating lease is terminated before the lease period has expired, any penalty payment is recognized as an expense in the period in which the lease is terminated.

3.8 Post-employment benefit obligations

The post-employment benefit obligations represent the retirement benefits that the employees will get the payment at the amount determined by the Labor Protection Act when they retire. The Company does not have separate fund for such defined benefit plan but estimates the employment benefit obligations which are measured by an actuary using the projected unit credit cost method to determine the present value of cash flow of employee benefits to be paid in the future. Under this method, the calculation is based on the employee's expected salary, turnover rate, salary increase rate, mortality rate, discount rate, years of services and other factors.

The expenses for employee benefits plan are recognized as personnel expenses in the income statements.

The actuarial gains (losses) are recognized as other comprehensive income (loss) in the statements of comprehensive income.

3.9 Foreign currency transactions

Transactions denominated in foreign currencies during the year are translated into Baht at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Baht at the reference exchange rate announced by the Bank of Thailand at that date.

The Company uses cross currency swap contracts in asset and liability management activities to control exposure to fluctuation in foreign exchange rates. Such derivatives that have not entered into for trading purposes are recorded on an accrual basis. The swap contracts denominated in foreign currencies at the reporting date are translated into Baht at the reference exchange rates announced by the Bank of Thailand at that date. The difference on exchange rate that incurred are recognized as operating income or expenses in the income statements.

Gains or losses on exchange arising on settlements or translation are recognized as operating income or expenses in the income statements.

3.10 Income recognition

The Company recognizes interest income on credit card receivables for default payments of installments from the posting date. Interest on cash advances from credit cards is recognized from the date of cash withdrawals. Interest on circle loans, personal loans and self-employed loans are recognized on an accrual basis. The Company recognizes interest income overdue for more than 180 days on a cash basis.

The Company recognizes fee and service income, which consists of fees on cash advances, card issuance fees, interchange fees and other service fees, on the date the service is rendered.

The Company recognizes management fees when services are rendered as stipulated in the credit card management service agreement.

3.11 Bad debt recovery

Bad debt recovery is recognized as income in the income statements in the period which it is collected.

3.12 Provident fund

The contributions for employee provident fund are recorded as expenses when incurred.

3.13 Income tax

Income tax - income (expense) represent the sum of the tax currently payable and deferred tax.

3.13.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the reporting date.

3.13.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit (tax base). Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available for utilizing all or part of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates those are expected to apply in the period in which the asset is realized or the liability settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis or to realized the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Income tax - income (expense) related to profit or loss from normal activities are presented in the income statements, except for current and deferred taxes of related items that recognized directly in the equity in the same or different period.

3.14 Earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing net profit (loss) for the year by the weighted average number of ordinary shares issued and held by outside parties during the year.

3.15 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies described above, the management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates. The significant accounting estimate is as follows:

Allowance for doubtful accounts and bad debts

The Company provided the allowance for doubtful accounts for credit card, circle loan and personal loan receivables which have aging less than 90 days by using the loss rate net of recovery which the Company believed that such loss rate reflects the current credit risk inherent in the portfolio. Moreover, the Company adjusted the historical loss experience by the information on trend and economic conditions that might have an effect on the ability to repay the debt of the debtor groups including additional economic factors to cope with the potential risks from the future economic fluctuation and the Company fully reserved for receivables which are defaulted for 90 days or more.

A fixed percentage of 1% adjusted by the information on trend and economic conditions that might have an effect on the ability to repay the debt for self-employed loans is applied to receivables aged less than 90 days because self-employed loan products had been launched in the year 2004 but decreased continuously, the Company thus had no adequate statistical historical data to calculate the allowance for doubtful accounts based on the percentage of loss rates net of recovery. Allowance for receivables in default for 90 days or more was fully reserved.

Bad debts are written off when the Company considers such debts to be irrecoverable.

Provision for reward points

This provision represents current obligations arising from reward point program granted to the Company's customers. The provision is calculated based on the estimates of redemption rate of the reward points earned by the customers and average reward prices and is presented in current liabilities in the statements of financial position.

4. Significant Accounting Changes

4.1 Adoption of new and revised Thai financial reporting standards

Since January 1, 2011, the Company has adopted the new and revised Thai Financial Reporting Standards (TFRS) issued by the Federation of Accounting Professions which are effective for the financial statements for the accounting periods beginning on or after January 1, 2011 onwards, in the preparation of the financial statements. Such TFRS have no significant impact to the Company except for:

4.1.1 TAS 1 (Revised 2009) “Presentation of Financial Statements”

This standard changed requirements about the presentation in the financial statements. Therefore, the financial statements for the year ended December 31, 2010, presented herein for comparison, have been presented in the new format to conform with the financial statements for year ended December 31, 2011.

4.1.2 TAS 19 “Employee Benefits”

The change of accounting policy regarding employee benefits has been adopted in order to comply with TAS 19 (Note 3.8). The Company elected to recognize past service costs by adjusting the retained earnings as at January 1, 2011, which is in compliance with the transitional provision of such standard.

The effects to the financial statements as at January 1, 2011 from such change in accounting policy are as follows:

	<i>Million Baht</i>
Increase in deferred tax assets	25.5
Increase in provision for employee benefits	85.0
Decrease in retained earnings brought forward	59.5

*4.2 Change in accounting estimate
relating to the provision for reward
points*

The Company has increased the redemption rate of the reward points in order to be in line with the changes in significant marketing plan regarding the redemption program and to be prepared for the requirements under the Thai Financial Reporting Standard Interpretation No.13 “Customer Royalty Program”, resulted in the increase in provision for reward points of Baht 838 million as at December 31, 2011 (see Note 3.15).

5. Supplementary
Disclosures of
Cash Flows Information

Non-cash items for the years ended December 31, 2011 and 2010 are as follows:

	<i>2011</i> <i>(Thousand Baht)</i>	<i>2010</i> <i>(Thousand Baht)</i>
Liabilities under lease contracts brought forward	15,291	22,784
<u>Less</u> Cash paid for liabilities under lease contracts	<u>(7,640)</u>	<u>(7,493)</u>
Liabilities under lease contracts carried forward	<u>7,651</u>	<u>15,291</u>
Payable for the purchase of leasehold improvement and equipment brought forward	49,859	49,169
<u>Add</u> Purchase of leasehold improvement and equipment	<u>277,255</u>	<u>172,250</u>
<u>Less</u> Cash paid for the purchase of leasehold improvement and equipment	<u>(298,828)</u>	<u>(171,560)</u>
Payable for the purchase of leasehold improvement and equipment carried forward (presented as a part of Trade accounts payable - others)	<u>28,286</u>	<u>49,859</u>

NOTES TO THE FINANCIAL STATEMENTS

171

	2011 (Thousand Baht)	2010 (Thousand Baht)
Payable for the purchase of computer software brought forward	28,353	44,651
<u>Add</u> Purchase of computer software	275,782	48,835
<u>Less</u> Cash paid for the purchase of computer software	(239,665)	(65,133)
Payable for the purchase of computer software brought forward (presented as a part of Trade accounts payable - others)	<u>64,470</u>	<u>28,353</u>
Securities available-for-sale brought forward	69,160	-
<u>Add</u> unrealized gain on revaluation	140,683	69,160
Securities available-for-sale carried forward	<u>209,843</u>	<u>69,160</u>

