

VISION OF THANACHART GROUP

Being a business group, with cooperation from every department, that offers fully integrated financial services with focus given on providing excellent quality of services and product development to be able to respond to every financial need of its target customer groups

MISSION OF THANACHART GROUP

Customers Develop financial products and services for each line of its business so that it is able to compete efficiently in the market and develop innovations in financial products that integrate different financial services offered by various companies of Thanachart Group, aimed at catering to customers' needs and providing them with the highest satisfaction possible, both in terms of quality and ethical standards of service.

Competitors Show respect for fair and transparent competition and not compete by maligning its competitors in any way. Engage in constructive competition and avoid making enemies of its competitors.

Trading Partners and Business Alliances Develop good relationships with trading partners and business alliances, harmonize interests and operate businesses with each party receiving a fair share of benefits gained, treating each other with honor and avoid taking advantage of each other, with the aim of enhancing confidence in collaboration and in long-term business relationships.

Employees Creatively transform all member companies of the group into learning organizations, with the aim of improving the quality of staff at all levels in a continuous manner. Enhance professionalism in giving services, with focus given to improvement of skills, knowledge, expertise as well as ethical standards in carrying out one's duties. Look after and retain good and quality employees so that they stay with the company for the long term.

Shareholders Pay great attention to the shareholders' interests, both in the form of business performance and management of all types of risks, both in the short term and the long term. Strictly adhere to good corporate governance principles in a continuous manner.

Society Have a firm belief in being a good corporate citizen. Pay respect and adhere strictly to the rules and regulations of the authorities concerned and to the various laws governing the company's businesses. Give cooperation to the state in supporting the country's economic growth and give cooperation in supporting and developing society.

FINANCIAL HIGHLIGHTS

As at 31 December

	Consolidated					The Company Only				
	2007	2006	2005	2004	2003	2007	2006	2005	2004	2003
BALANCE SHEET (Million Baht)										
Total Assets	321,256	286,229	228,119	185,044	167,675	51,252	78,923	116,936	135,729	118,284
Loans, Receivables and Accrued Interest Receivable - Net	231,034	201,319	155,858	122,443	100,212	23,156	47,000	79,907	103,198	78,108
Total Liabilities	288,994	262,798	204,733	163,550	147,899	26,644	56,366	94,297	114,985	99,037
Borrowings and Deposits	271,840	248,069	192,922	158,472	138,987	25,230	55,266	92,807	113,138	94,055
Shareholders Equity	32,262	23,431	23,386	21,494	19,776	24,609	22,557	22,639	20,744	19,247
STATEMENTS OF EARNINGS (Million Baht)										
Interest and Dividend Income	18,799	16,951	10,935	9,111	7,797	2,984	5,761	7,447	6,476	4,947
Interest Expenses	9,701	10,042	4,421	3,326	3,371	1,847	4,135	3,715	2,218	2,169
Interest and Dividend Income - net	9,098	6,909	6,514	5,785	4,426	1,137	1,625	3,732	4,258	2,778
Non-Interest Income	10,676	7,643	5,144	4,949	5,282	2,666	927	2,389	2,962	3,214
Share of Profits from Investments Accounted for under										
Equity Method - net	271	223	192	157	215	-	-	1,504	1,941	1,494
Operating Expenses	12,849	11,043	7,842	5,031	4,037	845	1,617	2,818	2,786	2,176
Total Income	29,475	24,594	16,079	14,060	13,079	5,650	6,687	9,836	9,438	8,161
Net Earnings	2,818	1,468	3,104	2,983	2,669	2,750	1,186	3,104	2,983	2,669
FINANCIAL RATIOS										
Net Profit Margin (Percent)	9.56	5.97	19.30	21.21	20.41	72.32	46.47	31.56	31.60	32.71
Return on Average Equity (Percent)	11.55	6.49	14.31	14.92	14.30	11.66	5.25	14.31	14.92	14.30
Return on Average Assets (Baht)	0.93	0.57	1.50	1.69	1.82	4.23	1.21	2.46	2.35	2.61
Earnings Per Share (Baht)	2.11	1.10	2.33	2.24	2.00	2.06	0.89	2.33	2.24	2.00
Dividend Per Share (Baht)	-	-	-	-	-	0.30 *	0.80	0.80	0.70	0.60
Book Value Per Share (Baht)	24.20	17.58	17.54	16.12	14.83	18.46	16.92	16.98	15.56	14.44
BIS Ratio (Percent)	-	-	-	-	-	-	-	13.86	10.16	10.60

Remark : The dividend per share for 2007 was an interim dividend for 1st half of 2007's operation from 1 January - 30 June 2007





MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS

MR. BANTERNG TANTIVIT

Chairman of the Board of Directors
Thanachart Capital Public Company Limited

The Thai economy in 2007 was faced with the same risk factors as in 2006. These included political instability, unrest in the three southern provinces, as well as rising crude oil prices and the rising cost of living. As a result, the public were careful in their spending and postponed their investments. Both consumer confidence and business confidence had steadily declined since the beginning of the year but recovered in the fourth quarter after the political climate became clearer and the general election was set down to be held on 23 December 2007. The economic situation had a significant impact on the business operations of the commercial banks and the finance business. However, Thanachart Group managed to record a satisfactory performance for its businesses.

In 2007, it will be another year to come that the Company and Thanachart financial business group have significantly changed and been tremendously developing its business operations and services. Key changes will be addressed as follows :

Key Changes

Shareholding Restructuring of Companies in Finance Business Sector

In the middle of 2007, the Company changed its shareholding structures in Thanachart Group's member companies in the finance business. It sold its shares in the companies which were engaged in the finance business. These included securities business, fund management business, insurance business, life assurance business, leasing business and support business. After selling the shares, it remained the holding company of Thanachart Group with a majority shareholding in Thanachart Bank Public Company Limited "Thanachart Bank" and the companies which were engaged in asset management business. The shareholding restructuring was in line with Thanachart Group's business policy which aimed at fully integrating the financial forces of all of the Group's member companies in the finance business through Thanachart Bank's marketing networks and services in an effective manner.

After the completion of the shareholding restructuring, the Company's focus is only on investment business with all the business operations being run and managed by member companies of the Group. The performance of the Company will reflect the performance of its subsidiaries, particularly Thanachart Bank which operates the key business of the Group in the areas of directing and managing Thanachart Group's member companies in the finance business. The Company will direct and manage its own business operations as well as those of the asset management companies and Thanachart Bank. Directing and managing other subsidiaries will be done through Thanachart Bank which is responsible for preparing reports on the performance and key business operations of the Group's member companies and for sending reports to the Company on a monthly basis. Thanachart Bank is also required to submit to the Company's Board of Directors for consideration a business plan and a budget covering a three-year period. It is also required to manage its business in compliance with the solo consolidation group concept as specified by the Financial Institutions Business Act (FIBA) and the Bank of Thailand.

Reaching the agreement to allow The Bank of Nova Scotia to become an equity partner and participate in the management of Thanachart Group

Thanachart Group succeeded in making an arrangement to the effect that The Bank of Nova Scotia (BNS) acquired a stake in Thanachart Bank with the Company selling some of its ordinary shares in Thanachart Bank to BNS. As a result, currently Thanachart Bank has two major shareholders including the Company which holds 74.92 percent of the issued and paid-up shares, and BNS which holds 24.98 percent. It is expected that in 2008, the Company will sell a number of its shares in Thanachart Bank to BNS which will hold 49 percent of Thanachart Bank's issued and paid-up shares. Such a move is subject to an approval by the Bank of Thailand in line with the Financial Institutions Business Act (FIBA) which will come into force in the third quarter of 2008.

Having BNS as its major shareholder gives Thanachart Bank several benefits since BNS is a world-class financial institution with a business network covering over 50 countries worldwide. To begin with, the proceeds from the capital increase not only enlarge the shareholders' equity to cope with the business expansion in line with the established plan but also strengthen the financial health of Thanachart Bank in the long term. As regards the management, nominees of BNS sitting on both the Board of Directors and the Executive Committee help facilitate transfers of knowledge and expertise in business operations, risk management, and information technology in various areas as well as expansion of Thanachart Bank's services overseas through the network of BNS. The cooperation enables Thanachart Bank to leapfrog stages of development in business operations and delivery of financial services both in the local and overseas markets.

Delisting shares of Thanachart Bank from the Stock Exchange of Thailand

Since Thanachart Bank has two major shareholders with the combined shareholdings of the minor shareholders accounting for only 0.54 percent of the paid-up shares, the company does not meet the requirements of being a listed company. As well, it is not the policy of the two major shareholders to reduce their shareholdings.

As a result, the shares of Thanachart Bank were voluntarily delisted from the Stock Exchange of Thailand. The delisting process was completed on 15 January 2008.

Business Operations and Performance

In 2007, the business operations were managed in line with Thanachart Group's main goal of becoming the leading medium-sized financial institution in Thailand. This is part of a vision to become an integrated financial service group in a universal banking system with the focus on a customer-centric business strategy and the synergy achieved by pooling the efforts of Thanachart Group's staff. In 2007, Thanachart Group continues to develop based on this direction. To enable Thanachart Group to fully cater to the diverse needs of target customers, the Group continued to place emphasis on the development of a wide range of products and an increase in the quality of services. It also made an announcement on service quality standards. Moreover, Thanachart Group succeeded in promoting cooperation among member companies of Thanachart Group as well as building a corporate culture which focused on teamwork among the staff throughout the organization. The objective was to enhance the efficiency of cooperation among the member companies of the Group and to provide customers with more than one financial product throughout 2007. Moreover, to enhance the quality of the staff, Thanachart Group moved to change its organization into a learning organization. The change was a continuation of its policy in 2006, which focused on the development of knowledge and the quality of its staff, promotion of knowledge exchange as well as acquisition of knowledge. To support the policy, BNS appointed a number of high-ranking executives to help manage and enhance the potential and skills of the staff. Implementation of the policy laid an important foundation for human resource development which would play a crucial role in Thanachart Group's future operations.

With its business operation management which placed emphasis on the three key strategies and other areas of development as well as increasing the number of branches and channels of service distribution, Thanachart Group's business expanded considerably in 2007. In particular, the number of branches increased by 33 to 166 branches and the number of ATMs increased by 38 to 280 outlets. Thanks to declining

interest rates and efficient cost management, particularly in the full-service branch management and the basic organizational structure development, the performance of Thanachart Group in 2007 improved considerably. The consolidated net income before income tax and minority interest of the company and its subsidiaries amounted to 4,874 million baht, an increase of 2,289 million baht or 88.5 percent over the previous year. On the other hand, the consolidated net income after income tax of the Company and its subsidiaries amounted to 2,818 million baht, an increase of 1,350 million baht or 92.0 percent over 2006. And its earnings per share in 2007 amounted to 2.11 baht, compared to 1.10 baht in 2006. The increase in net income was mainly due to the following key factors:

- The net interest and dividend income in 2007 amounted to 9,098 million baht, an increase of 2,189 million baht or 31.7 percent over the previous year. This was partly due to the increase of 1,848 million baht, as a result of the expansion of the hire purchase business, and partly due to the decrease of 342 million baht in the interest expenses, as a result of efficient cost management. As a result, the spread between borrowing and lending rates increased to 3.5 percent in 2007 from 2.7 percent in 2006.
- The non-interest income in 2007 amounted to 10,676 million baht, an increase of 3,033 million baht over the previous year. This was mostly due to the increase of 463 million baht in fees and service income, as a result of the increase in Thanachart Bank's business activities, as well as the increase of 2,454 million baht in the income from insurance and life assurance businesses over the previous year, which was in line with the expansion of the hire purchase business.
- The Company and its subsidiaries were able to control their costs efficiently, in view of the business expansion. The ratio of operating costs to total income decreased to 65.0 percent, compared to 75.9 percent in the previous year. However, the total operating costs in 2007 increased from the previous year. This was mostly due to the increase in expenses related to the insurance and life assurance businesses, which was in line with the increase in the related income, and the increase in personnel expenses as well as premises and equipment expenses as a result of the increase in the number of branches.

In Addition, the provision for bad debts and doubtful accounts of the Company and its subsidiaries in 2007 amounted to 2,051 million baht, an increase of 1,292 million baht over the previous year. This was mainly due to the additional provision in line with the expansion of the lending business and the prevailing economic conditions, which had an impact on the increase in the non-performing loans. To protect against the risk which might arise in the future, the Company and its subsidiaries increased their provision for substandard loans by 100 percent.

In relation to its business development in 2008, Thanachart Group will continue to place emphasis on the development in 2007. The development will be supported by BNS in several areas such as exchange of financial innovation, knowledge and various skills on a par with the international standards as well as Thanachart Group's adjustments to changes in rules and regulations which impact on the business operations. These changes include the Basel II requirements, The International Accounting Standard 39 (IAS39), the Financial Institution Business Act (FIBA), the Institute of Deposit Protection Act, as well as the Securities and Exchange Act.

Corporate Governance and Corporate Social Responsibility

Thanachart Group has always paid great attention to corporate governance. In particular, it is the Group's policy to encourage its directors, executives and every staff member to recognize their respective roles, duties and responsibilities and to behave in line with the principles of good corporate governance and the announcements made by the Company. The objective is to look after all the stakeholders in an appropriate manner as well as disclosure of financial reports and major event reports in a complete, accurate and adequate

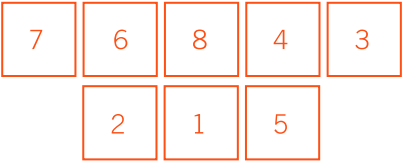
manner. Moreover, in 2007, the President and Chief Executive Officer directly conveyed the policy to the executives and the staff of all the hubs nationwide, making them more conscious about the importance of morals and ethical conduct. This will serve as a firm foundation to achieve sustainable good corporate governance. As well, to make the staff more conscious about the importance of corporate social responsibility, the Company and member companies of Thanachart Group have jointly organized regular activities, aimed at making contributions to the communities and protecting the environment. Moreover, since 2007, Thanachart Bank's regional network has been encouraged to join forces with Thanachart Group's regional network in organizing activities aimed at making contributions to the communities and protecting the environment in their respective service areas.

On behalf of the Board of Directors, I wish to thank the customers and the shareholders for the confidence given to the Board and the staff. I also wish to thank all the executives and staff members for doing your best in performing your duties and responsibilities towards all the stakeholders concerned. As a result, the Company's financial performance is very satisfactory and is very acceptable to the customers, shareholders and all the stakeholders concerned. I also wish to thank other stakeholders who helped contribute to the success of Thanachart Group's business operations.

Bantern Tantavit
Chairman of the Board of Directors
Thanachart Capital Public Company Limited



MANAGEMENT OF THANACHART GROUP



Management of Thanachart Group

1. Mr. Suphadej Poonpipat	Vice Chairman, Chairman of the Executive Committee, President and Cheif Executive Officer Thanachart Capital Public Company Limited Vice Chairman, Chairman of the Executive Committee and Cheif Executive Officer Thanachart Bank Public Company Limited Chairman and Chief Executive Officer Thanachart Fund Management Company Limited Managing Director Thanachart Fund Management Company Limited Chief Investment Officer Thanachart Fund Management Company Limited Managing Director, Securities Brokerage Group Thanachart Securities Public Company Limited Managing Director, Investment Banking and Investment Advisory Group Thanachart Securities Public Company Limited Managing Director Thanachart Insurance Company Limited Managing Director Thanachart Life Assurance Company Limited
2. Ms. Suchada Pavananunt	
3. Mr. Boonchai Kiattanavith	
4. Mr. Tragoolchitr Chittasaiyapan	
5. Mrs. Asvini Tailanga	
6. Ms. Suvabha Charoenying	
7. Mr. Nophadon Ruengchinda	
8. Mr. Chartchai Parasuk, Ph., D.	



MANAGEMENT GROUP
THANACHART CAPITAL PUBLIC COMPANY LIMITED

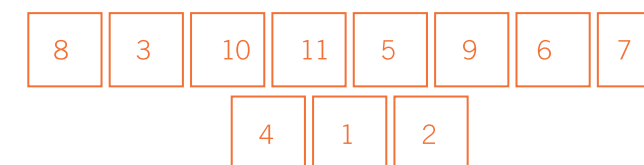


Management Group
Thanachart Capital Public Company Limited

- | | |
|-----------------------------|--|
| 1. Mr. Suphadej Poonpipat | Vice Chairman, Chairman of the Executive Committee,
President and Cheif Executive Officer |
| 2. Mr. Taweesak Saksirilarp | Director and Executive Vice President |
| 3. Mr. Anuwat Luengtawekul | Director and Executive Vice President |



MANAGEMENT GROUP
THANACHART BANK PUBLIC COMPANY LIMITED



Management Group
Thanachart Bank Public Company Limited

1. Mr. Suphadej Poonpipat	Vice Chairman, Chairman of the Executive Committee and Chief Executive Officer
2. Mr. Bundit Cheevadhanarak	Senior Executive Vice President
3. Mr. Piyaphong Artmangkorn	Executive Vice President
4. Mrs. Noossara Roonsamrarn	Executive Vice President
5. Assistant Professor, Flt. Lt., Dr. Sumas Wongsunopparat, M.D., Ph., D.	Executive Vice President (Chief Operating Officer)
6. Mr. Praphan Anupongongarch	Senior Vice President, Bank Product Development Division
7. Mr. Seth Cechetto	Senior Vice President, Retail Sales Division, SMEs Loan, Collection Division
8. Mr. Robert W.Erickson	Senior Vice President, Risk Management Department
9. Mr. Noel Singh	Senior Vice President, Corporate Banking Division, Foreign Customer Business Department, Financial Institutions Department
10. Mr. Lalit Dharmaseri	Senior Vice President, Treasury and Foreign Division
11. Mr. Rick J. Yakabowich	Senior Vice President, Operation and Support Division, Center Management Division, Business Support Division

THAI ECONOMIC CONDITION IN 2007 AND OUTLOOK FOR 2008

By Dr. Porametee Vimonsiri, Advisor on Policy and Planning, National Economic and Social Development Board (NESDB).