6. Trade Accounts Receivable - Net

6.1 Outstanding balances of trade accounts receivable classified by type of business and aging

The Company had outstanding balances of trade accounts receivable classified by type of business and aging as follows:

<i>As at December 31, 2011</i>	<i>Credit card (Thousand Baht)</i>	<i>Circle loan (Thousand Baht)</i>	<i>Personal loan (Thousand Baht)</i>	<i>Self-employed loan (Thousand Baht)</i>	<i>Total (Thousand Baht)</i>
Not over 89 days	32,342,281	281,764	12,186,190	60,384	44,870,619
90 - 179 days	852,178	4,156	279,389	5,515	1,141,238
180 days and over	473,828	8,270	256,098	559,556	1,297,752
Total	33,668,287	294,190	12,721,677	625,455	47,309,609
Less Allowance for doubtful accounts	(2,728,262)	(22,984)	(1,071,228)	(567,064)	(4,389,538)
Trade accounts receivable - net	<u>30,940,025</u>	<u>271,206</u>	<u>11,650,449</u>	<u>58,391</u>	<u>42,920,071</u>

NOTES TO THE FINANCIAL STATEMENTS

173

<i>As at December 31, 2010</i>	<i>Credit card (Thousand Baht)</i>	<i>Circle loan (Thousand Baht)</i>	<i>Personal loan (Thousand Baht)</i>	<i>Self-employed loan (Thousand Baht)</i>	<i>Total (Thousand Baht)</i>
Not over 89 days	34,709,715	315,622	10,944,738	123,234	46,093,309
90 - 179 days	547,028	4,315	294,704	7,766	853,813
180 days and over	446,666	5,687	126,625	499,433	1,078,411
Total	35,703,409	325,624	11,366,067	630,433	48,025,533
<i>Less</i> Allowance for doubtful accounts	(1,951,683)	(18,713)	(768,614)	(511,265)	(3,250,275)
Trade accounts receivable - net	33,751,726	306,911	10,597,453	119,168	44,775,258

As at December 31, 2011 and 2010, receivables in default for more than 3 periods which their accrued interest are still recognized are Baht 728.4 million and Baht 686.0 million, respectively. However, such receivables are fully reserved as at December 31, 2011. Accrued interest from such receivables which is recognized as income for the years ended December 31, 2011 and 2010 are Baht 105.1 million and Baht 94.3 million, respectively.

6.2 Bad debts and doubtful accounts

Bad debts and doubtful accounts for the years ended December 31, 2011 and 2010 are as follows:

	2011 (Thousand Baht)	2010 (Thousand Baht)
Bad debts	4,471,630	4,052,237
Doubtful accounts	1,139,263	21,050
Total bad debts and doubtful accounts	<u>5,610,893</u>	<u>4,073,287</u>

6.3 Allowance for doubtful accounts from flooding crisis

Since October 2011 to the year end, many provinces in Thailand have had severe flooding. The situation may impact the customers' ability to repay loan to the Company in the future. The Company has considered setting up an allowance for doubtful accounts for those customers as at December 31, 2011 of Baht 632.84 million.

7. Other Receivables

Other receivables as at December 31, 2011 and 2010 are as follows:

	<i>2011</i> <i>(Thousand Baht)</i>	<i>2010</i> <i>(Thousand Baht)</i>
Other credit card receivables	192,575	108,686
Accrued fees and interest income	536,957	517,228
Prepaid expenses	75,379	77,329
Suspended accounts awaiting verification	18,559	16,886
Others	45,055	42,933
Total other receivables	<u>868,525</u>	<u>763,062</u>

8. Long-term
Investments

Long-term investments as at December 31, 2011 and 2010 consist of the following:

Unit : Thousand Baht

	<i>2011</i>			<i>2010</i>		
	<i>Cost/Amortized Cost</i>	<i>Unrealized Gains</i>	<i>Fair Value</i>	<i>Cost/Amortized Cost</i>	<i>Unrealized Gains</i>	<i>Fair Value</i>
Securities Available-for-Sale						
Foreign marketable equity securities	-	209,843	209,843	-	69,160	69,160
<u>Add</u> Revaluation allowance	209,843		-	69,160	-	-
Total	209,843		209,843	69,160		69,160
Securities Held-to-Maturity						
Government securities	20,388	144	20,532	20,713	138	20,851
Total	20,388		20,532	20,713		20,851
Total long-term investments	230,231		230,375	89,873		90,011

During the year ended December 31, 2011, the Company classified all of general investment in a listed company in USA to be securities available-for-sale because they were released from the restricted period on March 25, 2011.

As at December 31, 2011 and 2010, the Company pledged government bonds totally of Baht 1.0 million as collateral for lawsuits with customers pending in the court.

9. Leasehold Improvement
and Equipment - Net

Leasehold improvement and equipment - net as at December 31, 2011 and 2010 are as follows:

<i>As at December 31, 2011</i>	<i>Balance as at December 31, 2010 (Thousand Baht^ก)</i>	<i>Additions (Thousand Baht^ก)</i>	<i>Disposals (Thousand Baht^ก)</i>	<i>Transfer in (Transfer out) (Thousand Baht^ก)</i>	<i>Balance as at December 31, 2011 (Thousand Baht)</i>
Costs:					
Leasehold improvement	478,553	11,258	(38,500)	102,047	553,358
Furniture, fixtures and office equipment	725,977	53,729	(93,468)	45,022	731,260
Vehicles	1,246	154	-	-	1,400
Total	<u>1,205,776</u>	<u>65,141</u>	<u>(131,968)</u>	<u>147,069</u>	<u>1,286,018</u>
Accumulated depreciation and amortization:					
Leasehold improvement	(357,546)	(69,702)	34,565	-	(392,683)
Furniture, fixtures and office equipment	(497,649)	(91,187)	92,711	-	(496,125)
Vehicles	(1,246)	(4)	-	-	(1,250)
Total	<u>(856,441)</u>	<u>(160,893)</u>	<u>127,276</u>	<u>-</u>	<u>(890,058)</u>
Construction in progress	95,422	212,114	(296)	(147,069)	160,171
Leasehold improvement and equipment - net	<u>444,757</u>				<u>556,131</u>

NOTES TO THE FINANCIAL STATEMENTS

179

<i>As at December 31, 2010</i>	<i>Balance as at December 31, 2009 (Thousand Baht)</i>	<i>Additions (Thousand Baht)</i>	<i>Disposals (Thousand Baht)</i>	<i>Transfer in (Transfer out) (Thousand Baht)</i>	<i>Balance as at December 31, 2010 (Thousand Baht)</i>
Costs:					
Leasehold improvement	457,119	770	(20,407)	41,071	478,553
Furniture, fixtures and office equipment	676,576	46,982	(4,765)	7,184	725,977
Vehicles	1,246	-	-	-	1,246
Total	<u>1,134,941</u>	<u>47,752</u>	<u>(25,172)</u>	<u>48,255</u>	<u>1,205,776</u>
Accumulated depreciation and amortization:					
Leasehold improvement	(300,845)	(76,520)	19,819	-	(357,546)
Furniture, fixtures and office equipment	(409,797)	(92,228)	4,376	-	(497,649)
Vehicles	(1,246)	-	-	-	(1,246)
Total	<u>(711,888)</u>	<u>(168,748)</u>	<u>24,195</u>	<u>-</u>	<u>(856,441)</u>
Construction in progress	<u>19,762</u>	<u>124,498</u>	<u>(532)</u>	<u>(48,306)</u>	<u>95,422</u>
Leasehold improvement and equipment - net	<u>442,815</u>				<u>444,757</u>
Depreciation and amortization for the years ended December 31,					
2011				Thousand Baht	<u>160,893</u>
2010				Thousand Baht	<u>168,748</u>

As at December 31, 2011 and 2010, the costs of fully depreciated assets still in use are Baht 508.3 million and Baht 452.1 million, respectively.

Leased assets of computer equipment included in furniture, fixtures and office equipment in the above table, which the Company is a lessee under finance leases, are as follows:

	<i>2011</i> <i>(Thousand Baht)</i>	<i>2010</i> <i>(Thousand Baht)</i>
Cost	35,755	35,755
<u>Less Accumulated depreciation</u>	<u>(28,619)</u>	<u>(21,965)</u>
Net book value	<u>7,136</u>	<u>13,790</u>

10. Intangible Assets - Net

Intangible assets - net as at December 31, 2011 and 2010 are as follows:

<i>As at December 31, 2011</i>	<i>Balance as at December 31, 2010 (Thousand Baht)</i>	<i>Additions (Thousand Baht)</i>	<i>Disposals (Thousand Baht)</i>	<i>Transfer in (Transfer out) (Thousand Baht)</i>	<i>Balance as at December 31, 2011 (Thousand Baht)</i>
Computer software	430,368	3,929	(5,821)	3,098	431,574
<u>Less Accumulated amortization</u>	<u>(201,313)</u>	<u>(69,306)</u>	<u>5,821</u>	<u>-</u>	<u>(264,798)</u>
	229,055				166,776
<u>Add Software under installation</u>	<u>27,696</u>	<u>271,854</u>	<u>-</u>	<u>(3,098)</u>	<u>296,452</u>
Intangible assets - net	<u>256,751</u>				<u>463,228</u>

NOTES TO THE FINANCIAL STATEMENTS

182

<i>As at December 31, 2010</i>	<i>Balance as at December 31, 2009 (Thousand Baht)</i>	<i>Additions (Thousand Baht)</i>	<i>Disposals (Thousand Baht)</i>	<i>Transfer in (Transfer out) (Thousand Baht)</i>	<i>Balance as at December 31, 2010 (Thousand Baht)</i>
Computer software	378,832	28,407	-	23,129	430,368
<u>Less Accumulated amortization</u>	<u>(133,508)</u>	<u>(67,805)</u>	<u>-</u>	<u>-</u>	<u>(201,313)</u>
	245,324				229,055
<u>Add Software under installation</u>	<u>30,346</u>	<u>20,428</u>	<u>-</u>	<u>(23,078)</u>	<u>27,696</u>
Intangible assets - net	<u>275,670</u>				<u>256,751</u>
Amortization for the years ended December 31,					
2011				Thousand Baht	<u>69,306</u>
2010				Thousand Baht	<u>67,805</u>

11. Deferred Tax Assets

Deferred tax assets as at December 31, 2011 and 2010 are as follows:

	2011 (Thousand Baht)	2010 (Thousand Baht)
Deferred tax assets	<u>1,291,813</u>	<u>1,115,291</u>

Deferred tax assets as at December 31, 2011 and 2010 consist of tax effects from the following items:

	2010 (Thousand Baht)	Item as recognized into income statements (Thousand Baht)	Item as recognized in equity (Thousand Baht)	2011 (Thousand Baht)
Allowance for doubtful accounts	989,532	53,229	-	1,042,761
Provision for reward points	146,100	137,890	-	283,990
Difference from depreciation rate	(26,949)	(1,290)	-	(28,239)
Revaluation surplus on investment	(7,213)	4,512	(21,220)	(23,921)
Others	13,821	(22,099)	25,500	17,222
Deferred tax assets	<u>1,115,291</u>	<u>172,242</u>	<u>4,280</u>	<u>1,291,813</u>

NOTES TO THE FINANCIAL STATEMENTS

184

	2009	Item as recognized into income statements	Item as recognized in equity	Others	2010
	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)
Allowance for doubtful accounts	845,515	144,017	-	-	989,532
Provision for reward points	86,700	59,400	-	-	146,100
Difference from depreciation rate	(9,732)	(17,217)	-	-	(26,949)
Revaluation surplus on investment	-	-	(20,748)	13,535	(7,213)
Others	27,508	(152)	-	(13,535)	13,821
Deferred tax assets	<u>949,991</u>	<u>186,048</u>	<u>(20,748)</u>	<u>-</u>	<u>1,115,291</u>

The Company changed the disclosures regarding deferred tax assets from temporary differences of allowance for doubtful accounts and others as at December 31, 2010 from Baht 951.99 million and Baht 197.46 million, respectively, to be Baht 989.53 million and Baht 159.92 million, respectively.

The above items which are recognized into income statements and in equity during the year 2011 are the net balances from Baht 404.12 million and Baht 15.65 million as a result of the impact from change in income tax rates from 30% to 23% in the year 2012 and 20% in the years 2013 and 2014, respectively (see Note 21).

12. Short-Term Loans -
Other Financial
Institutions

Short-term loans - other financial institutions as at December 31, 2011 and 2010 are as follows:

	<i>2011 (Thousand Baht)</i>	<i>2010 (Thousand Baht)</i>
Promissory notes	4,750,000	1,840,000
Bills of exchange	3,453,707	2,030,336
Short-term loans	-	2,000,000
Total short-terms loans	<u>8,203,707</u>	<u>5,870,336</u>

Promissory notes and bills of exchange have interest rates at Money Market Rate (MMR) with maturity on demand to one year and are unsecured.

Short-term loans of Baht 2,000 million as at December 31, 2010 were unsecured loan from a financial institution in Thailand. Such loans bears interest rate at 4% per annum, payable on a monthly basis and the maturity date are within one year from withdrawn date. The Company made fully repayment on March 31, 2011 and July 22, 2011.

13. Long-Term Loans

Long-term loans as at December 31, 2011 and 2010 are as follows:

	2011			2010		
	<i>Average interest rate (%)</i>	<i>Due within the year</i>	<i>Amount (Thousand Baht)</i>	<i>Average interest rate (%)</i>	<i>Due within the year</i>	<i>Amount (Thousand Baht)</i>
JPY syndicated loan	-	-	-	5.75	2011	117,520
Loans in Baht	5.35	2013	4,500,000	4.90	2013	9,166,667
			4,500,000			9,284,187
<u>Less Current portion of long-term loans</u>			(2,500,000)			(4,784,187)
Total long-term loans			<u>2,000,000</u>			<u>4,500,000</u>

As at December 31, 2011 and 2010, long-term loans consist of loans from financial institutions which are unsecured.