Thai Condition Economic in 2007

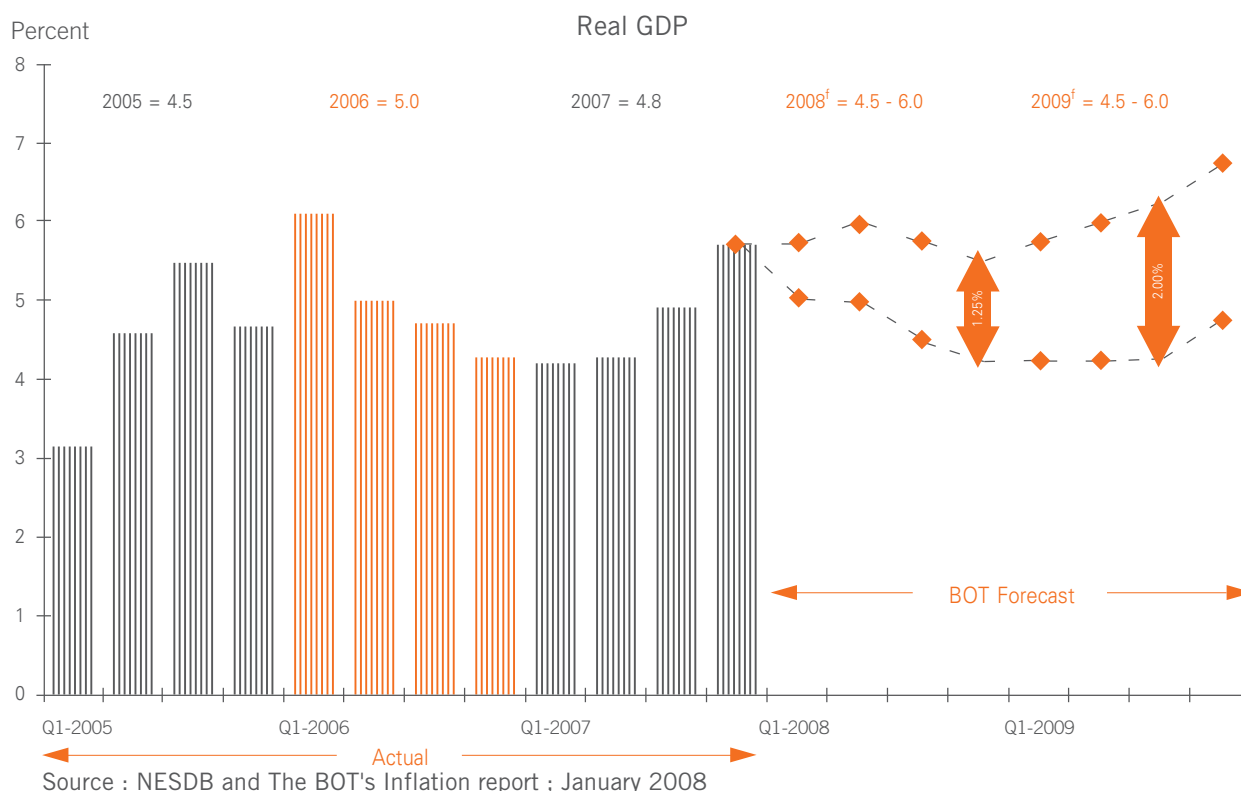
Political instability, unrest in the three southernmost provinces, rising crude oil prices as well as the rapid appreciation of the Thai baht towards the latter part of 2006 continued to impact on both consumer confidence and business confidence. As a result, domestic demand in the first half of 2007 slowed down considerably both in terms of consumption and investment by the private sector. This had a significant impact on the business sector which had to depend on domestic purchasing power. The affected businesses included, among others, construction, real estate, retail and wholesale businesses as well as the selling of other durables.

However, net exports were still the main driver of economic growth. On the other hand, imports slowed down drastically in line with the slowdown in domestic demand. Exports in terms of US dollars grew 18.1 percent, with significant growth in products such as computers and accessories, cars, electronic integrated circuits, and rubber. Growth in new markets also helped offset the slowdown in the U.S. economy. As a result, the overall growth of the Thai economy slowed down slightly while the country's overall employment increased 1.7 percent. Production capacity utilization also began to increase to a high level. However, the export sector's revenues in terms of baht grew only 7.7 percent while the average export prices in terms of baht decreased by 3.7 percent. This was mainly due to the

continuous appreciation of the baht, which had a drastic impact on those exporters who were already faced with the problem of declining competitiveness. These exporters included, among others, some manufacturers in the shoe sector as well as the textile and garment sector.

During the period under review, one of the other main drivers of the economy was the public sector's Budget disbursement. After the B.E. 2550 (A.D. 2007) Budget Act came into force in January 2007, the state agencies started disbursing their respective budgets in order to help stimulate the economy.

Towards the latter part of 2007, the political climate became clearer with 23 December 2007 set as the date for the general election. As a result, domestic demand rose slightly in terms of both consumption and investment. However, the global economy was hard hit by crude oil prices which rose to record levels and the U.S. sub-prime mortgage crisis. The problems resulted in volatility in the global financial system which included the Stock Exchange of Thailand. The U.S. started seeing clear signs of economic slowdown with U.S. dollars depreciating significantly. As a result, the baht was expected to appreciate further. In 2007, the baht averaged 34.5 baht per US dollar. The baht appreciated by about 8.79 percent from the previous year.



The overall growth of the Thai economy in 2007 was 4.8 percent. In the last quarter of 2007, the economy grew a remarkable 5.7 percent, while the private sector's investment started recovering with growth of 3.9 percent. The stability with respect to the overall economic situations, both local and overseas, remained strong. The ratio of the public debt to the

Gross Domestic Product (GDP) decreased while the country's foreign reserves increased steadily. The unemployment rate remained low. However, inflation which averaged 2.3 percent in 2007 increased in the latter part of the year. At the end of the year, the non-performing loans of financial institutions stood at 3.95 percent of the total loans, a slight decrease from the end of 2006.

Table 1 : Key Economic Indicators

	2005	2006					2007				
	Whole Year	Whole Year	Q1	Q2	Q3	Q4	Whole Year	Q1	Q2	Q3	Q4
1. GDP Growth (%)	4.5	5.1	6.3	5.3	4.5	4.3	4.8	4.2	4.3	4.8	5.7
2. Headline Inflation (%)	4.5	4.7	5.7	6.0	3.6	3.3	2.3	2.4	1.9	1.6	2.9
- Core Inflation (%)	1.6	2.3	2.6	2.8	1.9	1.7	1.1	1.4	0.9	0.8	1.1
3. Private Consumption (%)	4.5	3.2	4.0	3.1	2.8	2.7	1.4	1.4	0.9	1.8	1.6
Sales of Automobiles (%)	(11.2)	3.0	6.0	4.3	11.0	(6.0)	(11.4)	(16.2)	(7.7)	2.1	(22.4)
Sales of Motorcycles (%)	4.5	(6.4)	(1.3)	0.6	0.0	(23.0)	(18.9)	(23.3)	(20.9)	(23.3)	(6.3)
Imported Consumer Products (Prices in 2000, %)	10.0	15.2	13.2	15.1	19.2	13.2	9.7	5.6	6.9	4.9	20.8
4. Production Capacity Utilization Rate (%)	72.1	73.9	75.0	73.6	73.8	73.2	76.1	76.0	75.1	75.7	77.7
5. Industrial Production Index Growth (%)	9.1	7.4	9.7	6.6	6.6	6.7	8.2	6.0	5.6	9.0	12.1
6. Private Sector's Investment (%)	10.6	3.7	6.8	3.1	3.2	1.9	0.5	(2.3)	(0.7)	1.1	3.9
- Imported Capital Goods (Prices in 2000, %)	21.0	5.4	7.0	8.4	3.4	2.8	4.1	(4.2)	0.2	4.9	15.9
7. Export Growth (% , \$)	15.2	17.0	17.0	15.4	15.7	19.8	18.1	17.9	18.0	12.6	24.0
- Value	7.2	5.2	5.5	6.4	5.3	3.8	5.7	4.7	5.1	4.5	8.5
- Volume	7.4	11.2	10.9	8.6	9.8	15.4	11.8	12.7	12.2	7.8	14.3
8. Import Growth (% , \$)	25.8	7.9	4.9	3.3	12.2	11.5	9.6	5.9	7.3	8.4	16.6
- Value	6.3	6.5	6.3	7.9	6.8	4.9	5.4	3.4	3.4	4.1	10.5
- Volume	18.4	1.4	(1.3)	(4.3)	5.1	6.3	4.1	2.4	3.8	4.1	5.5
9. Balance of Trade (US\$ Million)	(8,253.7)	994.5	(162.2)	(1,858.9)	1,360.3	1,655.3	11,972.9	3,317.8	1,240.0	2,942.2	4,472.9
10. Current Account (US\$ Million)	(7,641.8)	2,174.2	717.7	(2,308.4)	1,205.2	2,559.6	14,922.6	4,689.3	1,121.1	2,928.4	6,183.8
11. Number of Foreign Tourists (Million)	11.5	13.8	3.6	3.1	3.4	3.7	14.3	3.8	3.2	3.4	4.0
Growth (%)	(1.2)	20.0	35.5	24.1	11.8	12.0	3.6	5.8	1.7	2.3	3.0
12. Number of the unemployed (Million) 1/ Unemployment Rate (%)	0.66 1.8	0.55 1.5	0.67 1.9	0.61 1.7	0.45 1.2	0.48 1.3	0.50 1.4	0.59 1.6	0.59 1.6	0.44 1.2	0.43 1.2
13. Number of the Insured (Million)	8.23	8.54	8.35	8.41	8.54	8.54	8.79	8.67	8.70	8.79	8.79
14. Financial/Capital Markets											
Policy Interest Rate (End of Period)	4.0	5.0	4.50	5.00	5.00	5.00	3.25	4.50	3.50	3.25	3.25
MLR (End of Period)	6.6	7.8	7.38	7.63	7.75	7.75	6.99	7.63	7.13	6.99	6.99
Interest Rate for 12-Month Fixed Deposit (End of Period)	3.0	4.5	4.00	4.38	4.63	4.50	2.38	3.75	2.50	2.38	2.38
- Commercial Banks' Loans (% End of Period)	6.7	3.8	9.4	9.0	6.2	3.8	1.4	0.0	0.6	1.2	1.4
- NPL to Total Loans (% End of Period)	8.16	4.12	7.97	8.22	8.18	4.12	n.a.	4.18	4.40	4.43	3.95
- SET Index (Average)	713.7	679.8	733.3	678.1	686.1	679.8	858.1	673.7	776.8	845.5	858.1
- Average Daily Trading Turnover on the SET	16,454	16,281	20,916	15,438	12,997	15,615	17,097	11,800	15,113	21,917	19,422
- Exchange Rate (Average)	40.2	37.9	39.3	38.1	37.7	36.6	34.6	35.6	34.7	34.0	33.9
15. Confidence Indices											
- Consumer Confidence Index (consolidated)	87.7	82.5	85.3	81.7	80.4	83.0	77.1	79.1	77.1	75.8	76.3
- Business Confidence Index	45.8	44.2	45.0	43.7	43.2	45.1	43.5	43.5	42.1	42.9	45.7
- Industrial Confidence Index	93.2	93.8	104.4	92.2	87.9	90.7	80.9	84.4	81.3	76.6	81.9

Sources : National Economic and Social Development Board (NESDB), the Bank of Thailand, the Ministry of Commerce, the Ministry of Labor, the Stock Exchange of Thailand, Tourism Authority of Thailand, and University of the Thai Chamber of Commerce.

Economic Outlook for 2008

Economic Expansion

The economic recovery is expected to be more sustained in 2008. Supporting factors are a clearer political climate, budget disbursement for various specified projects including mega-infrastructure projects as well as economic stimulus measures aimed at the grassroots level, supported by the allocation of 15,000 million baht in the 2008 Budget. Importantly, the current government is also planning to implement its grassroots economic stimulus policies such as the Small, Medium and Large (SML) Village Fund scheme, People Bank, SME Loans, and Education Loan Funds. These policies will play an important role in stimulating consumption and investment by the private sector, after the slowdown in private investment in the previous year. Moreover, many members of the private sector are planning to expand their investment in 2008 in areas such as the production of hard disk drives, eco-cars, petrochemicals, and alternative energy. In 2007, the Board of Investment (BOI) approved new investments worth 744.5 million baht, an increase of 99.5 percent from the previous year.

When the new government took power and started working, it confirmed its intention to accelerate investment in electric-train projects in Bangkok and its vicinities. It would also approve fiscal measures to stimulate the economy, such as an allowance for calculating the depreciating expenses for investment in machines and equipment used in production at 40 percent of the related costs, tax deductibles for personal income tax for investment in long-term savings instruments, tax cuts for companies gaining a listing on the SET or MAI, tax incentives for small- and medium-sized enterprises (SMEs), and cuts in property ownership transfer fees and mortgage registration fees.

The key risk factors in 2008 include (1) the US sub-prime mortgage problems and rising crude oil prices. Apart from adversely affecting the country's trade counterparts, the sub-prime problems will give rise to high volatility in the international financial and capital markets. As a result, Asian currencies are expected to fluctuate and appreciate against the US dollar. The global economy in 2008 is expected to grow 4.1 percent while the US economy is expected to grow 1.2 percent. However, the economies in Asia are expected to grow satisfactorily with the Chinese economy growing about 10 percent. (2) On the other hand, the rising crude oil prices will result in higher costs of production and a higher cost of living, which will erode both consumer confidence and investor confidence.

The sub-prime problems will not have a direct or significant impact on the Thai economy. This is mainly due to the fact that the financial institutions in Thailand do not have many investments related to the sub-prime mortgage loans in the U.S. However, as the sub-prime problems will cause the U.S. economy and the global economy to slow down, Thailand's export sector will be indirectly affected. In January 2008, the value of the country's exports still grew 33.6 percent. The sub-prime problems serve as a reminder that the good corporate governance of financial institutions is of great importance, particularly the loans given to large corporations and to low-income retail customers.

State agencies and research houses share the opinion that the Thai economy in 2008 will grow at a higher rate than in 2007. This is mainly because in 2008 there will be a number of economic drivers including the state's budget disbursement, recovery of domestic demand, the fact that the country's real interest rate is at a low level, and the greater stability of the Thai baht. On the other hand, the export sector will play a less important role. According to the various research houses, the average growth of the Thai economy in 2008 will be 4.0-6.0 percent.

Table 2 : The Comparison of the economic growth projection

Research Houses	GDP Growth (Percent)	
	2007	2008
Capital Nomura	4.6	4.8
Phatra Securities	4.5	4.7
Kasikorn Research	4.5	4.5
Goldman Sachs	4.5	4.5
SCB	4.5	4.7
DBS Bank	4.3	5.6
Stanchart	4.2	4.7
Lehman Brothers	4.2	4.5
JP Morgan	4.2	5.1
Average	4.4	4.8
NESDB	4.5	4.5 - 5.5
Bank of Thailand	4.3 - 4.8	4.5 - 6.0

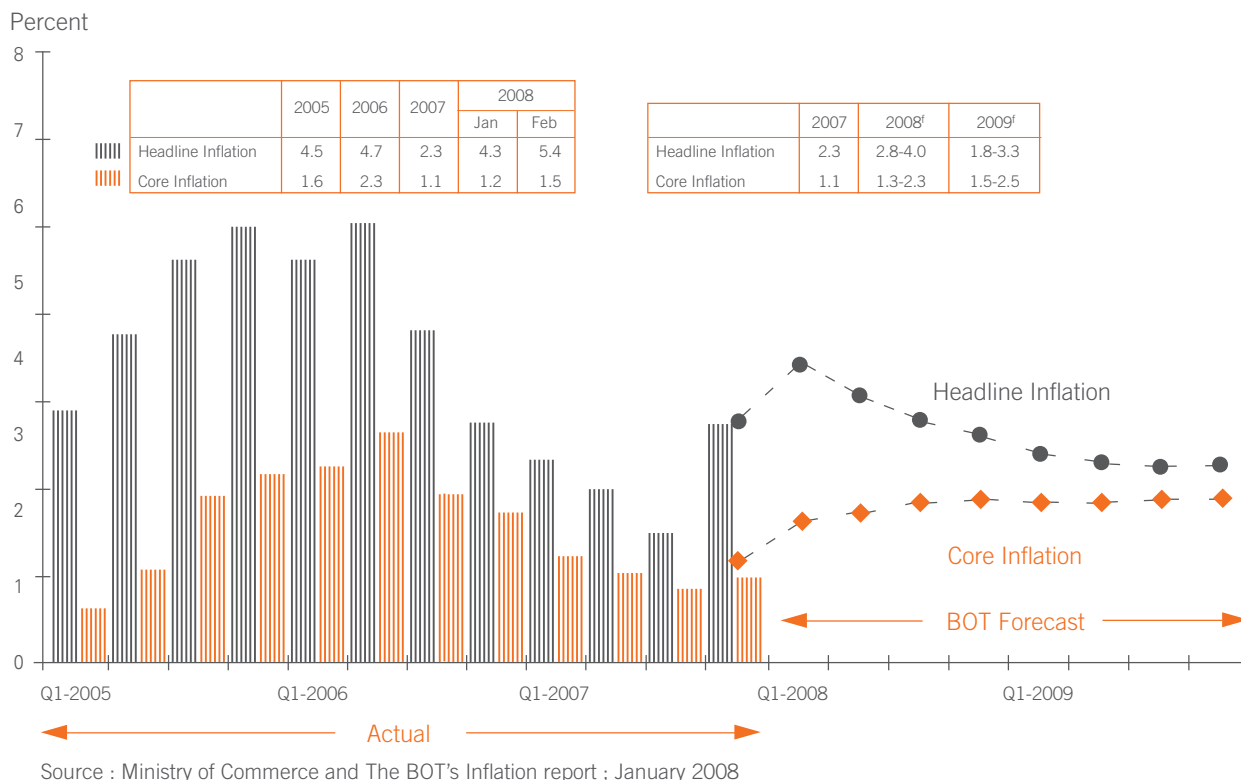
References : Inflation Trend Report by the Bank of Thailand (January 2008) and Report on Thai Economy (4th quarter and 2007) and Outlook for 2008 by NESDB.