On November 26, 2008, the Company entered into a 3-year loan agreement with a local financial institution for loan of Yen 942.1 million, which carried interest rate at JPY LIBOR 6 months plus 1.25% payable semi-annually and made a repayment for the principal equally in 6 installments, which the first principal repayment was made on May 29, 2009. In addition, the Company had also entered into a currency and interest rate swap contract with a local financial institution to convert such loan into Baht 350 million, which the difference was presented as accounts receivable or accounts payable on swap contract, and swap interest rate to be fixed interest rate at 5.75% p.a. The loan agreement and swap contracts was due on the same date of November 28, 2011. The Company made fully repayment on the settlement date.

NOTES TO THE FINANCIAL STATEMENTS

188

THB long - term loans consist of:

<i>Type</i>	<i>Date of Agreement</i>	<i>Amount</i> <i>(Million Baht)</i>	<i>Maturity Date</i>	<i>Interest Rate</i> <i>(% p.a.)</i>	<i>Interest Payable Period</i>	<i>Balance as at December 31, 2011</i> <i>(Million Baht)</i>	<i>Balance as at December 31, 2010</i> <i>(Million Baht)</i>
Long-term loan	20 Aug. 2008	500	25 Aug. 2011	5.15	Semi-annual	-	500
Long-term loan	26 Nov. 2008	500	28 Nov. 2011	5.75	Semi-annual	-	167
Long-term loan	10 Mar. 2009	2,000	19 May 2011	MLR - 1.75	Monthly	-	2,000
Long-term loan	12 May 2009	1,500	11 May 2012	5.10	Quarterly	1,500	1,500
Long-term loan	27 Oct. 2009	2,000	30 Apr. 2013	FDR	Quarterly	2,000	2,000
				6-month + 3.5			
Long-term loan	16 Nov. 2009	2,000	21 Nov. 2011	5.25	Monthly	-	2,000
Long-term loan	16 Mar. 2010	1,000	22 Mar. 2012	4.45	Quarterly	1,000	1,000
Total THB long-term loans						<u>4,500</u>	<u>9,167</u>

*FDR is Fixed Deposit Rate

For long-term loan of Baht 500 million, which the Company entered into the agreement on November 26, 2008, the Company had to repay the principal equally in 6 installments, which the first principal repayment was made on May 29, 2009 and had fully paid in the year 2011.

As at December 31, 2010, the fair value of derivative contracts would be Baht 2.05 million had the Company settled such contracts with its counterparties on such date.

14. Liabilities Under
Finance Lease
Contracts - Net

Minimum lease payments under finance lease liabilities as at December 31, 2011 and 2010 are as follows:

	<i>2011 (Thousand Baht)</i>	<i>2010 (Thousand Baht)</i>
Less than 1 year	6,808	10,208
Over 1 year to 5 years	1,499	6,950
<u>Less</u> Future finance charges on finance leases	<u>(656)</u>	<u>(1,867)</u>
Present value of finance lease liabilities	<u>7,651</u>	<u>15,291</u>
Finance lease liabilities:		
- Current	6,507	9,011
- Non-current	<u>1,144</u>	<u>6,280</u>
	<u>7,651</u>	<u>15,291</u>

As at December 31, 2011 and 2010, liabilities under finance lease contracts related to 3 hard disk lease contracts. The first contract was for the period of 5 years, ending in 2011, the liability was repayable in quarterly installments in the amount of Baht 0.6 million. The second contract is for the period of 5 years, ending in 2013, the liability is repayable in quarterly installments in the amount of Baht 1.36 million. On November 1, 2008, the Company entered into the addition lease agreement to upgrade the asset per the 2nd contract and included as a part of such contract, for the period of 54 months, ending in 2013. The liability is repayable in quarterly installments in the amount of Baht 0.13 million. At the end of the lease term, the Company has the right to exercise a purchase option on the leased equipment at the price specified in the agreement.

15. Long-Term
Debentures

Long-term debentures as at December 31, 2011 and 2010 are as follows:

	<i>2011</i> <i>(Thousand Baht)</i>	<i>2010</i> <i>(Thousand Baht)</i>
Debentures	26,520,000	24,200,000
<u>Less</u> Current portion of debentures	<u>(9,020,000)</u>	<u>(4,680,000)</u>
Total long-term debentures	<u>17,500,000</u>	<u>19,520,000</u>

Details of debentures can be summarized as follows:

<i>Type</i>	<i>Date of Issuance</i>	<i>Amount</i> <i>(Million Baht)</i>	<i>Maturity Date</i>	<i>Interest Rate</i> <i>(% p.a.)</i>	<i>Interest Payable Period</i>	<i>Balance as at December 31, 2011</i> <i>(Million Baht)</i>	<i>Balance as at December 31, 2010</i> <i>(Million Baht)</i>
Senior unsecured debentures	26 Mar. 2008	4,000	26 Mar. 2011	4.10	Semi-annually	-	4,000
Senior unsecured debentures	13 May 2009	680	13 May 2011	4.50	Semi-annually	-	680
Senior unsecured debentures	25 Jun. 2009	4,000	25 Jun. 2012	5.50	Quarterly	4,000	4,000
Senior unsecured debentures	6 Aug. 2009	4,500	6 Aug. 2012	5.50	Quarterly	4,500	4,500
Senior unsecured debentures	28 Sep. 2009	300	3 Sep. 2012	5.50	Quarterly	300	300
Senior unsecured debentures	28 Sep. 2009	220	2 Oct. 2012	5.50	Quarterly	220	220
Senior unsecured debentures	5 Nov. 2009	7,500	5 Nov. 2013	5.50-6.00	Quarterly	7,500	7,500
Senior unsecured debentures	19 Nov. 2009	1,000	19 May 2013	5.35	Semi-annually	1,000	1,000
Senior unsecured debentures	2 Apr. 2010	1,000	2 May 2013	4.80	Quarterly	1,000	1,000
Senior unsecured debentures	17 May 2010	1,000	17 May 2013	4.70	Semi-annually	1,000	1,000
Senior unsecured debentures	17 Oct. 2011	6,000	17 Oct. 2014	5.50	Quarterly	6,000	-
Senior unsecured debentures	17 Oct. 2011	1,000	17 Oct. 2015	5.50-6.00	Quarterly	1,000	-
Total debentures						<u>26,520</u>	<u>24,200</u>

16. Provision for Employee Benefits

The Company has retirement benefits plan in accordance with Labour Protection Act., which is the unfunded defined benefit plan.

Amounts recognized in the income statements for the year ended December 31, 2011 are as follows:

	<i>2011</i> <i>(Thousand Baht)</i>
Current service cost	10,145
Interest on obligation	2,275
	<u>12,420</u>

Movements in the present value of the defined benefit obligation for the year ended December 31, 2011 are as follows:

	<i>2011</i> <i>(Thousand Baht)</i>
Defined benefit obligation brought forward	-
<u>Add</u> Adjustment from change in accounting policy (Note 4.1.2)	85,000
Defined benefit obligation brought forward, as restated	85,000
Current service cost	10,145
Interest on obligation	2,275
Paid to Employee	(11,420)
Defined benefit obligation carried forward	<u>86,000</u>

The principal assumptions used for the purpose of the actuarial valuations for calculation of defined benefit obligation as at December 31, 2011 are as follows:

Financial Assumptions

Retirement age	60 years
Mortality rate	Thai Mortality Table 1997
Disability rate	15% of mortality rate
Personnel turnover rate	5.0%
Discount rate as at December 31, 2011	4.5%
Expected rate of salary increase	5.5%

The Company elected to recognize the past service cost by adjusting with retained earnings brought forward as at January 1, 2011 for first-time adoption of TAS 19 “Employee Benefits” (see Note 4.1.2).

17. Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy of the year 2011 remains unchanged from 2010.

The capital structure of the Company consists of debt, which includes the loans and debentures disclosed in Notes 13 and 15 and equity, comprising issued and paid-up capital, legal reserves and retained earnings.

The Company does not apply any specific financial ratios to monitor its capital whilst manages its capital to be sufficient for its working capital by issuing new shares or adjusting the amount of dividends paid to shareholders.

18. Dividend and
Appropriation
for Legal Reserve

Pursuant to the Public Companies Act. B.E. 2535 (1992), the Company must allocate to a reserve fund from the annual net profit, not less than five percent of the annual net profit deducted by the total accumulated loss brought forward (if any) until the reserve fund reaches an amount of not less than ten percent of the registered capital.

On April 8, 2011, the ordinary shareholders' meeting passed resolutions to pay dividend for the year 2010 at Baht 0.45 per share totally of Baht 116.02 million and to appropriate for legal reserve of Baht 11.30 million from net profit for the year 2010. The legal reserve is not available for dividend distribution.

19. Expenses by Nature

Net profit (loss) for the years ended December 31, 2011 and 2010 have been arrived at after charging the following items:

	<i>2011 (Thousand Baht)</i>	<i>2010 (Thousand Baht)</i>
Management remuneration	119,610	120,214
Staff costs	868,480	769,855
Depreciation and amortization	275,602	286,736
Consulting and other fees	2,207,074	2,243,089
Marketing fee	1,941,668	1,250,539
Premises and equipment expenses	438,495	391,681
Communication expenses	178,580	167,693
Special business tax & duty stamp	315,680	306,724
Bad debts and doubtful accounts	5,610,893	4,073,287

20. Provident Fund

The Company set up a registered provident fund in accordance with the Provident Fund Act B.E. 2530. All employees are members of the Provident Fund, which is managed by Krungthai Asset Management Public Company Limited. Under the Fund's regulations, employees contribute to the fund at the rate of 3% to 6% of their basic salary and the Company contributes to the fund at the rate of 6%.

The Company's contributions which were charged to the income statements for the years ended December 31, 2011 and 2010 amounted to Baht 39.2 million and Baht 37.2 million, respectively.

21. Income Tax Expense

Income tax expense for the years ended December 31, 2011 and 2010 are as follows:

	<i>2011</i> <i>(Thousand Baht)</i>	<i>2010</i> <i>(Thousand Baht)</i>
Income tax expense per income tax return	(196,739)	(390,092)
Deferred tax expense relating to the origination and reversal of temporary differences	<u>172,242</u>	<u>186,048</u>
Income tax - expense per the income statements	<u>(24,497)</u>	<u>(204,044)</u>

The reconciliation between income tax - income (expense) and accounting income for the years ended December 31, 2011 and 2010 are follows:

	<i>2011</i> <i>(Thousand Baht)</i>	<i>2010</i> <i>(Thousand Baht)</i>
Accounting profit (loss) before tax	<u>(1,596,722)</u>	<u>428,203</u>
Income tax - income (expense) at domestic tax rates		
25% tax rate	-	(75,000)
30% tax rate	<u>479,017</u>	<u>(38,461)</u>
	479,017	(113,461)
Deferred tax expenses from corporate tax rate reduction (Note 11)	(404,124)	-
Tax effect of non-deductible expenses	(99,390)	(84,291)
Adjustment Revenue Department receivable	-	(6,292)
Income tax - expense per the income statements	<u>(24,497)</u>	<u>(204,044)</u>
Deferred tax expense relating to the origination and reversal of temporary differences	<u>(172,242)</u>	<u>(186,048)</u>
Income tax expense per income tax return	<u><u>(196,739)</u></u>	<u><u>(390,092)</u></u>

According to the Royal Decree No.475 B.E.2551 issued under the Revenue Code regarding the corporate income tax rate deduction effective on August 7, 2008, the corporate income tax for listed companies in The Stock Exchange of Thailand was reduced from 30% to 25% for net profit portion not exceeding Baht 300 million. This remained in effect for three consecutive accounting periods beginning on or after January 1, 2008. Therefore, the Company used such tax rates for the corporate income tax calculation for the year ended December 31, 2010, to conform to such tax rates change. The Company used tax rates of 30% for the corporate income tax calculation for the year ended December 31, 2011.

On October 11, 2011, the Thai Cabinet approved a reduction of the corporate income tax rates from 30% to 23% of profits for companies or juristic partnerships with a 2012 accounting period ending on or after December 31, 2012, and to 20% for companies or juristic partnerships with an accounting period beginning on or after January 1, 2013 and according to the Royal Decree No. 530 dated December 21, 2011, the corporate income tax rates will be reduced from 30% to 23% for the accounting periods beginning on or after January 1, 2012 and to 20% for the accounting periods beginning on or after January 1, 2013 and 2014.

The Company used a tax rate of 30% for the calculation of deferred tax for the year ended December 31, 2010 and 20% and 23% for the calculation of deferred tax for the year ended December 31, 2011.

The Company adjusted the Revenue Department receivable in the year 2010 due to the fact that the Company understated taxable expenses in the income tax calculation in the previous years.

22. Long-term Agreements

The Company has long-term agreements as at December 31, 2011 and 2010 as follows:

22.1

The Company has various lease agreements for office premises and other facilities and various EDC machine agreements with total rental and service fees as follows:

	2011 (Thousand Baht)	2010 (Thousand Baht)
Within 1 year	229,217	152,834
Over 1 year to 5 years	226,755	108,792
	<u>455,972</u>	<u>261,626</u>

22.2

Personal loan and credit card account processing agreements with certain foreign companies (“counterparties”). These agreements consist of a primary agreement, a processing agreement and two supplementary agreements related to the credit card business. Under the conditions of the primary agreement, the counterparties agreed to provide management services with respect to card issuer and merchant acquirer processing, including the data processing and electronic transmission of the processed data via international telecommunications back to the Company for further processing. The Company agreed to gather and transmit data concerning the Company’s credit card applicants, including applicants for personal loans and consumer finance to the counter parties. In consideration of this, the Company has to pay a service fee computed at varying rates based on the type of transactions, volume of transactions processed and numbers of customers. These agreements were effective on September 26, 2003 and continue to be in effect for eight years commencing from September 28, 2004.

23. Transactions with
Related Parties

The Company has transactions with related parties. Certain portions of the Company's assets, liabilities, revenues and administrative expenses represent transactions occurred with related parties. These parties are related through common shareholders and/or directorships. Those significant transactions with related parties as included in the financial statements are determined at the prices in line with those occur in the normal course of business based on the market price in general or the price as stipulated in the agreements.