Inflation

The average inflation rate in 2007 declined to 2.3 percent from 4.7 percent in the previous year, mainly due to domestic demand which had not fully recovered, and the

continuous appreciation of the baht during the beginning of the year, which caused a moderate rise in imported crude oil prices in terms of the baht.

Headline & Core Inflation



However, as crude oil prices rose sharply in the fourth quarter of 2007, inflation in the last quarter of the year increased rapidly. The inflation rate in the fourth quarter of 2007 rose to 2.9 percent and was expected to rise continuously in 2008. Dubai crude oil prices which serve as the price reference source for Thailand's imported oil are expected to rise from an average of US\$68.83 a barrel in 2007 to an average of US\$80-US\$85 a barrel in 2008. At the beginning of 2008, Dubai crude oil prices were at US\$85-US\$87 a barrel. As a result, the inflation rate in February 2008 rose to 5.4 percent. However, both the crude oil price and inflation rate are expected to slow down in the second half of the year.

The Bank of Thailand expects that the inflation rate in 2008 will be 2.8-4.0 percent while NESDB expects that it will be 3.2-3.7 percent.

Interest Rates and Foreign Exchange Rates

In 2007, the Bank of Thailand cut its policy interest rate by 175 basis points to 3.25 percent. This was mainly due to the fact that, during the first half of the year, the inflation pressure was still at a low level while the pressure on the economic slowdown of the country remained high. As a

result, the Bank of Thailand had to cut its policy interest rate in order to encourage commercial banks to cut their rates. The move also served as a tool to help stimulate the economy.

During the second half of the year, the crude oil prices rose sharply. As a result, the inflation pressure became high. On the other hand, the risk of an economic slowdown was lower as a result of the clearer political climate and the recovery of domestic demand. Since the Bank of Thailand expected that the future inflation rate would remain at a level which could be controlled by the authority, the Monetary Policy Committee (MPC) in the fourth quarter of 2007 and the beginning of 2008 decided to keep the policy interest rate at 3.25 percent.

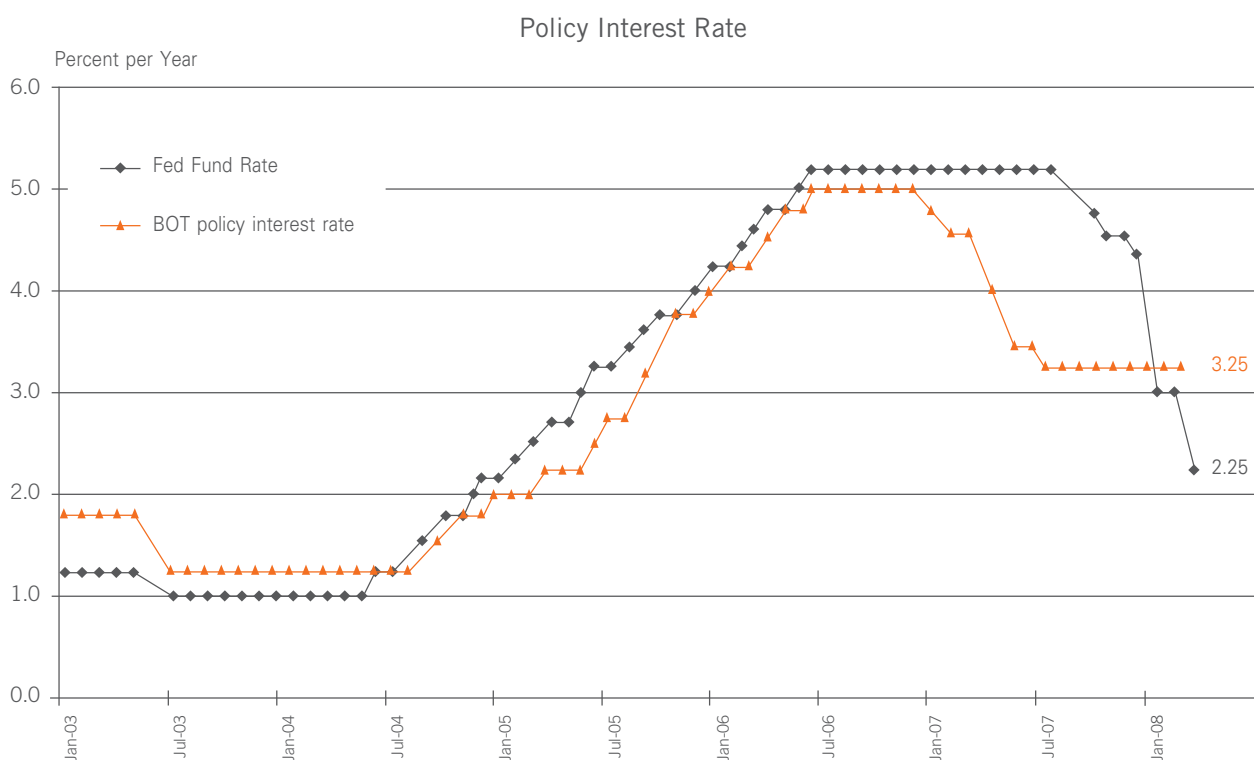
In addition to the decrease in the policy interest rate, the excess liquidity in the commercial banking system remained relatively high at 822.2 billion baht as at the end of 2007, compared to 702.7 billion baht as at the end of 2006. Moreover, the commercial banks shifted their focus to fund mobilization through issuance of bills of exchange, in order to alleviate the burden of having to make contributions to the Financial Institutions Development Fund (FIDF). As a result, the commercial banks cut the interest rates for one-year fixed deposits by 175-263 basis points to 6.875 percent as at the

end of 2007. As a result, the spread between deposit and loan rates increased from 375 basis points to about 450-463 basis points.

In 2007, the baht averaged 34.5 baht per US dollar, appreciating from the average of 37.9 baht per US dollar in 2006. The baht continued to steadily appreciate after the Bank of Thailand decided to lift the 30 percent reserve requirement on short-term capital inflows at the end of February 2008. As a result, the baht in the off-shore and on-shore markets converged to 31.5 baht per US dollar. It is expected that the sub-prime mortgage crisis will continue to weaken the US dollar in the future. Moreover, the private capital flows to developing countries in 2008 are expected to amount to more

than US\$700 billion, compared to about US\$780 billion in 2007. As a result, currencies in the region and the baht are expected to appreciate further in 2008.

In the first quarter of 2008, the sub-prime problems caused the Federal Reserve to cut the federal funds rate by 200 basis points to 2.25 percent, which was lower than the Bank of Thailand's policy interest rate which stood at 3.25 percent. As a result, it is difficult to implement the financial policy in 2008 since both the advantages and disadvantages of the policies need to be taken into consideration. For example, while the strong baht helps ease the pressure from the rising crude oil prices and inflation, it weakens the competitiveness of the country's export sector.



Source : The Bank of Thailand

Interest Rate Trend

Under the first scenario, if inflation rises sharply, the real interest rate such as the deposit rates will be negative. (The real interest rate for 12-month fixed deposits became (0.89) percent in the latter part of 2007.) The economy, particularly investment, will recover rapidly. As well, lending activities will increase while the public sector will accelerate investment in mega-construction projects. As a result, the policy interest rate and the interest rates of the financial institutions are expected to rise in the second half of the year.

Under the second scenario, if the U.S. economy remains weak, the Federal Reserve will cut its federal funds rate further in order to stimulate the economy. As a result, the difference between the federal funds rate and the Bank of Thailand's policy interest rate will become wider. The US dollar will weaken rapidly and more funds will flow into Thailand, causing the baht to appreciate rapidly. The development will have an impact on inflationary pressure and adversely affect the country's export sector. As a result, the Bank of Thailand will be forced to cut its policy interest rate.

In view of the above scenarios, the interest rate trend for 2008 is one factor which needs to be monitored closely.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND PERFORMANCE

Thanachart Capital Public Company Limited (“Company”) is established as a public company limited under the Thai Law and operates its business in Thailand. The Company acts as the holding company of a financial business conglomerate under the Bank of Thailand’s Consolidated Supervision. It serves as the flagship company of Thanachart Group which holds at least a 50 percent stake of the paid-up capital in each member company of the Group.

During 2007, the Bank of Thailand (BOT) permitted the Company and Thanachart Bank Public Company Limited (subsidiary company) (“Bank”) to change the structure of the financial business group in accordance with the principle of Consolidated Supervision. In this regard, in accordance with a resolution of the Annual General Meeting of Shareholders of the Company and the Bank held on 30 April 2007, the Company sold investments in 8 subsidiaries to the Bank. Those subsidiaries are Thanachart Securities Public Company Limited, Thanachart Insurance Company Limited, Thanachart Life Assurance Company Limited, Thanachart Fund Management Company Limited, Thanachart Broker Company Limited, Thanachart Group Leasing Company Limited, Thanachart Management and Service Company Limited and Thanachart Legal and Appraisal Company Limited. Furthermore, the Bank of Thailand had agreed to a relaxation of rule whereby the holding of the Bank of Nova Scotia Asia Limited (BNSAL)

could not exceed 24.99 percent of the total paid-up capital of the Bank.

On 19 July 2007, the Bank proposed the sale of 276,263,000 additionally issued shares to BNSAL at a price of 16.37 baht per share, and BNSAL’s purchase of 157,130,216 existing ordinary shares of the Bank from the Company at a price of 16.37 baht per share. As a result, BNSAL’s shareholding in the Bank would total 433,393,416 shares, or 24.98 percent of its total issued capital. On 11 January 2008, BNSAL transferred all of its shares in the Bank to The Bank of Nova Scotia (BNS).

On 1 October 2007, the Extraordinary Meeting of Shareholder of the Bank No. 1/2007 approved the cessation of the trading of the Bank’s shares (subsidiary company) on the Stock Exchange of Thailand (SET). And on 9 October 2007, the SET approved the delisting of the Bank’s shares. The Company made an offer to purchase all ordinary shares of the Bank from other shareholders at a price of 16.37 baht per share. The shareholders offered the sale of 7,694,450 shares of the Bank to the Company. Consequently, the Company’s shareholding in the Bank comprises 1,299,607,043 shares, equivalent to 74.92 percent. On the 15 January 2008, the Bank completed the delisting of its shares from the SET

Financial Position and Performance of Thanachart Capital Public Company Limited and Its Subsidiaries

Summary of the Performance Result

(Unit : Million Baht)

	2007	2006	Difference (Percent yoy)
Interest and Dividend Income	18,799	16,951	10.9
Interest Expenses	9,701	10,042	(3.4)
Net Interest and Dividend Income	9,098	6,909	31.7
Non-Interest Income	10,676	7,643	39.7
Non-Interest Expenses	12,849	11,043	16.4
Income before Bad Debt and Doubtful Accounts	6,925	3,509	97.3
Reversal of Bad Debt and Doubtful Accounts (Bad Debt and Doubtful Accounts)	(2,051)	(924)	122.0
Income before Income Tax and Minority Interest	4,874	2,585	88.5
Corporate Income Tax	(1,705)	(965)	76.7
Minority Interest in Net Income in Subsidiaries	(351)	(152)	130.9
Net Income for the Year	2,818	1,468	92.0

In the year 2007, the net income before income tax and minority interest of the Company and its subsidiaries amounted to 4,874 million baht, an increase of 2,289 million baht or 88.5 percent from the previous year. After corporate income tax, the net profit of the Company and its subsidiaries amounted to 2,818 million baht, increase of 1,350 million baht or 92.0 percent from the year 2006. The diluted earning per share in 2007 amounted to 2.11 baht which increased from 1.10 baht in 2006. This could be attributable to the following :

- The net interest and dividend income in 2007 amounted to 9,098 million baht, an increase of 2,189 million baht or 31.7 percent from the previous year. This was due to an increase of 1,848 million baht in the interest income in line with the hire purchase business expansion, while the interest expenses decreased by 342 million baht as a result of efficient management in the cost of fund. Consequently, the loan spread increased from 2.7 percent to 3.5 percent in 2007.

- The non-interest income in 2007 amounted to 10,676 million baht, an increase of 3,033 million baht from the previous year. This was mainly due to the an increase of 463 million baht in fees and service income as a result of the

Bank's transaction growth. Furthermore, the insurance premium /life insurance premium income increased by 2,454 million baht from the previous year, following the hire purchase business growth.

- The Company and its subsidiaries were able to control the operating expenses efficiently when compared with the business growth. The cost to income ratio decreased from 75.9 percent in the previous year to 65.0 percent in 2007. Even though the operating expenses have increased from the previous year, it was mostly due to an increase in insurance/ life insurance underwriting expenses, which followed the increase of income, and an increase in personnel and premises expenses, which followed the Bank's branch expansion.

In the year 2007, the Company and its subsidiaries set aside allowance worth 2,051 million baht for doubtful accounts, higher than the previous year by 1,292 million baht. Most of the allowance was preserved for expansion of loan portfolio and for the changing business condition, which are influential to an increase of non-performing loan (NPL). In preparation of potential future risk, NPLs are set allowance for doubtful accounts at a rate of 100 percent.

(Unit : Million Baht)

	2007	2006	Difference (Percent yoy)
Interest and Dividend Income			
Loans	3,064	2,946	4.0
Interbank and Money Market Items	1,274	2,256	(43.5)
Hire Purchase and Financial Lease	13,118	10,424	25.8
Investments	1,343	1,325	1.4
Total Interest and Dividend Income	18,799	16,951	10.9
Interest Expenses			
Deposits	7,227	8,182	(11.7)
Interbank and Money Market Items	169	108	56.5
Short-Term Borrowings	1,444	184	684.8
Long-Term Borrowings	861	1,568	(45.1)
Total Interest Expenses	9,701	10,042	(3.4)
Net Interest and Dividend Income	9,098	6,909	31.7

- **Net Interest and Dividend Income**

The net interest and dividend income in 2007 amounted to 9,098 million baht, an increase of 2,189 million baht or 31.7 percent from the previous year. The total interest and dividend income was in the amount of 18,799 million baht, an

increase of 1,848 million baht from the previous year due to the continuous growth of hire purchase loans. At the same time, the interest expenses decreased by 341 million baht or 3.4 percent. Thus, the loan spread improved consistently.

(Unit : Million Baht)

	2007	2006	Difference (percent yoy)
Non-Interest Income			
Brokerage Fees	714	648	10.2
Gain (Loss) on Investments	819	358	128.8
Share of Income from Investments in Associated Companies Accounted for under Equity Method	271	223	21.5
Fees and Service Income	2,153	1,690	27.4
Gains (Loss) on Exchange and Financial Derivatives Contacts	51	38	34.2
Gains on Debt Settlement/Disposal	494	874	(43.5)
Insurance Premium/Life Insurance Premium Income	5,389	2,935	83.6
Gains (Loss) on Property Foreclosed and Other Assets	251	590	(57.5)
Other Income	534	287	86.1
Total Non-Interest Income	10,676	7,643	39.7

- **Non-Interest Income**

In 2007, the non-interest income of the Company and its subsidiaries amounted to 10,676 million baht, an increase of 3,033 million baht or 39.7 percent from 2006. The main contributor was an increase in fees and service income of 463

million baht or 27.4 percent, as a result of the Bank's transaction growth. Furthermore, the insurance premium/life insurance premium income increased from the previous year by 2,454 million baht or 83.6 percent, which increased along with the hire purchase business expansion.

(Unit : Million Baht)

	2007	2006	Difference (Percent yoy)
Non-Interest Expenses			
Personnel Expenses	2,894	2,572	12.5
Premises and Equipment Expenses	1,288	1,189	8.3
Taxes and Duties	364	547	(33.5)
Fees and Service Expenses	252	268	(6.0)
Directors' Remuneration	31	34	(8.8)
Fund Contributed to the Financial Institutions Development Fund	814	740	10.0
Commission Charged on Hire Purchase*	-	1,478	(100.0)
Insurance/Life Insurance Expenses	4,461	2,345	90.2
Other Expenses	2,745	1,870	46.8
Total Operating Expenses	12,849	11,043	16.4

Remark : * The commission charged on hire purchase was directly recognized as cost for hire purchase contracts which were made since 1 January 2007.

- **Non-Interest Expenses**

In 2007, the non-interest expenses of the Company and its subsidiaries amounted to 12,849 million baht, an increase of 1,806 million baht or 16.4 percent from 2006. This was mainly due to a 90.2 percent increase in insurance/life insurance expenses, which varied in the same direction as income. The personnel expenses and premises and equipment

expenses increased by 12.5 percent and 8.3 percent respectively, as a result of the Bank's branch expansion. As at 31 December 2007, the Bank had 166 branches in total while as at the end of 2006, it had only 133 branches. However, the Company and its subsidiaries were able to efficiently control the operating expenses at times of the business continuous expansion.

Summary of Financial Position

(Unit : Million Baht)

	31 December 2007	31 December 2006	Difference (Percent yoy)
Assets			
Interbank and Money Market Items - Interest Bearing	36,970	23,980	54.2
Securities Purchased under Resale Agreements	2,500	6,300	(60.3)
Net Investments	28,874	34,766	(16.9)
Loans	239,237	209,288	14.3
Earning Assets	307,581	274,334	12.1
Other Assets	13,675	11,895	15.0
Total Assets	321,256	286,229	12.2
Liabilities and Shareholders' Equity			
Deposits	190,626	198,527	(4.0)
Interbank and Money Market Items-Interest Bearing	4,173	4,339	(3.8)
Short-Term Borrowings	65,398	18,460	254.3
Long-Term Borrowings	11,047	26,575	(58.4)
Total Borrowings	76,445	45,035	69.7
Total Liabilities with Accrued Interest Payable	271,244	247,901	9.4
Other Liabilities	17,750	14,897	19.1
Total Liabilities	288,994	262,798	10.0
Equity Attributable to the Company's Shareholders	26,209	22,565	16.1
Equity Attributable to Minority Shareholders of Subsidiaries	6,054	866	599.1
Total Shareholders' Equity	32,262	23,431	37.7
Total Liabilities and Shareholders' Equity	321,256	286,229	12.2

Assets

As at the end of 2007, the consolidated assets of the Company and its subsidiaries amounted to 321,256 million baht, an increase from 286,229 million baht as at the end of 2006 or an increase of 12.2 percent. The significant items were 239,237 million baht in loans, accounted for 74.5 percent of total assets, and net investments of 28,874 million baht, accounted for 9.0 percent of total assets. The major changes in the assets included:

- As at the end of 2007, total hire purchase loans amounted to 191,025 million baht or 79.8 percent of total loans. In despite of a slowdown in the economy and automobile industry together with an aggressive competition, the Company and its subsidiaries were able to maintain the position of market leader in the new car hire purchase business.
- The net investments amounted to 28,874 million baht, decreased from the previous year by 5,892 million baht or 16.9

percent due to the liquidity management of the Bank and other subsidiaries.

- The interbank and money market items - interest bearing amounted to 36,970 million baht, increased of 12,990 million baht or 54.2 percent from 2006.

Loans and Accrued Interest Receivable

As at the end of 2007, the loans and accrued interest receivables of the Company and its subsidiaries amounted to 239,490 million baht, an increase of 29,925 million baht or 14.3 percent from the previous year. The main reason was an aggressive expansion in car hire purchase loans, as a result of the policy of Thanachart Group aimed at maintaining the market leader position in the new car hire purchase business and at the same time further penetrating the used car hire purchase market. The hire purchase loans as at the end of 2007 amounted to 191,025 million baht, an increase of 26,700 million baht from the end of 2006.

The details of loans and accrued interest receivable classified by type of business are as follows:

(Unit : Million Baht)

	31 December 2007	Percent	31 December 2006	Percent
1. Manufacturing and Commerce	7,717	3.2	5,914	2.8
2. Real Estate and Construction	7,258	3.0	7,558	3.6
3. Public Utilities and Services	9,129	3.8	7,996	3.8
4. Retail Loans				
4.1 Hire Purchase	191,025	79.8	164,325	78.4
4.2 Housing Loans	8,143	3.4	9,793	4.7
5. Others	16,473	6.9	14,253	6.8
	239,745	100.1	209,839	100.1
<u>Less: Intercompany Profits from Loans Transferred</u>	(255)	(0.1)	(274)	(0.1)
Total	239,490	100.0	209,565	100.0

Classification of loans and accrued interest receivable of the Company and its subsidiaries by remaining period of contact demonstrated that loans worth 215,366 million baht have remaining period of over one year. Next in order were loans worth 17,164 million baht with the remaining period of less than one year and call loans of 7,215 million baht.

• Loan Classification

As at 31 December 2007 and 2006, the Company and its financial institution subsidiaries (banking and asset management business) classified and made allowance against their loans (including loans to financial institutions which are presented as part of interbank and money market items) in accordance with the Bank of Thailand's (BOT) guidelines, are summarized below.

(Unit : Million Baht)

	Debt balance/Book value		Allowance for Doubtful Accounts Provided in the Accounts	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Normal	199,066	177,282	528	1,556
Special Mention	22,100	16,762	141	187
Substandard	2,492	2,525	1,685	953
Doubtful	2,244	1,943	1,085	776
Doubtful of Loss	6,047	5,993	3,870	3,732
Total	231,949	204,505	7,309	7,204
General reserve			523	486
Total provision			7,832	7,690

Remark :
 - Only the Company and those subsidiaries overseen by the BOT.
 - Debt balance/book value of normal and special mention loans excluding accrued interest receivable.

- **Non-Performing Loans (NPLs)**

As at 31 December 2007, the Company and its subsidiaries' non-performing loans, classified in accordance with the BOT's definition, amounted to 11,260 million baht, an increase of 418 million baht or 3.9 percent from 2006. The increase was mainly due to the hire purchase business, following the economic slowdown. The ratio of NPLs to total

loans amounted to 4.7 percent, decreased from the previous year's ratio of 5.2 percent.

As at 31 December 2007, the NPL- net and ratio of NPL-net, according to the BOT's new definition, of the Company and its subsidiaries amounted to 4,165 million baht or 1.8 percent. The NPL-net of the Bank amounted to 1,790 million baht or 0.8 percent.

(Unit : Million Baht)

	31 December 2007	31 December 2006
Non-Performing Loans (NPLs)	11,260	10,842
Ratio of NPLs to Total Loans	4.7%	5.2%
NPL-net according to IAS (39)	4,165	5,048
Ratio of NPL-net	1.8%	2.5%
Total Allowance for Doubtful Accounts	8,417	8,139
Ratio of Total Allowance for Doubtful Accounts to NPLs	74.8%	75.1%

NPL- net : NPLs less allowance for doubtful accounts of all NPLs

- **Allowance for Doubtful Accounts**

As at 31 December 2007, the total allowance for doubtful accounts of the Company and its subsidiaries amounted to 8,417 million baht, or 74.8 percent of NPLs, and equivalent to 112.8 percent of the BOT-classified allowance for doubtful accounts. The allowance for doubtful accounts of the Bank amounted to 4,525 million baht, which amounted to 108.4 percent of the BOT-classified allowance for doubtful accounts.

- **Trouble Debt Restructuring**

As at 31 December 2007, the total number of debtors of the Company and its subsidiaries amounted to 715,358, of which 747 were debtors with restructuring problems. Their outstanding loan balance amounted to 5,242 million baht with the loan balance net of collateral value amounting to 1,384 million baht. During 2007, the Company and its subsidiaries which were financial institutions (banking and asset management business) entered into debt restructuring agreements with a total of 164 debtors, representing the outstanding loan balance before debt restructuring of approximately 1,249 million baht (of these losses, 71 debtors, representing the outstanding loan balance before debt restructuring of approximately 196 million baht, had previously entered into debt restructuring agreements during the year). In the course of such restructuring, losses amounting to 1 million baht were incurred .

- **NPL transfer to the Thai Asset Management Corporation (TAMC)**

In the period from 2001 to 2003, the Company and its subsidiaries entered into agreements with the Thai Asset

Management Corporation (TAMC) to sell loans and receivables at transfer prices amounted to approximately 3,414 million baht, for which they received payments in the form of promissory notes. These promissory notes were recorded as long-term investment in held-to-maturity debt securities. These were non-negotiable promissory notes with a term of 10 years. As at 31 December 2007, the outstanding balance of the promissory notes decreased to 1,465 million baht (2006 : 1,769 million baht). However, the transfer price settled in the form of promissory notes may still be increased or decreased after TAMC reviews the price, appraises the collateral values or adjusts the prices.

Under the guidelines of the Emergency Decree, the Company and its subsidiary companies are still jointly entitled to/liable for a share of the gains or losses arising from TAMC's management of these non-performing assets. These are to be calculated at the end of the fifth and tenth years, counting from 1 July 2001. In case of losses, the Company and its subsidiary companies are liable for all initial losses up to 20 percent of the transfer price. Further losses of up to the next 20 percent of the transfer price are to be shared equally between the Company with its subsidiary companies and TAMC. The remaining loss will be the responsibility of TAMC. Such gains or losses will be determined based on the cumulative value of collections made on the assets as at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the receivables.

As at 31 December 2007 , the Company and its subsidiary companies were still unable to estimate the exact amount of such losses. However, the Company and its

subsidiary companies estimated their share of losses which may arise from the management of non-performing assets at approximately 557 million baht. Such losses were shown as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified by the type of promissory note (2006 : 443 million baht).

During 2007, the Company and its subsidiary companies have recognized interest income worth 31 million baht on TAMC's promissory notes and have already received payment under promissory notes and its interest for the amount of 346 million baht.

Investments

As at the end of 2007, the net investments amounted to 28,874 million baht, a decrease of 5,892 million baht or 16.9 percent from the end of 2006. This decrease was mainly due to the investment in debt instruments which decreased from 27,178 million baht at the end of 2006 to be 20,409 million baht, or a 24.9 percent decrease. The details of investments classified by the types of investments as at 31 December 2007 and 31 December 2006 were as follows:

(Unit : Million Baht)

	31 December 2007	Percent	31 December 2006	Percent
Debt instruments * (bonds and debentures from private sector)	20,409	70.7	27,178	78.2
Equity instruments	6,488	22.5	5,282	15.2
Investments in Receivables Purchased	1,977	6.8	2,306	6.6
Net Investments	28,874	100.0	34,766	100.0

* The debt instruments as at 31 December 2007 consisted of treasury bills and bonds issued by the Bank of Thailand, which accounted for 10.1 percent of the total investments in debt instruments, government and state enterprise bonds (with maturity of less than 5 years), which accounted for 57.5 percent, government and state enterprise bonds (with maturity of over 5 years), which accounted for 12.9 percent, and the debentures issued by the private sector accounting for 19.3 percent.

The Company and its subsidiaries set aside adequate allowance for change in value and as well as impairment of each type of investment with details as follows :

(Unit : Million Baht)

	31 December 2007		31 December 2006	
	Cost/Amortised Cost	Fair Value	Cost/Amortised Cost	Fair Value
Current investments :				
Trading securities				
Government and state enterprise securities	480	480	396	396
Private debt securities	11	11	2	2
Domestic marketable equity securities	-	-	15	15
Total	491	491	413	413
Available-for-sale securities				
Government and state enterprise securities	2,882	2,881	2,318	2,318
Private debt securities	133	134	459	457
Domestic marketable equity securities	10	10	17	18
	3,025	3,025	2,794	2,793
Less: allowance for change in value	-	-	(1)	(1)
Total	3,025	3,025	2,793	2,793
Held-to-maturity debt securities				
- due within 1 year				
Government and state enterprise securities	966	966	3,641	3,641
Private debt securities	75	75	63	63
Foreign debt securities	675	675	429	429
Total	1,716	1,716	4,133	4,133
Other investments				
Investments in property fund	65	65	-	-
	65	65	-	-
Total current investments - net	5,297	5,297	7,339	7,339

	31 December 2007		31 December 2006	
	Cost/Amortised Cost	Fair Value	Cost/Amortised Cost	Fair Value
Long-term investments :				
Available-for-sale securities				
Government and state enterprise securities	486	478	5,018	5,003
Private debt securities	1,582	1,585	905	899
Domestic marketable equity securities	3,647	4,010	2,842	2,659
Total	5,715	6,073	8,765	8,561
Less: allowance for change in value	358		(204)	
	6,073		8,561	
Held-to-maturity debt securities				
Government and state enterprise securities	12,220		12,736	
Private debt securities	786		236	
Foreign debt securities	675		1,441	
Total	13,681		14,413	
Less: Allowance for impairment	(557)		(443)	
	13,124		13,970	
Other investments				
Investments in receivables purchased	2,278		2,642	
Investment in property fund	884		1,106	
Domestic non-marketable equity securities	331		356	
Total	3,493		4,104	
Less: Allowance for impairment	(421)		(434)	
	3,072		3,670	
Total long-term investments - net	22,269		26,201	

Interbank and Money Market Items

As at the end of 2007, the total interbank and money market items of the Company and its subsidiaries amounted to 40,462 million baht, an increase of 13,398 million baht or 49.5 percent from the end of 2006.

Securities Purchased under Resale Agreements

As at the end of 2007, the securities purchased under resale agreements of the Company and its subsidiaries amounted to 2,500 million baht in, a decrease of 3,800 million baht or 60.3 percent from 2006. The objective was to adjust the liquidity to be at an appropriate level.

Property Foreclosed

As at 31 December 2007, the net property foreclosed of the Company and its subsidiaries amounted to 8,805 million baht, which accounted for 2.7 percent of total assets. As well, the Company and its subsidiaries set aside allowance worth 731 million baht, or 8.3 percent of the cost value, to cover all types of risks which might impact the property foreclosed ; such as holding expenses, sale expenses, and loss from sale of property foreclosed.

Capital Expenditure

In 2007, the Company and its subsidiaries invested 958 million baht in land, premises, equipment and intangible assets, representing an increase of 18.7 percent from 2006. The expenditure consisted of 454 million baht in installation of decoration and equipment, 220 million baht in land, 161 million baht in premises and premise improvement, and 123 million baht in other investments.

Liquidity

As at the end of 2007, the net cash flows and cash equivalents of the Company and its subsidiaries amounted to 3,275 million baht, an increased of 809 million baht once compared with the end of previous year. The net cash flows were used in the following activities

- The net cash flows used in operating activities were a result of the important changes in the assets and liabilities; which consisted of an increase of 13,447 million baht in interbank and money market items (assets), a decrease of 3,800 million baht in securities purchased under resale agreements, an increase of 77 million baht in current investments, an increase of 36,487 million baht in loans and

receivables, a decrease of 7,901 million baht in deposits, an increase of 262 million baht in interbank and money market items (liabilities), and an increase of 609 million baht in payables to Clearing House.

- The net cash flows from investing activities amounted to 8,236 million baht. Of these, the sale of investments in securities contributed 6,665 million baht. The sale of investments in subsidiaries contributed 2,572 million baht. The payment of investments in subsidiaries contributed 204 million baht. The dividend received from associated companies contributed 147 million baht. And payment of land and equipment/intangible assets contributed 958 million baht.

- The net cash flows used in financing activities amounted to 34,837 million baht due to an increase of borrowings of 31,382 million baht, cash received from new issuance of a subsidiary of 4,522 million baht, and dividend payment of 1,066 million baht.

Sources of Funds

Capital Structure

The sources of funds of the Company and its subsidiaries consisted of two sources including liabilities and shareholders' equity. As at the end of 2007, the fund of the Company and its subsidiaries from the liabilities amounted to 288,994 million baht, accounting for 90.0 percent of the total liabilities and shareholders' equity, while the funds from

shareholders' equity amounted to 32,262 million baht, accounting for 10.0 percent of the total liabilities and shareholders' equity. As a result, the ratio of liabilities to shareholders' equity was 9.0 times. In another words, the liabilities were 9.0 times of shareholders' equity, an decrease from 11.2 times in 2006. The important components of liabilities were deposits, accounting for 66.0 percent of total capital, interbank and money market items, accounting for 1.7 percent, and loans, accounting for 26.5 percent.

Liabilities

As at the end of 2007, the liabilities of the Company and its subsidiaries amounted to 288,994 million baht, an increase of 26,196 million baht or 10.0 percent from the end of 2006. The important items of the liabilities were as follows :

- As at the end of 2007, the total deposits and short-term borrowings amounted to 256,024 million baht, an increase of 39,037 million baht or 18.0 percent. This was mainly due to the additional saving channel of short-term bills of exchange for the customer.

- The long-term borrowings amounted to 11,407 million baht, a decrease of 15,528 million baht or 58.4 percent from the previous year. This was mainly due to some of the long-term borrowings with remaining maturity period in less than one year, thus, such items were recorded as the short-term borrowing instead.

(Unit : Million Baht)

	31 December 2007	Percent	31 December 2006	Percent
Deposits	190,626	66.0	198,527	75.6
Interbank and Money Market Items	4,769	1.7	4,507	1.7
Borrowings				
- Short-Term Borrowings	65,398	22.6	18,460	7.0
- Long-Term Borrowings	11,047	3.8	26,575	10.1
Other Liabilities	17,154	5.9	14,729	5.6
Total Liabilities	288,994	100.0	262,798	100.0

Shareholders' Equity

As at the end of 2007, the shareholders' equity of Company and its subsidiaries amounted to 32,262 million baht, an increase of 37.7 percent from 23,431 million baht in 2006. This could be mainly attributable to the net income worth 2,818 million baht of the Company and its subsidiaries. In 2007, the Company made the dividend payment worth 1,067 million baht to shareholders for the performance in the second half of 2006 and in the first half of 2007. The equity attributable to minority shareholders of subsidiaries increased by 5,188 million baht.