*23.1 The significant balances
with related parties*

The significant balances with related parties as at December 31, 2011 and 2010 are as follows:

<i>Related companies</i>	<i>Relationship</i>	<i>2011 (Thousand Baht)</i>	<i>2010 (Thousand Baht)</i>
Krung Thai Bank Public Company Limited	Major Shareholder		
- Deposits at a financial institution (a part of cash and cash equivalents)		400,850	396,554
- Other receivables		609	534
- Trade accounts payable		451,485	434,977
KTB Computer Services Co., Ltd.	Same Ultimate Holding Company		
- Other receivables		7,165	-
- Trade accounts payable		1,142	1,056
Krung Thai General Services Co., Ltd.	Same Ultimate Holding Company		
- Trade accounts payable		999	1,325

23.1.1 Movements of short-term loans

Movements of short-term loans from related financial institution for the years ended December 31, 2011 and 2010 are as follows:

<i>Related companies</i>	<i>Relationship</i>	<i>2011 (Thousand Baht)</i>	<i>2010 (Thousand Baht)</i>
Krung Thai Bank Public Company Limited	Major Shareholder		
Beginning balance		-	-
<u>Add</u> Borrowings during the year		4,293,000	4,540,000
<u>Less</u> Repayments during the year		(4,293,000)	(4,540,000)
Ending balance		<u>-</u>	<u>-</u>

Short-term loans from related financial institution are promissory notes and bills of exchange, carrying interest rate at that institution's rate (Money Market Rate).

*23.2 The significant transactions
with related parties*

The significant transactions with related parties for the years ended December 31, 2011 and 2010 are as follows:

<i>Related companies</i>	<i>Relationship</i>	<i>2011 (Thousand Baht)</i>	<i>2010 (Thousand Baht)</i>
Krung Thai Bank Public Company Limited	Major Shareholder		
- Fee and service income		194	38,549
- Back office service expenses (a part of administrative expenses)		75,529	104,665
- Administrative expenses		26,284	23,091
- Finance cost		17,393	9,129
KTB Computer Services Co., Ltd.	Same Ultimate Holding Company		
- Fee and service income		3,059	-
- Administrative expenses		14,001	15,715
Krung Thai General Services Co., Ltd.	Same Ultimate Holding Company		
- Administrative expenses		7,663	7,850

The above revenues and expenses are determined according to the following agreements:

Credit card management service agreement

The Company entered into a credit card management service agreement with Krung Thai Bank Public Company Limited (KTB) whereby the Company agreed to provide management services to manage other credit cards for this financial institution. Those services included production services for all types of credit cards as well as other credit card services. The term of this agreement was for 15 years commencing July 1, 2002. Subsequently, on May 15, 2006, the Company and KTB entered into credit card management service agreement's amendment. Under the terms of the agreement's amendment, the service fee for the period from July 1, 2008 until the termination date was at various rates depended on transaction volume. Other fees were calculated by using actual cost incurred plus service fee at agreed rate.

On December 1, 2009, the Company entered into the Fleet Card Service Agreement with KTB for 6 months commencing on December 1, 2009 onwards. Both entities agreed to extend such agreement for another 3 months ended August 31, 2010. The service fee was at various rates depending on volume and nature of transactions and this agreement was terminated after the extended period.

Back office service agreement

The Company entered into a back office service agreement with KTB whereby the counterparty agreed to assist the Company (directly or indirectly through another related company) in computer system support and other services such as services to cardholders, member merchants and other related services. The term of this agreement is 15 years commencing July 1, 2002.

On July 1, 2009, the Company and KTB reentered into the back office service agreement's amendment (No. 4), the service fee for July 1, 2009 to September 30, 2010 was Baht 36.7 million per year and as at July 1, 2010 the Company entered into the back office service agreement's amendment (No. 5), the service fee for July 1, 2010 to June 30, 2011 is Baht 4.0 million per year. On January 4, 2012 the Company entered into the back office service agreement's amendment (No. 6), the service fee for July 1, 2011 to June 30, 2012 is the same rate as Agreement No. 5. The fee for other back office support is at various rates depended on volume of transactions.

The price of service for related transactions between the Company and KTB is based on general market price and in the normal course of business.

Payment system development agreements

On October 10, 2011, the Company entered into a payment system development agreement with KTB Computer Services Co., Ltd. (“KTBCS”) whereby the Company agreed to improve the payment system for KTBCS, which is used for services of KTBCS and also support the back office services to the third party. The deliverable should be done by 180 days from effective date.

Subsequently, on October 12, 2011, the Company also entered into the agreement for consulting and electronic data processing services for KTBCS and provides leasing of related IT system for use and maintenance of computer system service, which are necessary for the above payment system. The term of this agreement is 1 year commencing from January 21, 2012. If there is no formal cancellation, this agreement will be auto-renewed by issuing a new agreement for 1 year each.

The price of these two agreements between the Company and KTBCS is based on the scope of work and service hours. The agreement and hiring conditions are in the normal course of business.

23.3 Management remuneration

Management remuneration for the years ended December 31, 2011 and 2010 consist of the following:

	<i>2011 (Thousand Baht)</i>	<i>2010 (Thousand Baht)</i>
Short-term management remuneration	115,089	120,214
Long-term management remuneration for the post employment benefit	4,521	-
	<u>119,610</u>	<u>120,214</u>

*24. Financial Instrument
Information Disclosures*

24.1 Credit risk

During 2011 and 2010, the Company did not speculate in or engage in the trading of any derivatives.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparts as a means of mitigating the risk of financial losses from defaults.

In the case of recognized financial assets, the carrying amount of the assets recorded in the statements of financial position, net of allowance for doubtful accounts, represents the Company's maximum exposure to credit risk.

The Company's major business is the issuing of credit cards and provision of loan financing. The Company has established processes for approving credit lines, as well as consistently applied billing and collection processes.

24.2 Liquidity risk

Liquidity risk arises in the general funding of the Company's activities. It includes both the risk of being unable to obtain source of fund at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Company has access to a diverse funding base. Funds are raised using a broad range of instruments including liabilities evidenced by paper, subordinated liabilities and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Company strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Company continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Company strategy. As at December 31, 2011 and 2010, the Company has a credit line with a related financial institution in the sum of Baht 18,030 million in both years.

24.3 Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing principal amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Company's business strategies.

Part of the Company's return on financial instruments is obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature.

As at December 31, 2011 and 2010, financial assets and liabilities exposed to interest rate risk are as follows:

	2011							
	<i>Depend on Market Rate</i>	<i>The earlier of remaining period of contract maturity or repricing date</i>				<i>Average Interest Rate</i>		
		<i>Within 1 year</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Independent rate</i>	<i>Total</i>	<i>Floating</i>	<i>Fixed</i>
	<i>(Million Baht)</i>	<i>(Million Baht)</i>	<i>(Million Baht)</i>	<i>(Million Baht)</i>	<i>(Million Baht)</i>	<i>(Million Baht)</i>	<i>(%)</i>	<i>(%)</i>
Financial assets								
Cash and cash equivalents	226	-	-	-	529	755	0.75	-
Trade accounts receivables	29,933	8,964	5,944	-	2,469	47,310	16.91	20.94
Investments	-	-	20	-	210	230	-	4.25
Financial liabilities								
Short-term loans	2,050	6,179	-	-	(25)	8,204	3.82	3.86
Long-term loans	-	4,500	-	-	-	4,500	5.98	4.84
Liabilities under finance								
lease contracts	-	7	1	-	-	8	-	5.11
Long-term debentures	-	16,520	10,000	-	-	26,520	-	5.44

	2010						
	<i>Depend on Market Rate</i>	<i>The earlier of remaining period of contract maturity or repricing date</i>				<i>Average Interest Rate</i>	
		<i>Within 1 year</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Independent rate</i>	<i>Total</i>	
	<i>(Million Baht)</i>	<i>(Million Baht)</i>	<i>(Million Baht)</i>	<i>(Million Baht)</i>	<i>(Million Baht)</i>	<i>(Million Baht)</i>	
							<i>Floating</i> <i>(%)</i>
							<i>Fixed</i> <i>(%)</i>
Financial assets							
Cash and cash equivalents	287	-	-	-	491	778	0.25
Trade accounts receivables	31,726	8,087	5,579	-	2,634	48,026	16.99
Investments	-	-	20	-	70	90	-
Financial liabilities							
Short-term loans	200	5,675	-	-	(5)	5,870	2.00
Long-term loans	2,000	4,725	2,558	-	1	9,284	4.70
Liabilities under finance							
lease contracts	-	9	6	-	-	15	-
Long-term debentures	-	4,680	19,520	-	-	24,200	-

Fair value

Fair value is the estimated value that the Company could receive from selling its financial assets or the estimated cost for redeeming its financial liabilities based on market values, or estimated values that can be derived from using general market principles of calculation.

Estimated fair value of financial assets and liabilities

As at December 31, 2011 and 2010, financial assets and liabilities have fair values which approximate their carrying values at the reporting date, except for investments in debt securities which their fair values are as disclosed in Note 8.

The fair values of financial assets and liabilities have been estimated by using available market information and appropriate valuation methodologies.

25. Reclassifications

Certain reclassifications have been made in the statement of financial position as at December 31, 2010 to conform to the classification used in the statement of financial position as at December 31, 2011 as follows:

- Management fee receivable - related financial institution of Baht 0.53 million, which was previously separately presented, to be included in other receivables.
- Provision for reward points of Baht 487 million, which was previously included in accrued expenses, to be separately presented.

26. Approval of
Financial Statements

These financial statements have been approved for issuing by the authorized directors of the Company on February 21, 2012.

AUDITOR'S REMUNERATION

1. Audit Fee

The Company paid the audit fee at the end of fiscal year December 31, 2011 for the remuneration of the Auditor amounted to Baht 3,260,000 and for the information systems audit amounted to Baht 160,000 to Deloitte Touche Tomatsu Jaiyos Audit Co., Ltd., totaling of Baht 3,420,000.

2. Non-audit Fee

The Company made further payment for non-audit services, i.e., advisory service for General Accounting Issue (including further payment) amounted to Baht 1,362,500 and Tax advisory amounted to Baht 300,000 to Deloitte Touche Tomatsu Jaiyos Audit Co., Ltd., totaling of Baht 1,662,500.

GENERAL INFORMATION

<u>Company Name</u>	Krungthai Card Public Company Limited
<u>Abbreviate</u>	KTC
<u>Type of Business</u>	Consumer Finance
<u>Company Registration Number</u>	0107545000110
<u>Start Date</u>	December 4, 1996
<u>Address</u>	591 UBC II Building, 14 th Floor, Sukhumvit 33 Road North Klongton, Wattana, Bangkok 10110
<u>Telephone</u>	0-2665-5000
<u>Facsimile</u>	0-2828-5064
<u>Homepage</u>	www.ktc.co.th
<u>Registered Capital</u>	Baht 2,578,334,070
<u>Paid-up Capital</u>	Baht 2,578,334,070
<u>Number of Shares</u>	257,833,407 shares
<u>Par Value</u>	Baht 10

KTC Touch

KTC has spread out KTC Touch into both department stores and office buildings, particularly to offer services such as receiving payment, providing customer service as well as accepting credit card and personal loan applications. As of December 31, 2011, KTC has a total of 37 KTC Touch consisting of 34 KTC Touch all over Bangkok and metropolitan area and another 3 KTC Touch in Provincial area. Details are as follow:

Bangkok and Metropolitan Area

- > UBC II Building / Ground Floor
- > Krung Thai Bank Public Company Limited, Nana Nua / 1st Floor
- > The Mall Department Store Bangkok / Ground Floor
- > The Mall Department Store Bangkai / 2nd Floor
- > The Mall Department Store Thapra / 2nd Floor
- > The Mall Department Store Ngam Wong Wan / 3rd Floor
- > Central Department Store Ladprao / 2nd Floor
- > Central Department Store Pinklao / Ground Floor
- > Central Department Store Rama III / 2nd Floor
- > Central Department Store Bangna / 2nd Floor
- > Central Department Store Rama II / B1 Floor
- > Central Department Store Rattanaibeth / 1st Floor
- > Central Department Store Chang-Watana / 4th Floor
- > Paradise Park / 2nd Floor
- > Thai Summit Tower / 9th Floor
- > Silom Complex / 4th Floor
- > Seacon Square / 3rd Floor
- > Future Park Rangsit / 2nd Floor
- > Future Park Rangsit 2 (KTC Future Lounge) / 1st Floor

- > SEAR Rungsit / Basement Floor
- > Building B, Government Complex Commemorating His Majesty.
The King's 80th Birthday Anniversary / 1st Floor
- > MBK Center / 3rd Floor
- > Fortune Tower / 2nd Floor
- > Wongsawang Town Center / Ground Floor
- > The Circle Ratchapruk / Phase 1
- > Lotus Rangsit-Nakornnayok / Ground Floor
- > Big c Suwintawong / 2nd Floor
- > Big c Srinakharin / 2nd Floor
- > Fashion Island / 1st Floor
- > Saving and Credit Cooperatives Building
Electricity Generating Authority of Thailand, Bang Kruai / 1st Floor
- > Queen Sirikit National Convention Center
- > BTS Station, Sala Daeng
- > BTS Station, Chit Lom
- > MRT Station, Sukhumvit

Provincial Area

- > Central Airport Department Store, Chiang Mai / 2nd Floor
- > Central Festival Department Store, Phuket / 2nd Floor
- > Lotus Nakorn Pathom / Ground Floor

Awards

-
- 1998: “The Best - In - Country Card Center Operation” from VISA International Asia Pacific
 - 2000: “Most Performance Achievement” from VISA International Asia Pacific
 - 2001: “The Best VISA Card Operation” from VISA International Asia Pacific
 - 2002: “Thailand Performance Awards 2002 – Best Direct Sales / Branch Sales Initiative” from MasterCard International
 - 2003: “Best Innovative Card Marketing Award 2003 (First VISA Mini Card Issuer)” from VISA International Asia Pacific
 - 2004: Asia Pacific First Prize and Southeast Asia Shared First Prize under the Corporate / Office Spaces Design category from the Antron Design Award Asia Pacific 2003
 - 2004: “VISA Outstanding Performer and Best Marketing Award 2004” from VISA International Asia Pacific
 - 2005: Silver Award “Best Program Launch” of MasterCard Asia / Pacific Marketing Leadership Awards 2005
 - 2006: “Outstanding Performer and Marketing Excellence” from VISA International Asia Pacific