Obligations

As at 31 December 2007, the off-balance-sheet obligations of the Company and its subsidiaries amounted to 85,705 million baht, an increase of 16.2 percent from the previous year. These included obligations worth 38,930 million baht under interest rate swap agreements; obligations worth 39,331 million baht under forward exchange contracts; other obligations worth 4,048 million baht; avals to bills and guarantees of loans worth 34 million baht; other guarantees worth 2,963 million baht and letters of credit worth 399 million baht.

The Performance Results of the Company's Subsidiaries from Financial Statements of Each Subsidiary

(Unit : Million Baht)

Subsidiary Companies	Direct Shareholding (Percent)	2007	2006
Thanachart Bank Public Company Limited	74.9	991	225
Thanachart Securities Public Company Limited	74.9	257	207
Thanachart Fund Management Company Limited	56.2	102	57
Thanachart Insurance Company Limited	74.9	66	28
Thanachart Life Assurance Company Limited	74.9	176	103
N.F.S. Asset Management Company Limited	100.0	76	82
Max Asset Management Company Limited	58.5	103	308

The details of the performance of Thanachart Group's subsidiaries are given on Pages 46 - 53

Thanachart Capital Public Company Limited

The details of financial position and performance of Thanachart Capital Public Company Limited in accordance with the financial statements of the Company were as follows :

Performance Results

In 2007, the Company's net income amounted to 2,750 million baht, an increase of 1,564 million baht or 131.9% from the previous year. The key components contributing to the performance results were as follows :

Net Interest and Dividend Income

In 2007, the Company's net interest and dividend income amounted to 1,137 million baht, a decrease of 488 million baht or 30.0 percent from the previous year. The interest and dividend income amounted to 2,984 million baht, a decrease of 2,777 million baht from hire purchase loans. At the same time, the interest expense reduced by 2,288 million baht or 55.3 percent because the repayment of its borrowings. Thus, the borrowings and interbank and money market items decreased from the previous year by 30,035 million baht.

Bad Debt and Doubtful Accounts

In 2007, the reversal of bad debts and doubtful accounts of the Company amounted to 853 million baht, an increase of 295 million baht or 52.9 percent from the previous year. This was mainly due to the decrease in hire purchase business activities.

Non-Interest Income

In 2007, The Company's non-interest income amounted to 2,666 million baht, an increase of 1,739 million baht or 187.6 percent from the previous year. The main components contributing to the Company's non-interest income included gain on the sale of investments in the subsidiaries in the amount of 1,981 million baht.

Non-Interest Expenses

In 2007, the Company's non-interest expenses amounted to 845 million baht, a decrease of 772 million baht or 47.7 percent from the previous year. This was mainly due to the transfer of transaction business and the personnel supporting the business to the Bank. Thus, the personnel, premises and equipment expenses in 2007 decreased from the previous year. The personnel expenses decreased from the previous year by 270 million baht or 73.6 percent while the premises and equipment expenses decreased by 250 million baht or 70.4 percent.

Financial Position

Assets

As at the end of 2007, the Company's total assets amounted to 51,252 million baht, a decrease of 27,671 million baht or 35.1 percent from 2006. This was mainly due to the hire purchase contracts expiring, as a result, a continuous decrease in hire purchase business. Furthermore, the financial business group was restructured under the

Consolidated Supervision and the Company acted as the flagship company of Thanachart Group. Accordingly, the Company sold the investments in the 8 subsidiaries to the Bank. Those subsidiaries are Thanachart Securities Public Company Limited, Thanachart Insurance Company Limited, Thanachart Life Assurance Company Limited, Thanachart Fund Management Company Limited, Thanachart Broker Company Limited, Thanachart Group Leasing Company Limited, Thanachart Management and Service Company Limited and Thanachart Legal and Appraisal Company Limited. This undertaking was done accordingly to the resolution of the Annual General Meeting of Shareholders of the Company and of the Bank on 30 April 2007. Furthermore, the BOT had agreed to a relaxation of rule whereby the holding of the Bank of Nova Scotia Asia Limited (BNSAL) could not exceed 24.99 percent of the total paid-up capital of the Bank. The Bank proposed the sale of 276,263,200 additionally issued shares to BNSAL at a price of 16.37 baht per share, and BNSAL' purchase of 157,130,216 existing ordinary shares of the Bank from the Company at a price of 16.37 baht per share.

The changes of the main components of the Company's assets consisted of (1) net loans and accrued interest receivable of 23,156 million baht, a decrease of 50.7 percent from 47,000 million baht in the previous year and (2) net investments of 24,454 million baht, a decrease of 11.5 percent from 27,621 million baht in the previous year.

Loans and Accrued Interest Receivables

As at the end of 2007, the Company's loans and accrued interest receivables amounted to 24,808 million baht, a decrease of 25,303 million baht or 50.5 percent from the previous year. This was mainly due to the Company's transfer of hire purchase services to the Bank since May 2005. In place of the company, the Bank would give hire purchase loans to new customers. However, the Company still maintained the existing contracts and the existing customers would keep their payment with the Company until their contracts expired. As at the end of 2007, the outstanding hire purchase loan amounted to 23,069 million baht, a decrease of 25,226 million baht from 2006.

The details of loans and accrued interest receivables classified by type of business were as follows :

(Unit : Million Baht)

	31 December 2007	Percent	31 December 2006	Percent
1. Subsidiary Companies	1,446	5.8	1,468	2.9
2. Manufacturing and Commerce	5	0.0	5	0.0
3. Public Utilities and Services	3	0.0	13	0.0
4. Retail Loans				
4.1 Hire Purchases	23,069	93.0	48,295	96.4
4.2 Housing Loans	47	0.2	54	0.1
5. Others	238	1.0	275	0.6
Total	24,808	100.0	50,110	100.0

Of the loans and accrued interest receivables classified by the remaining period of the contract, 75.3 percent was loans with maturities over one year, which amounted to 18,669 million baht. Next in order were loans with maturities of less than one year which amounted to 4,331 million baht and call loans which amounted to 1,808 million baht.

As at 31 December 2007 and 31 December 2006, the details of the Company's classified loans (including the loans to financial institutions which were included in the interbank and money market items) and related allowance under the BOT's guidelines were as follows :

	Financial Statements of the Company Only			
	Debt Balance/ Book Value		Allowance for Doubtful Accounts	
	2007	2006	2007	2006
<u>Loans and accrued interest receivable</u>				
<u>(including interbank and money market items) ⁽¹⁾</u>				
Normal	20,212	41,609	44	1,249
Special mention	3,039	6,411	18	128
Substandard	186	308	185	62
Doubtful	181	284	180	148
Doubtful of loss	1,106	1,492	1,082	1,458
Total	24,724	50,104	1,509	3,045
Additional allowance for possible uncollectible debts	-	-	140	66
	24,724	50,104	1,649	3,111
<u>Investments in receivables transferred to loans and receivable</u>				
Normal	1	-	-	-
Substandard	88	-	3	-
Doubtful of loss	1	9	-	-
Total	90	9	3	-
Total loans and accrued interest receivable	24,814	50,113	1,652	3,111

Remark : ⁽¹⁾ The debt balance/book value of the loans classified as normal and special mention did not include accrued interest receivable.

Non-performing loans (NPLs)

As at the end of 2007, the Company's non-performing loans which excluded those having entered into debt restructuring agreements and being qualified for classification as normal or special mention loans amounted to 1,562 million baht which accounted for 6.3 percent of total loans. Most of the Company's non-performing loans were hire purchase loans which amounted to 1,311 million baht and accounted for 5.3 percent of the Company's total loans.

Allowance for Doubtful accounts

As at the end of 2007, the Company set aside the total allowance for doubtful accounts amounted to 1,652 million baht, of which the allowance worth 1,512 million baht was in accordance with the BOT's minimum requirement and the allowance worth 140 million baht was set aside for other potential future risks.

As at 31 December 2007, the Company increased the provision to be 100 percent for the doubtful of loss, doubtful, and substandard loans according to the Bank of Thailand's new regulation. Moreover, provision for hire purchase customer who passed due less than 3 months, the Company would use the car as collateral value to subtract out in the calculation of provision where originally the car was not allowed to be the collateral to subtract out of provision calculation.

Trouble Debt Restructuring

As at 31 December 2007, the total number of remaining debtors of the Company amounted to 175,880, of which 37 were debtors having entered into debt restructuring agreements. Their outstanding loan balance amounted to 156 million baht with the loan balance net of collateral value amounting to 32 million baht. During 2007, the Company entered into debt restructuring agreements with 6 debtors with the outstanding loan balance before debt restructuring amounting to 12 million baht.

Transfer of NPL to the Thai Asset Management Corporation (TAMC)

In the period from 2001 to 2003, the Company entered into agreements with TAMC to sell loans and receivables at transfer prices amounted to approximately 587 million baht, for which they received payments in the form of promissory notes. These promissory notes were recorded as long-term investment in held-to-maturity debt securities. These were non-negotiable promissory notes with a term of 10 years. As at 31 December 2007, the outstanding balance of the promissory notes decreased to 480 million baht (2006 : 504 million baht). However, the transfer price settled in the form of promissory notes may still be increased or decreased after TAMC reviews the price, appraises the collateral values or adjusts the prices.

Under the guidelines of the Emergency Decree, the Company are still jointly entitled to/liable for a share of the gains or losses arising from TAMC's management of these non-performing assets. These are to be calculated at the end of the fifth and tenth years, counting from 1 July 2001. In case of losses, the Company and its subsidiary companies are liable for all initial losses up to 20 percent of the transfer price. Further losses of up to the next 20 percent of the transfer price are to be shared equally between the Company with its subsidiary companies and TAMC. The remaining loss will be the responsibility of TAMC. Such gains or losses will be determined based on the cumulative value of collections made on the assets as at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest

on the debt instruments issued to purchase the receivables.

As at 31 December 2007, the Company was still unable to estimate the exact amount of such losses. However, the Company estimated its share of losses which may arise from the management of non-performing assets at approximately 183 million baht. Such losses were shown as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified by the type of promissory note (2006 : 137 million baht).

During the year 2007, the Company recognized interest income worth 10 million baht on TAMC's promissory notes and have already received payment under promissory notes and its interest for the amount of 36 million baht.

Investments

As at the end of 2007, the net investments amounted to 24,454 million baht, a decrease of 3,167 million baht or 11.5 percent from 2006. This was mainly due to the sale of investment in 8 subsidiaries worth 3,012 million baht to the Bank which is a subsidiary company. The Company then sold the investments in the Bank to the Bank of Nova Scotia (BNS) in the amount of 1,737 million baht. During the year, the Company purchased the Bank's shares from the public in the amount of 126 million baht and purchased the shares of MBK Property Public Company Limited, which is an affiliate company, in the amount of 347 million baht. The details of investments classified by types of investments as at 31 December 2007 and 31 December 2006 were as follows :

(Unit : Million Baht)

	31 December 2007	Percent	31 December 2006	Percent
Debt instruments	4,097	16.8	3,367	12.2
Equity instruments	19,147	78.3	22,775	82.5
Investments in Receivables Purchased	1,210	4.9	1,479	5.3
Net investments	24,454	100.0	27,621	100.0

The Company set aside allowance for change in value as well as impairment for each type of investment with details as follows :

(Unit : Million Baht)

	2007		2006	
	Cost/ Amortised Cost	Fair Value	Cost/ Amortised Cost	Fair Value
<u>Current Investments :</u>				
Trading Securities				
Government and state enterprise securities	-	-	-	-
Domestic marketable equity securities	-	-	-	-
Total	-	-	-	-
Add : Allowance for change in value	-	-	-	-
	-	-	-	-
Available-for-sale securities				
Government and state enterprise securities	-	-	-	-
Private debt securities	-	-	-	-
Domestic marketable equity securities	-	-	7	8
Total	-	-	7	8
Add : Allowance for change in value	-	-	1	-
	-	-	8	-
Held-to-maturity debt securities - due within 1 year				
Government and state enterprise securities	-	-	-	-
Private debt securities	800	-	-	-
Total	800	-	-	-
Total current investments - net	800	-	8	-

(Unit : Million Baht)

	2007		2006	
	Cost/ Amortised Cost	Fair Value	Cost/ Amortised Cost	Fair Value
<u>Long-term Investments :</u>				
Available-for-sale securities				
Government and state enterprise securities	-	-	-	-
Private debt securities	-	-	-	-
Domestic marketable equity securities	1,217		894	826
Total	1,217		894	826
Add (Less): Allowance for change in value	301		(68)	
	1,518		826	
Held-to-maturity debt securities				
Government and state enterprise securities	480		504	
Private debt securities	3,000		3,000	
Total	3,480		3,504	
Less : Allowance for impairment	(183)		(137)	
	3,297		3,367	
Other Investments				
Investments in receivables purchased	1,284		1,576	
Investment in property fund	-		-	
Domestic non-marketable equity securities	229		242	
Total	1,513		1,818	
Less : Allowance for impairment	(172)		(175)	
	1,341		1,643	
Total long-term investments - net	6,156		5,836	

Most of the Company's investments in equity instruments were investments in its subsidiaries and associated companies, which amounted to 17,498 million baht and accounted for 71.6 percent of the net investments. The investments were in line with the Company's investment policy aimed at supporting the

Company's key business operations. Of the total investments made in those subsidiaries and associated companies, the major part worth 14,406 million baht or 82.3 percent was invested by the Company in Thanachart Bank Public Company Limited ("Bank").

Shareholding and Value of Investment Accounted for by Cost Method, in Subsidiaries and Associated Companies

(Unit : Million Baht)

Companies	2007			2006		
	Shareholding (Percent)	Investment Value	Percent	Shareholding (Percent)	Investment Value	Percent
Subsidiary company :						
Thanachart Securities PCL.	-	-	-	100.0	1,500	6.9
Thanachart Bank PCL.	74.9	14,406	82.3	99.4	16,019	73.6
Thanachart Fund Management Co., Ltd.	-	-	-	75.0	113	0.5
Thanachart Insurance Co., Ltd.	-	-	-	78.0	422	1.9
Thanachart Life Assurance Co., Ltd.	-	-	-	100.0	500	2.3
NFS Asset Management Co., Ltd.	100.0	1,000	5.7	100.0	1,000	4.6
MAX Asset Management Co., Ltd.	58.5	334	1.9	58.5	334	1.5
NASSET Property Fund 6	99.8	898	5.1	99.8	898	4.1
Thanachart Group Leasing Co., Ltd.	-	-	-	100.0	360	1.7
Thanachart Broker Co., Ltd.	-	-	-	100.0	100	0.5
Thanachart Legal and Appraisal Co., Ltd.	-	-	-	100.0	10	-
Thanachart Management and Services Co., Ltd.	-	-	-	100.0	8	-
Pasara Co., Ltd. *	100.0	146	0.9	100.0	146	0.7
Thiravanit Co., Ltd.*	99.9	18	0.1	99.9	18	0.1
Bangkok Home Co., Ltd.*	99.9	16	0.1	99.9	16	0.1
Sinkahakarn Co., Ltd.	95.1	20	0.1	95.1	20	0.1
Thanachart SPV 01 Co., Ltd.	100.0	2	-	100.0	2	-
Associated Company :						
MBK PCL.	10.0	658	3.8	6.6	311	1.4
Puen Pob Paet Co., Ltd.	10.0	-	-	10.0	-	-
Total		17,498	100.0		21,777	100.0

* Net investment value after allowance for impairment.

Capital Expenditure

In 2007, the Company invested 36 million baht in land, premises, and equipment. The expenditure consisted of 14 million baht in decoration-in-process, 14 million baht in installation of decorations and equipment, and 8 million baht in vehicles.

Liquidity

In 2007, the Company's net cash flows used in operating activities amounted to 1,555 million baht. The net cash flows used in investing activities amounted to 5,556 million baht while the net cash flows used in financing activities amounted to 4,001 million baht. As a result, the Company's cash and cash equivalents as at the end of 2007 were the same as those as at the end of 2006.

Most of the net cash flows from operating activities were additional cash gained from repayments of loans worth 24,214 million baht and interbank and money market items worth 27,100 million baht from the borrowings' payment.

Most of the net cash flows used in investing activities were in cash received from the investment expansion in the subsidiary companies, which amounted to 6,730 million baht.

Most of the net cash flows used in financing activities were repayment of long-term loans worth 2,935 million baht and payment of dividends worth 1,067 million baht during 2007.

Sources of Funds

Capital Structure

The sources of funds of the Company consisted of two sources including liabilities and shareholders' equity. As at the

end of 2007, the funds of the Company from the liabilities amounted 25,230 million baht, accounting for 49.2 percent of the total liabilities and shareholders' equity, while the funds from shareholders' equity amounted to 24,609 million baht, accounting for 48.0 percent of the total liabilities and shareholders' equity. As a result, the ratio of liabilities to shareholders' equity was 1.1 times. In other words, the liabilities were 1.1 times the shareholders' equity, a decrease from 2.5 times in 2006.

Liabilities

As at the end of 2007, the liabilities of the Company amounted to 26,644 million baht, a decrease of Baht 29,722 million baht or 52.7 percent from the 2006. This was mainly due to the decrease of Baht 27,100 million baht in the Company's borrowing from its subsidiary (the Bank). As at the end of 2007, the borrowings from its subsidiary decreased to Baht 12,500 million baht.