- 2008: “Excellent Credit Card Program” under MasterCard Asia/Pacific Middle East and Africa Product Award 2008 for the KTC Titanium MasterCard credit card
- 2009: “Happy Work Place Award” won by KTC Smart Office as a model organization from Office of Thai Health Promotion Foundation and Private Organization Happiness State at Happy Work Place Forum ll 2009: Happiness amidst Crisis
- 2009: “Best New Card Launch” under The 2009 MasterCard Hall of Fame Awards for the top-notch KTC Royal Orchid Plus World MasterCard credit card
- 2009: Three major prizes from Lafferty South East Asia Payment Card Awards 2009 by the British financial research and consulting firm Lafferty Group: “Best Credit Card Issuer in Thailand”; “Best Premium Credit Card in Thailand” for KTC VISA Platinum credit card; and, “Best Classic Card in Thailand” for KTC VISA Classic credit card
- 2010: “Thailand Creative Event Awards 2009” from Thailand Convention and Exhibition Bureau (TCEB) for the KTC MasterCard Viva in the Air 2008 activity where fourteen couples were wed on balloons –a world’s first

- 2010: “Most Innovative Card Marketing Program” under The MasterCard Hall of Fame Awards 2010 for the first boutique hotel contest in Thailand
- 2011: “Most Effective Card Marketing Program Award” for KTC-TDP credit card with a local department store and “Best Digital Marketing” for the KTC Boutique Awards campaign from The MasterCard Hall of Fame Marketing Awards 2011
- 2011: “Happy Work Place Award” as an organization capable of maintaining happiness state from the 5 Apps to Happy Workplace 3.0 event by Thai Health Promotion Foundation

Public Service Activities:

KTC has always been catering to card members and clients with the introduction of products and services which best reflect their requirements. But in addition to this quest for innovation, we are also contributing to public service activities as a means to help improve the society. Our contribution in this area can be detailed as follows:

Youth and Education Programs

Learn & Earn @ KTC

Conceived in 2003, this program is now in its eighth consecutive year of development. It gives young students a chance to experience real life work at KTC and be paid for their service. By participating, students can also undergo edutainment activities that improve their skills in many areas. Some 26,560 students apply for the program presently.

Since 2007, KTC has been assisting Baan Thanyaporn Girls Shelter with the care of over 100 young girls aged five to eighteen who have been through traumatic events. Our Weaving Dreams and Sharing Love program helps with the rehabilitation of these children and prepare them for their dignified return to the society. As a part of this program, the interior and the exterior of the shelter are improved and activities are conducted to strengthen the emotional and mental state of the girls.

Contribution to Other Educational Institutions

- > Scholarships through the Alumni of Graduate College, Mahidol University
- > Scholarships through Pra Dabos Foundation for underprivileged students
- > 100,000 Baht scholarship through KIS International School for refugee students
- > 100,000 Baht scholarship through Economic Journalists Association for the learning of foreign languages
- > 100,000 Baht contribution to the Repatriation Program for Thai youths in the United States
- > Scholarships through and contribution to the Children's Day 2011 event of National Institute for Child and Family Development
- > Scholarships for the students of Wat Prachakasem School in Chiang Mai
- > Contribution to the Dissertation Design 2010 exhibition of students from Communication Design Department, Faculty of Fine Arts, Srinakarinwirote University
- > Contribution to the Science Project program of Teachers and Parents Association, Srinakarinwirote University Prasarnmit Demonstration School (Secondary Education Department)
- > Contribution to program to assist underprivileged students at Nong Panpook School and Wang Klai Kangwol School
- > Contribution to the development of music room at Wat Suanploo School; and, contribution to the procurement of educational and athletic supplies for students in the provinces

Athletic Activities

-
- > 80,000 Baht contribution to the “1,000,000 Hoops for Heart” to assist the foundation with the cardiac surgery for children
 - > Contribution to 4th Charity Golf Program 2011 of the Dhamma Preaching Foundation
 - > Contribution to the “Outstanding Athlete” activity of Thailand Sports Journalists Association
 - > Contribution to the charity golf program of Department of Public Relations Golf Club and Alpine Golf Funding for Friends

Social Programs

- > Contribution to the 56th anniversary celebration event of Thai Newspapers Journalists Association
- > Donation to Chaipattana Foundation, Minor International and Krabi Creation Limited Partnership for the relief of flood victims
- > Donation to the Residence for Humanity Foundation for the procurement of boat engine for the relief of flood victims
- > Contribution to the Krittanusorn Night event of Krittanusorn Foundation under Royal Patronage and donation to the Handicapped Wheels program of the Foundation for the Handicapped
- > Contribution to the publication of 2010 annual report of Thai Newspapers Journalists Association under Royal Patronage
- > Contribution to the Thai classical music performance of Payatai Palace Preservation Foundation to raise fund for the renovation of the palace
- > Contribution to the Earth Day 2011 event on April 22nd
- > Contribution to the National Color Full: Little Journalists event of Krungtep Thurakij Group
- > Donation to the campaign against the winter cold of Media Studio Co., Ltd.
- > Contribution to the Photo Funny Charity Festival
- > Donation to the Senior Actors and Actresses Welfare Foundation

Religious Activities

KTC helps preserves Buddhism by offering items of necessity to monks and temples as follows:

- > Contribution to the creation of the main Buddha's image of Wat Sawang Arun (Wat Nai)
- > 500,000 Baht contribution to the annual katin ceremony at Wat Sri Dokkao in Sakolnakhon
- > Monthly alms giving activity within the organization with monks from Wat Patumwanaram Rajaworawiharn

References

<i>Auditor</i>	<i>Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.</i> Rajanakarn Building, 25 th Floor, 183 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120
<i>Legal Consultant</i>	<i>Siam Premier International Law Office Limited</i> The Offices at Central World, 26 th Floor, 999/9 Rama I Road, Pathumwan, Bangkok 10330
<i>Security Registrar</i>	<i>Thailand Securities Depository Company Limited</i> 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110
<i>Debenture Registrar</i>	<i>KTC's Corporate Debenture 2/2009, redeemable in 2012</i> <i>KTC's Corporate Debenture 3/2009, redeemable in 2012</i> <i>KTC's Corporate Debenture 5/2009, redeemable in 2013</i> <i>Thai Military Bank Public Company Limited</i> 3000 Phahonyothin Road, Jom Phol, Chatuchak, Bangkok 10900

KTC's Corporate Debenture 4/2009 (1), redeemable in 2012

KTC's Corporate Debenture 4/2009 (2), redeemable in 2012

[CIMB Thai Bank Public Company Limited](#)

Langsuan Building 44 Langsuan Road,
Lumpini, Patumwan, Bangkok 10330

KTC's Corporate Debenture 6/2009, redeemable in 2013

KTC's Corporate Debenture 1/2010, redeemable in 2013

KTC's Corporate Debenture 2/2010, redeemable in 2013

[Kasikorn Bank Public Company Limited](#)

11th Floor, 400/22 Pahonyothin Road, Sam Sen Nai,
Phayathai, Bangkok 10400

KTC's Corporate Debenture 1/2011 (1), redeemable in 2014

KTC's Corporate Debenture 1/2011 (2), redeemable in 2015

[Bank of Ayudhya Public Company Limited](#)

15th Floor, 1222 Rama III Road, Bang Phongphang,
Yan Nawa, Bangkok 10120