(Unit : Million Baht)

	31 December 2007	Percent	31 December 2006	Percent
Interbank and Money Market Items	12,500	46.9	39,600	70.3
Borrowing	12,730	47.8	15,665	27.8
Other Liabilities	1,414	5.3	1,101	1.9
Total Liabilities	26,644	100.0	56,366	100.0

Shareholders' Equity

As at the end of 2007, the Company's shareholders' equity amounted to 24,609 million baht, an increase of 9.1 percent from 22,557 million baht as at the end of 2006. This was due to Company's net income amounting to 2,750 million baht in 2007. In this connection, during 2007 the Company paid dividends worth 1,067 million baht to its shareholders.

Obligations

As at 31 December 2007, the Company's off-balance-sheet obligations amounted to 10,611 million baht, a decrease of 46.9 percent from the previous year. The obligations under interest rate swap agreement amounted to 10,600 million baht, avals to bills and guarantees of loans amounted to 10 million baht and the other guarantees amounted to 1 million baht.

Relationship between Sources and Uses of Funds

As at 31 December 2007, the Company's sources of funds in terms of liabilities consisted of borrowings worth 12,500 million baht from Thanachart Bank Public Company Limited and other borrowings worth 12,730 million baht. On the other hand, the uses of funds were mostly hire purchase loans.

With the restructuring of Thanachart financial group, the Company had a new financial structure and its hire purchase operation was transferred to the Bank. Furthermore, the Company had transferred its deposits to the Bank while remained the existing hire purchase portfolio at the Company. In order to compensate for the transferred deposits, the Company borrowed from the Bank. However, the Company would gradually make the repayment of such borrowings with the cash flows received from hire purchase loan portfolio. As for the other borrowings which would soon mature, the Company had a plan to raise funds by issuing debt instruments which would be used to manage the business in the future.

Items	At call	Less than 1 year	More than 1 year	Not specified	Total
<u>Financial Assets</u>					
Interbank and Money Market Items	251	-	20	-	271
Investments	1,284	800	3,480	19,025	24,589
Loans	3,009	3,937	17,848	-	24,794
Total	4,544	4,737	21,348	19,025	49,654
<u>Financial Liabilities</u>					
Interbank and Money Market items	12,500	-	-	-	12,500
Borrowings	-	8,230	4,500	-	12,730
Total	12,500	8,230	4,500	-	25,230

The Company's interest spread increased from 1.4 percent in the year 2006 to 1.9 percent in 2007. This was mainly due to a significant decrease in interest rates in line with the prevailing market conditions. Moreover, as the hire purchase loans were fixed interest rate loans, the interest spread become wider.

Thanachart Bank Public Company Limited

Analysis of financial position and performance result for the year ended 31 December 2007 compared to the financial position and performance for the year ended 31 December 2006.

Financial Position

Assets

As at 31 December 2007, the Bank's total assets amounted to 291,098 million baht, an increase of 33,662 million baht or 13.1 percent from 2006. Of these, an increase of 24,289 million baht was in loans and 8,456 million baht was in short-term liquidity.

The Bank's loans amounted to 224,940 million baht, an increase of 24,289 million baht or 12.1 percent. This was mainly due to the increase in hire purchase loans, in despite of the national automobile industry slowdown and of the aggressive competition. As at the end of 2007, the hire purchase loans amounted to 162,205 million baht, an increase of 43.2 percent. More importantly, the Bank maintained its market leader position in the new car hire purchase market.

The Bank's short-term liquidity amounted to 58,071 million baht, an increase of 8,456 million baht or 17.0 percent in line with the increase of the deposits and the short-term borrowings of the Bank. However, the Bank managed the excess liquidity efficiently in order to maintain the overall yield level.

As at 31 December 2007, the Bank's total liabilities amounted to 270,402 million baht, an increase of 28,165 million baht or 11.6 percent from 2006. This was mainly due to an increase in short-term borrowings through the Bank's saving channel. The key items of the liabilities and shareholders' equity were as follows:

- The total deposits amounted to 191,546 million baht, a decrease of 7,435 million baht or 3.7 percent from the previous year. Most of the deposits were those with remaining maturities of less than one year, which accounted for 98.2 percent of the total deposits. This ratio of deposits with remaining maturities of less than one year to total deposits increased from the previous year's amount of 94.5 percent.

- The total borrowings amounted to 68,438 million baht, consisting of short-term borrowings worth 58,548 million baht and long-term borrowings worth 9,890 million baht. The short-term borrowings increased by Baht 43,023 million baht or a 277.1 percent from the end of previous year while the long-term borrowings decreased by 7,189 million baht or 42.1 percent. During 2007, as the remaining maturities of part of long-term borrowings were less than one year, they were recorded as short-term borrowings. The change was in line with general accounting standards.

Shareholders' equity

As at 31 December 2007, the shareholders' equity amounted to 20,695 million baht, an increase of 5,497 million baht or 36.2 percent from 2006. This was mainly due to an increase of capital from the sale of ordinary shares to the Bank of Nova Scotia Asia Limited (BNSAL) on 19 July 2007 in the amount of 276,263,200 shares at the price of 16.37 baht per share. Thus, the Bank's paid-up capital increased by 4,522 million baht, as well as the Bank's net income in 2007.

Ratio of Liabilities to Shareholders' Equity

The Bank's ratio of liabilities to shareholders' equity decreased from 15.9 times in 2006 to 13.1 times in 2007. This was mainly due to the increase of 5,497 million baht or 36.2 percent in shareholders' equity. Mostly, it was a result of the capital increase from the sale of ordinary shares to BNSAL as mentioned before. However, the Bank's deposits and short-term borrowings increased continuously. In addition, the Bank launched variable saving products to increase saving's options and channels for the customers. Consequently, the deposits and short-term borrowings increased by 35,588 million baht or 16.6 percent from the previous year while the long-term borrowings decreased by 7,189 million baht or 42.1 percent.

Obligations

The Bank's total obligations increased from 53,734 million baht in 2006 to 75,066 million baht in 2007. The key changes were the increase of 21,050 million baht in other obligations, an increase of 305 million baht in letters of credit and an increase of 6 million baht in obligations of import bills of exchange, which were not yet matured, while the avals to bills decreased by 30 million baht from the previous year.

In addition, the Bank had an obligation to a share of the losses which may arise from TAMC's management of transferred loans in the amount of 89 million baht. The estimated amount of loss was expressed as part of the allowance for impairment of the long-term investments in debt instruments. Also, there was an obligation in loan losses not exceeding 20 percent of the housing loans transferred to Secondary Mortgage Corporation which, as the end of 2007, the highest did not exceed 3 million baht.

Assets Quality

Loans and Accrued Interest Receivables

As at 31 December 2007, the Bank's loans and accrued interest receivable which were classified in line with the Bank of Thailand's guidelines amounted to 225,284 million baht, an increase of 24,598 million baht or 12.3 percent from the previous year. The Bank set aside 4,175 million baht as allowance for bad debt and doubtful accounts. The Bank also set aside 350 million baht as additional allowance for doubtful accounts. As a result, the Bank's total allowance for doubtful accounts amounted to 4,525 million baht, an increase of 1,463 million baht from previous year. The allowance for doubtful accounts accounted for 2.0 percent of the total loans and accrued interest receivables.

During 2007, the Bank had made many types the debt restructuring agreements, whether in modification of terms or transfer of assets and/or equity securities and/or modification of terms, in total 63 debtors. The outstanding balance before restructuring was in the amount of 308 million baht. There were 19 debtors among this amount, accounted for 118 million baht, who were debtors that had entered debt restructuring agreement before and could not pay. Thus, their restructuring agreements were restructured again. As at the end of 2007, the Bank had 292 debtors out of 537,955 debtors entered debt restructuring agreements. These debtors' principles and accrued interests amounted to 2,698 million baht, decreased from the previous year's amount of 2,978 million baht. The ratio of principles and accrued interests of the restructured debt to total loans and accrued interest receivables was 1.2 percent, decreased from the previous year's amount of 1.5 percent.

Loan Classified in line with the Bank of Thailand's Guidelines

As of 31 December 2007, the Bank's loans and accrued interest receivable which were classified in line with the BOT's guidelines amounted to 225,284 million baht, an increase of 24,598 million baht or 12.3 percent from the previous year. The Bank set aside 4,175 million baht as allowance for bad debt and doubtful accounts. The Bank also set aside Baht 350 million baht as additional allowance for doubtful accounts. As a result, the Bank's total allowance for doubtful accounts amounted to 4,525 million baht, an increase of 1,463 million baht from previous year. The allowance for doubtful accounts accounted for 2.0 percent of the total loans and accrued interest receivables.

Non-performing loans (NPLs)

As at 31 December 2007, the Bank's non-performing loans, in accordance with the BOT's guidelines, amounted to 5,213 million baht, an increase of 1,460 million baht or 38.9 percent from 2006. This was mainly due to hire purchase loans in line with the economic slowdown. The ratio of non-performing loans to total loans amounted to 2.31 percent, an increase from 1.87 percent in the previous year. The allowance for doubtful accounts amounted to 4,525 million baht which accounted for 86.8 percent of the non-performing loans.

However, if the report of the net non-performing loans (NPL-net) and the related percentage was presented in accordance with the new definition given by the BOT, the net non-performing loans would amount to Baht 1,790 million baht, which would account for 0.81 percent.

BIS Ratio (Capital-to-Risk-Asset Ratio)

As at 31 December 2007, the Bank's total capital amounted to 23,661 million baht, of which 20,017 million baht was Tier-I capital while 3,644 million baht was Tier- II capital. The BIS Ratio (Capital-to-Risk-Asset Ratio) was 12.00 percent, an increase from 11.1 percent in 2006, which was still higher than the minimum BIS Ratio of 8.50 percent required by the BOT.

Overview of Performance Result

In 2007, the Bank's net profit amounted to 991 million baht, an increase of 766 million baht or 340.1 percent from the previous year. This was mainly due to 1,728 million baht in the net interest and dividend income and the increase of 686 million baht in non-interest income. However the other expenditures, such as operating expenses and bad debt and doubtful accounts expenses, increased in line with the business expansion. As a result, loan spread improved continuously from 2.7 percent in 2006 to 3.3 percent in 2007. The cost to income ratio reduced from 78.4 percent in 2006 to 60.9 percent in 2007. The details of the causes of the changes and the key factors affecting the performance were as follows :

1. The loans, particularly the hire purchase loans, increased from 113,238 million baht to 162,205 million baht, or 43.2 percent increase, in 2007. Consequently, the interest income from loans increased by 2,371 million baht. Although the income recognition of hire purchase business in the year 2007 caused the income and yield from such business to decrease, the Bank still maintained the yield by continuously expanding the business.

2. The deposits increased under the interest rate down trend condition. The deposits proportions were managed effectively. As well, the new products were launched to provide more options for the customers, and as a result, the customer base increased. Consequently, the Bank's cost of fund decreased from 4.2 percent in 2006 to 3.8 percent in 2007.

3. For the non-interest income and operating cost management in the year 2007, the Bank generated income and expanded its business by launching products and restructuring the infrastructure and other working systems. The non-interest income ratio increased to from 18.0 percent in 2006 to 20.6 percent in 2007. The cost to income ratio decreased from 78.4 percent in 2006 to 60.9 percent in 2007.

With these factors mentioned above, the operating result of the Bank in 2007 improved significantly. The income before

bad debt and income tax was in the amount of 3,637 million baht, an increase of 2,054 million baht. The net income was in the amount of 991 million baht, an increase of 766 million baht regardless of the economic slowdown in 2007 which affected the Bank's business operation. The NPLs increased from 3,753 million baht in 2006 to 5,213 million baht, affecting the Bank's allowance for bad debt and doubtful accounts. On 1 January 2007, the income recognition method for interest on hire purchase was changed from the sum-of-the-year's digits method to the effective rate method. Instead of recognizing the commission and the expenses directly related to the hire purchase as expense immediately on the date when the related transaction was executed, they would be partially recognized as part of the debtor's financial lease contract. This had a reduction impact in the interest income.

Interest and Dividend Income

In 2007, the Bank's interest and dividend income amounted to 17,123 million baht, an increase of 1,604 million baht or a 10.3 percent from the previous year. This was mainly due to an increase in the interest income from hire purchase loans and investments.

Interest Expenses

The Bank's interest expenses amounted to 9,386 million baht, a decrease of 124 million baht or 1.3 percent from the previous year. This was mainly due to the cost and deposit proportion management.

Bad debt and Doubtful Accounts

In 2007, the Bank's bad debt and doubtful accounts amounted to 2,606 million baht, an increase of 1,352 million baht from 2006. The increase was in line with the loan expansion and the economic condition which caused an increase in the NPLs. For NPLs, the provision rate was raised to 100 percent of the differences between the outstanding loan balances and the cash inflows expected from selling the collaterals, which was in line with the BOT's guidelines and came into force since December 2006.

Non-Interest Income

In 2007, the Bank's non-interest income amounted to 2,005 million baht, an increase of 686 million baht or 52.1 percent from the previous year. This was mainly due to the increase of 450 million baht in fees and service income as a result of the volume of domestic and international transaction.

Non-Interest Expenses

In 2007, the Bank's non-interest expenses amounted to 6,105 million baht, an increase of by 360 million baht or 6.3

percent from the previous year. The details of the key changes were as follows :

- The expenses related to personnel, premises and equipment increased, following the business expansion, in order to support branch network expansion.
- The other expenses decreased due to the efficient cost management and control.

Thanachart Securities Public Company Limited

Analysis of financial position and performance result for year ended 31 December 2007 compared to the financial position and performance result for year ended 31 December 2006.

Financial Position

Assets

As at the end of 2007, the company's total assets amounted to 3,695 million baht, increased by 5.5 percent from the previous year. This was mainly due to the increase of 19.5 percent in cash and cash equivalents and the increase of 12.2 percent in net securities business receivables and receivables from Clearing House while the net investments decreased by 9.9 percent.

Liabilities

As at the end of 2007, the company's total liabilities amounted to 1,430 million baht. Overall, the change was marginal when compared with the previous year. Most of the liabilities consisted of the securities business payable and derivatives worth 1,244 million baht and other liabilities worth 186 million baht, accounting for to 87.0 percent and 13.0 percent of the total liabilities respectively.

Shareholders' equity

As at the end of 2007, shareholders' equity amounted to 2,265 million baht, an increase of 185 million baht or 8.9 percent from the previous year. The company's net income for the year amounted to 257 million baht, an increase of 50 million baht from the previous year. The revaluation surplus on investment decreased by 73 million baht as a result of the sale of investments in the equity instrument under the market price fluctuation in the investments.

Liquidity

In 2007, the company's net cash and cash equivalents amounted to 93 million baht. The net cash from operating

activities amounted to 86 million baht and the net cash flows from investing activities amounted to 179 million baht, which came from the sale of long-term investments in the amount of 346 million baht, additional investments in the amount of 150 million baht, and net investments in equipment in the amount of 18 million baht.

Net Capital Ratio (NCR)

As at the end of 2007, the company's Net Capital Ratio (NCR) was 129.9 percent, an increase from 68.7 percent in 2006. This was mainly due to the change in the buying/selling value in the last 3 business days of the year. However, such ratio was higher than the minimum level of 7 percent required by the Office of Securities and Exchange Commission (SEC).

Performance Result

As at the end of 2007, the company's net income amounted to 257 million baht, an increase of 50 million baht or 24.4 percent from the previous year. The summary of its performance was as follows:

Income

In 2007, the company's total income amounted to 1,057 million baht, an increase of 39 million baht or 3.8 percent from the previous year. The main components contributing to the increase included securities and derivatives brokerage fees of 734 million baht and gains of 176 million baht from selling securities. These components increased by 12.9 percent and 39.8 percent respectively. In addition, the company's interest and dividend income amounted to 86 million baht, the interest on margin loans amounted to 34 million baht and its fees and service income amounted to 23 million baht.

Cost and Expenditure

In 2007, the company's cost and expenses related to business operation amounted to 702 million baht, a decrease of 31 million baht or 4.2 percent from the previous year. This was mainly due to a decrease of 56 million baht in fees and service expenses and a decrease of 5 million baht in borrowing expenses. These components decreased by 40.0 percent and 27.7 percent respectively. The increase of operating expenses was a result of an increase of 25 million baht in personnel, premises and equipment expenses in line with the increase of income. Also, the corporate income tax increased by 19 million baht, varying with the company's increased net profit.

Thanachart Fund Management Company Limited

Analysis of financial position and performance result for the year ended 31 December 2007 compared to the financial position and performance result for the year ended 31 December 2006.

Financial Position

Assets

Most of the company's assets were in the form of cash and deposits in financial institutions (71.5 percent of the total assets). In 2007, the company's total assets amounted to 307 million baht, an increase of 139 million baht or 83.0 percent from 2006. This was mainly due to the operating result.

Liabilities

The total liabilities were relatively low when compared with the total assets (25.7 percent of the total assets). The components of the liabilities consisted of account payable, financial leases payable, corporate tax payable, and accrued expenses.

In 2007, the company's total liabilities amounted to 79 million baht, an increase of 37 million baht or 89.1 percent from 2006. This was mainly due to corporate tax payable, financial lease payable, and other accrued expenses in 2007.

Shareholders' Equity

As at the end of 2007, the shareholders' equity amounted to 228 million baht, an increase of 102 million baht or 81.0 percent from the previous year. This was due to the increase of net income.

Performance Result

In 2007, the company's net income amounted to 102 million baht, an increase of 45 million baht or 79.6 percent once compared with the net income in 2006. The earning per share amounted to 10.2 baht. The details of the analysis of its operating result were as follows :

Income

As at 31 December 2007, the company's total income amounted to 375 million baht, an increase of 113 million baht or 43.2 percent when compared with the total income as at 31 December 2006. Its main components consisting of fund management fees, registrar fees and fees for selling and buying back unit trusts amounted to 364 million baht, an increase of 111 million baht or 43.6 percent from the previous

year. This was due to the new launched funds and the increase of net asset values.

Cost and Expenditure

The fees and service expenses which included the fees paid by the company to supporters for sale and repurchase of unit trusts as well as the business license fees amounted to 40 million baht, an increase of 25 million baht or 155.6 percent from the previous year.

The operating expenses amounted to 188.2 million, an increase of 24.3 million baht or 14.8 percent. This was a result of expenses related special financial support, sale incentive, advertisement, accomodation, and sale support which increased. Furthermore, the company recorded the compensation of the senior executive's retirement.

The operating profit margin in 2007 amounted to 39.0 percent, an increase from 31.4 percent in 2006. The net profit margin in 2007 amounted to 27.2 percent, an increase from 21.7 percent in 2006.

Thanachart Insurance Company Limited

Analysis of the financial position and performance result for the year ended 31 December 2007, compared to the financial position and performance result for the year ended 31 December 2006.

Financial Position

Assets

As at the end of 2007, the company's total assets amounted to 2,842 million baht, an increase of 482 million baht or 20.4 percent from the previous year. This was mainly due to the increase in investments. As at 31 December 2007, the total investments amounted to 1,981 million baht, an increase of 339 million baht or by 20.7 percent from the previous year. The investments consisted of securities investments worth 1,769 million baht as well as cash and deposits with banks worth 212 million baht.

Liabilities

As at the end of 2007, the company's total liabilities amounted to 2,129 million baht, an increase of 364 million baht or 20.6 percent from the previous year. This was partly due to the increase of 212 million baht in the unearned premium reserve as a result of the growth in insurance premium income.

Shareholders' Equity

As at the end of 2007, the shareholders' equity amounted to 713 million baht, an increase of 118 million baht or 19.9 percent from the previous year. The return on equity (ROE) in 2007 was 11.1 percent, an increase from 6.3 percent in 2006.

Cash Flows and Liquidity

In 2007, the company's cash flows from operating activities amounted to 193 million baht and the cash flows from investing activities amounted to 63 million baht, of which 59 million baht were interest and dividend income and 5 million baht were gains from securities investments.

On liquidity, in 2007 it was still the company's investment policy to mitigate the risk arising from the increase in interest rates. As a result, it gradually reduced its long-term investments and increased its short-term investments. As well, the focus was given to investments in instruments with high liquidity. As a result, the company's liquidity in business operation was relatively high.

Performance Result

In 2007, the company's net income amounted to 66 million baht, an increase of 38 million baht or 132.0 percent when compared with the previous year. The earnings per share amounted to 1.4 baht. The details of the analysis of its operation results were as follows

Income

The company's total income amounted to 2,371 million baht, an increase of 336 million baht or by 16.5 percent once compared with the previous year. The premium written amounted to 2,282 million baht, an increase of 327 million or 16.7 percent from the previous year. This was mainly due to the cooperation between Thanachart Insurance and Thanachart Bank Public Company Limited. As a result, it was a success in expanding the retail customer base by leveraging from the Bank's customer base. In addition, Thanachart Insurance expanded the channel by using BancAssurance of the Bank. Nevertheless, the company still provided its full attention to the existing customers by improving its service in both before and after the sale in order to create customer's satisfaction. Consequently in 2007, the company's earning from underwriting amounted to 326 million baht, an increase of 87 million baht or 36.5 percent from the previous year.

Cost and Expenditure

In 2007, the total indemnities amounted to 1,181 million baht, an increase of 258 million baht or 28.0 percent once

compared with the previous year. This was mainly due to overall growth of the company's insurance business. As a result, the loss ratio in 2007 amounted to 60.1 percent in 2007, an increase from 58.5 percent in 2006. The operating expenses amounted to Baht 323 million baht, an increase of 43 million baht or 15.2 percent from the previous year. This was mainly due to restructuring of the organizational resources aimed at accommodating market growth and enabling the company to deliver quality services that cater to the needs of every customer, every customer group and business partner.

Thanachart Life Assurance Company Limited

Analysis of the financial position and performance result for the year ended 31 December 2007, compared to the financial position and performance result for the year ended 31 December 2006.

Financial Position

Assets

As at the end of 2007, the company's total assets amounted to 7,033 million baht, an increase of 52.0 percent from the previous year. This was mostly due to securities investments which amounted to 6,271 million baht, an increase of 83.0 percent from 2006. The securities investments accounted for 89.0 percent of the total assets and were in compliance with the investment regulation stipulated by the Department of Insurance.

Liabilities

As at the end of 2007, the company's total liabilities amounted to 5,908 million baht, an increase of 56.0 percent. This was mostly due to the life premium reserve which increased every year. The life premium reserve accounted for 95.0 percent of total liabilities. As at 31 December 2007, the company's life premium reserve amounted to 5,593 million baht, an increase of 54.0 percent from the previous year. According to the Department of Insurance's requirements, the life insurance company has to set aside a reserve for the life insurance policies which are still in force, so that the company is able to meet its financial obligations to its policy holders.

Shareholders' Equity

As at 31 December 2007, the shareholders' equity amounted to 1,126 million baht, an increase of 297 million baht or 36.0 percent from the previous year. The company's return on equity (ROE) was 18.0 percent in 2007, an increase from 15.1 percent in 2006.

Performance Result

The company's net income for 2007 amounted to 176 million baht, an increase from 103 million baht in 2006. The earnings per share in 2007 amounted to 3.5 baht. The details of the analysis of its performance were as follows :

Income

In 2007, the company's total premiums written amounted to 3,226 million baht, an increase of 1,861 million baht or 136.0 percent from the previous year. This was due to the increase of 160.0 percent in premium written for the group life insurance and 1,020.0 percent increase in ordinary life insurance.

Cost and Expenditure

In 2007, the company's underwriting expenses amounted to 2,819 million baht, an increase of 1,714 million baht or 155.0 percent from the previous year. The major items of expenses included the following :

The life premium reserve, calculated by actuaries in line with the Ministry of Commerce promulgation in relation to rules and regulations governing the provisioning of premiums as premium reserve, amounted to 1,972 million baht, an increase of 303.3 percent. This was due to the 106.0 percent increase in group life insurance and the 1,020.0 percent increase in ordinary life insurance.

The benefit payment for life policy holders amounted to 526 million baht, an increase of 8.0 percent from the previous year. Most of the payment, about 75.0 percent, were indemnities paid for death. In 2007, the claims for death indemnities increased by 27 million baht or 7.0 percent from 2006. Once comparing with the year 2006, the cash surrender value increased by 15 million baht or 13.0 percent.

The commissions and brokerage amounted to 304 million baht, an increase of 177 million baht or 139.0 percent from the previous year. The commissions and brokerage rose in line with the increase in the underwriting revenue. As well, the rate of commissions and brokerage of each policy differed.

The operating expenses in 2007 amounted to 404 million baht, an increase of 154 million baht or 61.0 percent. The additional operating expenses increased by 138 million baht which consisted of sale support expenses, the banks' fees, service support expenses, and etc.

MAX Asset Management Company Limited

Analysis of financial position and performance result for the year ended of 31 December 2007, compared to the financial position and the performance result for the year ended 31 December 2006.

Financial Position

Assets

As at the end of 2007, the company's total assets amounted to 2,210 million baht, a decrease of 158 million baht or 7 percent from the previous year. The components were in cash and deposits in financial institutions of 322 million baht, in investment in debtors of 341 million baht, in loans of 287 million baht, in assets foreclosed 1,223 million baht, and other assets of 27 million baht.

Liabilities

As at the end of 2007, the total liabilities amounted of 459 million baht, a decrease of 256 million baht or 36 percent from the previous year. This was due to repayments of borrowings worth 160 million baht.

Shareholders' Equity

As at the end of 2007, the shareholders' equity amounted to 1,751 million baht, an increase of 98 million baht or 6 percent from the previous year. The return on equity in 2007 amounted to 19 percent.

Performance Result

In 2007, the company's net income amounted to 98 million baht, a decrease of 210 million baht or 68 percent from 2006. The details of the analysis of its performance were as follows :

Income

In 2007, the company's total interest income amounted to 72 million baht, an increase of 52 million baht or 42 percent from 2006. This was due to the interest income from repayment and auctions. The total non-interest income amounted to 210 million baht, a decrease of 105 million baht or 33 percent. This was mainly due to the gains worth 127 million baht from debt repayment and gains worth 62 million baht from selling property foreclosed.

Costs and Expenditure

In 2007, the operating expenses amounted to 62 million baht. The interest expenses amounted to 45 million baht, a decrease of 30 million baht or 40 percent. This was due to the

company's repayments of borrowings worth 160 million baht. The allowance for bad debt and doubtful accounts decreased by 34 million baht as a result of debt repayment. The allowance was higher than the minimum requirement established by the BOT, supporting the compliance to IAS 39.

NFS Asset Management Company Limited

Analysis of financial position and performance for the year ended 31 December 2007, compared to the financial position and performance for the year ended 31 December 2006.

Financial Position

Assets

As at the end of 2007, the company's total assets amounted to 5,867 million baht, a decrease of 4,052 million baht or 41 percent. This was mainly due to the company gradually redeeming its debt instruments which about to mature, such as government bonds, in order to repay its borrowings worth 4,050 million baht to Thanachart Bank Public Company Limited. The components of assets included cash and deposits in financial institutions which amounted to 75 million baht ; investments in securities and debt instruments which amounted to 628 million baht ; net investments in promissory notes issued by TAMC which amounted to 404 million baht, net investments in receivables which amounted to 1,140 million baht ; loans which amounted to 1,269 million baht ; property foreclosed which amounted to 2,287 million baht ; and other assets worth 64 million baht.

Liabilities

As at the end of 2007, the company's total liabilities amounted to 4,639 million baht, a decrease of 4,129 million baht or 47 percent from the previous year. During 2007, the company's repayment of borrowings to Thanachart Bank Public Company Limited amounted to 4,050 million baht. The objective was to reduce its interest expenses. The remaining borrowings amounted to 4,250 million baht. The company borrowed from Thanachart Capital Public Company Limited in the amount of 93 million baht in order to purchase receivables from Legal Execution Department.

Shareholders' Equity

As at the end of 2007, the shareholders' equity amounted to 1,228 million baht, an increase of 76 million baht or 7 percent. This was partly due to the company's net income of 78 million baht for 2007.

The return on equity in 2007 was 6 percent.

Performance Result

In 2007, the company's net income amounted to 78 million baht. This was due to the repayment by the restructured debtors and gains from selling property foreclosed. The details of the performance were as follows :

Income

In 2007, the company's interest and dividend income amounted to 211 million baht, a decrease of 302 million baht or 59 percent from the previous year. This was mainly due to interest income from the repayments by the debtors. In 2007, the total non-interest income amounted to 505 million baht, a decrease of 280 million baht or 36 percent. This was mainly due to gains from debt restructuring which decreased by 36 million baht from 401 million baht in 2006 to 365 million baht in 2007, the gains from selling property foreclosed decreased by 301 million baht from 435 million baht in 2006 and loss of 21 million baht from selling securities investments.

Cost and Expenditure

The interest expenses amounted to 327 million baht, a decrease of 327 million baht or 50 percent from the previous year. This was mainly due to the company's repayments of borrowings worth 4,050 million baht from the original amount of 8,300 million baht and due to the decreased interest rate of borrowings. The bad debts and doubtful accounts increased by 79 million baht, as a result of the BOT's new rule in relation to the provision of non-performing loans in order to comply with IAS 39. In this connection, the company set aside the allowance at a rate higher than the minimum level imposed by the BOT. In addition, the company increase its allowance for impairment by 33 million baht in relation to the share of losses which might arise from the sale of non-performing assets to TAMC. On the other hand, the operating expenses amounted to 114 million baht, a decrease of 5 million baht or 4 percent from the previous year.

Factors and Influences that May Have an Impact on the Company's Performance and Financial Position in the Future

By acting as a holding company of Thanachart financial business conglomerate, the Company operates in the investment business. The influential factors which may have an impact on the Company's performance and financial position are those factors which have an impact on companies in such business conglomerate. For that reason, the nature of the member companies' business operation is the influential factor of foremost importance.

KEY CHANGES AND DEVELOPMENTS

In 2007, Thanachart Capital Public Company Limited (“Company”) and member companies of Thanachart Group made changes and supported new developments in several areas including management, technology, branch network, service delivery, financial products, credit rating and honorary awards for Thanachart Group, with details as follows:

MANAGEMENT

- Thanachart Capital Public Company Limited (“Company”) and Thanachart Bank Public Company Limited (“Thanachart Bank”)

Shareholding Restructuring of Companies in Finance Business Sector under Consolidated Supervision Regulation

In February 2007, Thanachart Group made an announcement about its plan to restructure shareholdings of its member companies. According to the plan, Thanachart Bank Public Company Limited would hold shares in the following companies:

- Companies in financial business: (1) Thanachart Securities Public Company Limited, (2) Thanachart Fund

Management Company Limited, (3) Thanachart Insurance Company Limited, (4) Thanachart Life Assurance Company Limited, (5) Thanachart Group Leasing Company Limited, (6) National Leasing Company Limited, (7) Thanachart Leasing 2000 Company Limited, and (8) Thanachart Broker Company Limited.

- Companies in supporting business: (1) Thanachart Legal and Appraisal Company Limited and (2) Thanachart Management and Service Company Limited.

On 30 April 2007, the Annual General Meeting of Shareholders of the Company approved the sale of ordinary shares of its eight subsidiaries to Thanachart Bank Public Company Limited at prices equal to their respective book value at the end of the most recent month before the execution of the stock transactions, provided that the total transaction value did not exceed 4,670 million baht. After the execution of the transactions, the shareholdings of the Bank in the eight companies would be as follows:

Companies	Number of Shares Purchased	Shareholding (percent)
1. Thanachart Securities Public Company Limited	1,499,999,930	100.00
2. Thanachart Fund Management Company Limited	7,499,993	75.00
3. Thanachart Life Assurance Company Limited	49,999,400	100.00
4. Thanachart Insurance Company Limited	38,999,434	78.00
5. Thanachart Management and Service Company Limited	599,993	100.00
6. Thanachart Legal and Appraisal Company Limited	999,993	100.00
7. Thanachart Group Leasing Company Limited	35,999,994	100.00
8. Thanachart Broker Company Limited	9,999,000	100.00

On 5 July 2007, the Bank of Thailand gave its approval to Thanachart Bank to buy shares in the subsidiaries in accordance with the resolution adopted by the shareholders at their annual general meeting. On 12 July 2007, Thanachart Bank executed the related transactions with the combined value worth 4,158 million baht. The purchasing prices were based on the book values of the subsidiaries as of 30 June 2007. Later on 28 September 2007, Thanachart Bank purchased an additional 6,000,000 ordinary shares of Thanachart Insurance Company Limited. As a result, the bank's shareholding in Thanachart Insurance Company Limited increased to 100 percent.

Offer for Sale of Shares to The Bank of Nova Scotia Asia Limited

On 30 April 2007, the shareholders at their Annual General Meeting approved of the capital increase by

issuing and offering for sale up to 276,263,200 ordinary shares by private placement in line with the ordinary share sale agreement between Thanachart Bank Public Company Limited and The Bank of Nova Scotia Asia Limited (BNSAL) at 16.37 baht per share.

BNSAL expressed its intention to buy up to 49 percent of Thanachart Bank's issued and paid-up shares as an equity partner which would also participate in the management. The Finance Minister made an exception for BNSAL to hold shares up to 24.99 percent of Thanachart Bank's issued and paid-up share capital. As well, the Finance Minister made an exception for Thanachart Bank to have up to 49 percent of its issued and paid-up share capital held by foreign nationals, and to have foreign nationals as members of the Board of Directors in the amount of more than one-fourth but not exceeding one-half of the Board as well as not exceeding the shareholdings held by foreign nationals.

On 19 July 2007, Thanachart Bank increased its capital by offering for sale 276,263,200 ordinary shares to BNSAL at 16.37 baht per share. BNSAL also purchased an additional 157,130,216 shares of Thanachart Bank from the Company at 16.37 baht per share. As a result, BNSAL's total shareholding in Thanachart Bank amounted to 433,393,416 shares or 24.98 percent of the issued and paid-up share capital. On the other hand, the Company's shareholding in Thanachart Bank amounted to 1,291,912,593 shares or 74.48 percent.

Moreover, Thanachart Bank acquired the transfers of both assets and liabilities of BNSAL. The acquisitions were in compliance with the One-Presence Policy under the Financial Sector Master Plan. When BNSAL became the shareholder of Thanachart Bank, The Bank of Nova Scotia's Bangkok Branch was required to return its Bangkok branch license to the Finance Ministry and to transfer both its assets and liabilities to Thanachart Bank at a price equal to the book value.

On 11 January 2007, BNSAL transferred by way of changes in the share register all its shares in Thanachart Bank to its parent company The Bank of Nova Scotia (BNS). As a result, BNS became a shareholder of Thanachart Bank with a 24.98 percent shareholding.

- **Thanachart Fund Management Company Limited**

Thanachart Fund Management Company Limited made further changes to its organization structure after it grouped its various work units by customer type as well as separating the supporting work units from the core business units. To simplify the structure of control, the company has put its compliance office under the supervision of its Audit Committee. As well, it has established the Risk Management Office which is responsible for implementing the company's risk management policy in various areas, ensuring that the risks are managed efficiently and in line with the guidelines given by the Office of Securities and Exchange Commission (SEC). The Risk Management Office is, in turn, supervised by the Risk Management Committee. The details of the organization structure are as follows:

1. Marketing Department which consists of Product Development and Marketing Promotion Division, Distribution Channel Development Division and Marketing (Sales) Division.
2. Operations Department which consists of Service and Registration Division as well as Fund Operations Division.
3. Fund Management Group.
4. Business Support Group which consists of Technology and Information System Unit, Human Resource Management Unit, Administration Unit, Accounting and Budgeting Unit, Legal Unit, and President's Office.

5. Independent Group which consists of Compliance Office and Risk Management Office.

- **Thanachart Life Assurance Company Limited and Thanachart Insurance Company Limited**

Their major shareholder has changed from Thanachart Capital Public Company Limited to Thanachart Bank Public Company Limited.

PROCESS AND OPERATIONS SYSTEMS

- **Thanachart Capital Public Company Limited and Thanachart Bank Public Company Limited**

- The two companies have changed the structure of their key operations groups by using Thanachart Diamond Business Model. The objective is to support the growth of Thanachart Bank. The new structure under Thanachart Diamond Business Model will make the operations more efficient and flexible.

- Thanachart Bank changes the structure of its district office and branch management by using the HUB Operation Excellence approach which focuses on development of work systems and internal operations requirements as well as design of new business processes. The approach enables its operations to support the services and business conduct in line with the Bank's policy and strategies.

- Thanachart Bank completed its Thanachart Contact Center project in 2007. As a result, its customers nationwide can request for details about services offered by Thanachart Group through one phone number, i.e. 1770 available 24 hours.

INFORMATION TECHNOLOGY DEVELOPMENT

- **Thanachart Bank Public Company Limited**

1) The first phase of the development of Human Resource Information System (HRIS) was already completed on 1 November 2007. It is expected that all the three phases will be completed by the end of 2008. The system will provide the Bank with accurate information for the use in human resource management. It will also help enhance the efficiency of the HR operations in terms of the number of supporting staff and documents related to HR systems which will be reduced considerably.

2) The development of the Hire Purchase System continues from 2007 and is expected to be completed in 2008. The system is able to deal with various conditions of the products which are getting increasingly more complex. It will also enhance the efficiency in managing the hire purchase business and services. As a result, the Bank is able to respond to the needs of the customers accurately and efficiently.

3) The first part of the development of the General Ledger System was already completed. As a result, the accounting operations became more efficient. The system enabled the Bank to deal with changes in recording transactions in line with the new accounting standards which will be introduced. As well, the system is able to help preparing the reports for management decision in a more efficient manner.

- **Thanachart Securities Public Company Limited**

The company developed its service delivery systems as follows:

- Development of Online Stock Trading System (Credit Balance Type of Account), and
- Development of SET50 Index Option Trading System with support from Freewill Solutions Company Limited. The system would be used for placing buy/sell orders through the company's marketing staff. The company also cooperated with SETTRADE Dot Com Company Limited in developing SET50 Index Futures System for placing buy/sell orders on the internet.

- **Thanachart Fund Management Company Limited**

The company expanded its scope of services as follows:

- Installation of Account Book Issuance System. To gain customer confidence in investment, the account books, instead of the right certificates, will be issued for customers. The account books were first issued for holders of Money Market Fund unit trusts.
- Installation of the fund management system (HilInvest).
- Installation of the customer authentication system (KYC/CDD).

- **Thanachart Insurance Company Limited**

The company used Survey System and Open Claim (GIS) Auto system in managing and processing its claims. The systems significantly helped enhance the efficiency and accuracy of the claim processing. As a result, its customers as well as trade partners received a better and more efficient auto claim handling service.

BRANCH NETWORK

- **Thanachart Bank Public Company Limited**

- Thanachart Bank increased the number of its branches by 33 to 166 as at the end of 2007. Its branch

network covered all areas of economic importance with its services being made available to all regions of the country. The number of its branches ranked 8th in the commercial banking system. As a result, the company was able to expand its customer base considerably.

- Thanachart Bank's ATMs increased by 38 to 280 machines at the end of 2007. Of the total machines, 139 were located in Bangkok and 141 in the provinces and vicinities. In addition, Thanachart Bank and Krung Thai Bank jointly established the "ATM Connect" project which allowed customers to use their ATM cards to execute specified transactions through Krung Thai Bank's ATMs without having to pay for fee expenses as in the case of other banks.

- The number of its foreign exchange booths increased over the previous year by 21 to 65 at the end of 2007. These booths covered all tourist spots.

- **Thanachart Securities Public Company Limited**

The company opened five new branches in 2007, two of which were full service branches while the remaining three were sub-branches. As a result, as of the end of 2007, the company had 33 branches in total.

- **Thanachart Insurance Company Limited**

The company had 16 branches in total. It had 8 branches specially responsible for making indemnities.

SERVICES

- **Thanachart Bank Public Company Limited**

- Thanachart Bank changed the way in developing products from the 'decentralization' approach to 'centralization' approach which was more beneficial in promoting cross-selling and product bundling. The centralization approach enabled the company to analyze the needs of each customer group accurately. As a result, it was able to develop new products more effectively.

- Thanachart Bank accelerated the development of products which catered to the customers' financial needs. As a result, the available number of the company's products was on par with the industry average.

- **Thanachart Securities Public Company Limited**

1. The company was selected by the Stock Exchange of Thailand to be one of the team members in establishing and managing the first Equity Exchange-Traded Fund (ETF) in Thailand.

2. On 29 October 2007, the company started offering its brokerage services for trading SET50 Index Options through its marketing staff and on the internet.

3. On 16 October 2007, it started offering its investment advisory services.

- Thanachart Fund Management Company Limited

For regular buy orders whose settlements were made through the Savings Plan accounts, the company expanded this service to cover all mutual funds (with the exception of foreign investment funds), instead of just 27 mutual funds.

- Thanachart Insurance Company Limited

The company started offering its online claim processing services. The purpose was to cut waiting time for

survey officers and to cut the company's costs. As the development adopted the one-stop service concept, its customers received greater convenience and could make their claims at the point of service which they found most convenient.

FINANCIAL PRODUCTS AND SERVICES

- Thanachart Bank Public Company Limited

The Bank continues to develop new products and services in all areas, aiming to cater to its customers' needs. Their details are given under Nature of Business Operations of Each Business Group

- Thanachart Fund Management Company Limited

The company offered for sale its 12 mutual funds to the general public, with details as follows :

Nature of Fund	Number of Funds	(Unit : Million Baht)
		Sales Proceeds
Roll Over Debt Instrument Fund	4	4,571
One-Year Fixed Income Fund with Principal Protection	1	4,947
Mix Fund	3	1,645
Foreign Investment Fund	4	4,084
Total	12	15,247

- Thanachart Life Assurance Company Limited

The company has developed and sold two new types of insurance policies, the details of which are as follows:

1. Thanarat 14/14 - Smart Tax is a type of endowment insurance policy with a 14-year protection period. The policyholder is required to pay annual premiums over the 14-year contract period. The outstanding feature of this policy is the maximum benefits to be received by the policyholder. One of the benefits is that, in calculating personal income tax, the life insurance premium of up to 50,000 baht which is paid by the taxpayer is tax deductible. As well, the policyholder receives an annual bonus at the end of each year, starting from the end of the third year of the protection period. The bonus is fixed and paid annually until the end of the 14-year contract period.

2. Group Life Insurance Policy for Borrowers who attend Pilot Training Courses - this type of life insurance policy is designed for protection of the borrowers whose loan proceeds are used to pay tuition fees of pilot training courses. Should the policyholder die prematurely or is permanently incapacitated, the company will pay the benefits in accordance with the table showing the policy's cash value which decreases monthly. The benefits will be paid first to the beneficiary (lender)

to settle the outstanding loan balance, with any remaining benefits to be paid to the beneficiary or heir whose name is given by the policyholder in the insurance policy. The period covered by this type of policy is 10 years with the premium being paid once.

- Thanachart Insurance Company Limited

1. Automobile Insurance Products

1.1 Motor (Plus 2)

1.2 Motor (2 & 3 Plus).

2. Non-automobile Insurance Products

2.1 SME Package

2.2 Happy PA.

DISTINCTION AND HONORARY AWARDS GRANTED TO THANACHART GROUP

- Thanachart Securities Public Company Limited

The company received the "Best Bond Securities Firm" at the Best Bond Awards 2006 organized by Thai Bond Market Association (ThaiBMA). The award honored the debt instrument trading firm which was also an active securities company and played an important role in the debt instrument market.

- Thanachart Fund Management Company Limited

The company won the “Best Fund Group Over Three Years” Award 2007. The award was granted by Post/Lipper Thailand to the debt instrument fund with the best 3-year performance (2004-2006), the announcement of which was made in 2007.

1 Mr. Bundit Cheevadhanarak, Senior Executive Vice President of Thanachart Bank, and Mr. Sahas Treetipbut, Senior Executive Vice President - Managing Director, Products and Marketing Management Group, Krung Thai Bank Public Company Limited, jointly presided over the opening ceremony of the “ATM Connect” Services.

2 The number of Thanachart Bank’s branches increased by 33 from the previous year to 166 as at the end of 2007. The Bank’s branch network covers all key economic areas and all regions nationwide.

3 Ms. Suchada Pavananunt, Chairman and Chief Executive Officer of Thanachart Fund Management Company Limited, received the “Best Fund Group Over Three Years” (Bond Group) Award 2007 for the debt instrument fund with the best 3-year performance from Mr. Pakorn Malakul Na Ayudhya, Chairman of the Stock Exchange of Thailand. The award was given by Post/Lipper Thailand.

4 Mr. Banterng Tantivit, Chairman of Thanachart Capital Public Company Limited, and Mr. Arthur R.A. Scace, Chairman of the BNS’ Board of Directors, participated in an auspicious ceremony in celebration of the agreement, under which BNS acquired a 24.98 stake in Thanachart Bank.

5 Mrs. Asvini Tailanga, Managing Director of Thanachart Securities Public Company Limited, received the “Best Bond Securities Firm” from Thai Bond Market Association (ThaiBMA) at the Best Bond Awards 2006.

6 Mr. Chatchawan Polachan and Ms. Sumalee Areehudsan, Executive Agents of Thanachart Life Assurance Company Limited, received awards for their high quality performance at Thailand National Quality (TNQA) Awards 2007.

- Thanachart Life Assurance Company Limited

Five of its agents received awards at Thailand National Quality (TNQA) Awards 2007 which was organized by the Thai Life Assurance Association to honor agents for their high quality performance. The agents receiving the awards served as quality models for other life assurance agents.



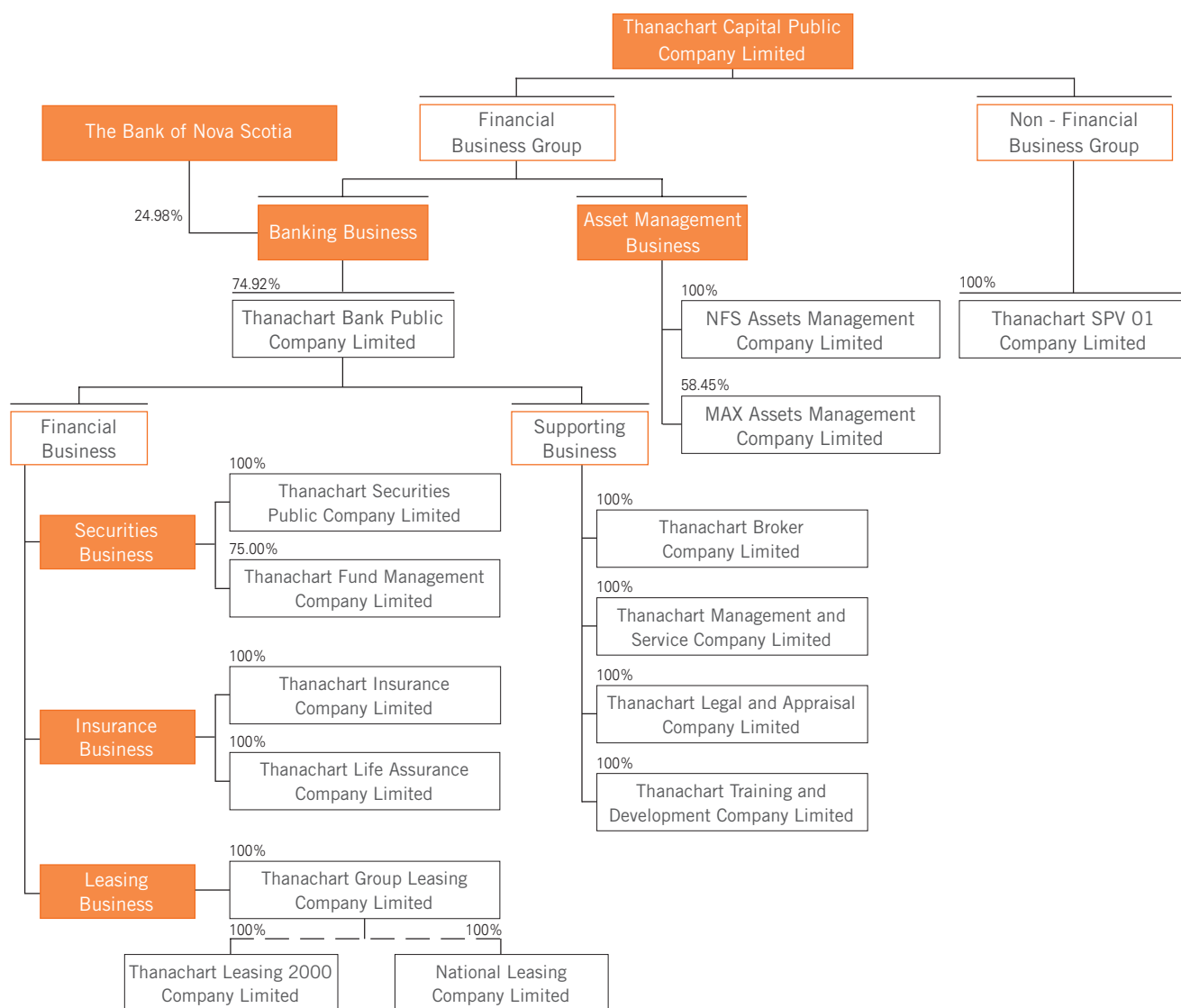
NATURE OF BUSINESS OPERATIONS

THE OVERVIEW OF THE GROUP'S BUSINESS

The Thanachart Capital Public Company Limited, the parent company of the Thanachart Financial Group. Under Thanachart Group, the companies are classified by their businesses, namely banking, securities, insurance, assets management, hire purchase, leasing and supporting businesses. The management and operation of each business unit is clearly

separated. This allows the group to provide a full function of financial services. The main service distribution channel of Thanachart Group will be the Bank's network and service outlets in line with good governance guidelines of relevant officials.

SHAREHOLDING STRUCTURE OF THANACHART GROUP AS AT 29 FEBRUARY 2008



Remark : Percentage of holding shown above includes shareholding of related parties.

POLICY ON DIVISION OF OPERATIONAL FUNCTIONS AMONG MEMBER COMPANIES OF THANACHART GROUP

Thanachart Financial Group has a policy to provide fully integrated financial services, which can be divided into 2 groups as follows :

A) Companies that operate in the financial businesses are as follows :

1. Thachart Capital Public Company Limited is the holding company of Thanachart Financial Business Group

2. Thanachart Bank Public Company Limited operates as a commercial banking business and other businesses permitted by the Bank of Thailand, such as selling life and non-life insurance products, and underwriting and repurchasing of unit trusts.

3. Thanachart Securities Public Company Limited is granted a license from the Ministry of Finance to operate 4 types of businesses securities brokerage, proprietary trading, securities underwriting and investment advisory service. As well, the company is engaged in other related businesses that support the securities business. These include, among others, financial advisory services, futures business, unit trust underwriting and repurchasing services as well as securities registrar.

4. Thanachart Fund Management Company Limited is a joint venture between Thanachart Capital Public Company Limited (holding 75 percent of the total shares) and The Government Saving Bank (holding 25 percent) operates private fund management and provident fund and operates investment advisory business to able to provide full range of advisory services.

5. Thanachart Insurance Company Limited provides non-life insurance services i.e. fire insurance, motor insurance, marine and transportation, and miscellaneous insurance.

6. Thanachart Life Assurance Company Limited, the company provides service related to life assurance and health insurance. The company's services can be divided into two main types which includes personal life and group life assurance.

7. Thanachart Group Leasing Company Limited operates all kinds of automobile hire purchase business.

8. Thanachart Broker Company Limited provides services in contacting hire purchase customers of Thanachart Group to insure their cars with insurance companies. Its services include acting as an insurance broker of Thanachart Insurance Company Limited.

9. NFS Asset Management Company Limited, the company received approval to operate the asset management business, its is engaged in buying or taking transfers of non-performing loans of financials institutions as well as the related loan collateral, for the purpose of managing or selling them.

10. MAX Asset Management Company Limited, the company received approval to operate the asset management business, its is engaged in buying or taking transfers of non-performing loans of financials institutions as well as the related loan collateral, for the purpose of managing or selling them.

B) Companies that operate in the supporting businesses are as follows :

1. Thanachart Legal and Appraisal Company Limited, the company provides legal services related to contracts, legal advice, bringing cases to court of law, legal enforcement, and price appraisal of collateral.

2. Thanachart Management & Services Company Limited, the company provides supporting services related to human resources.

3. Thanachart Training and Development Company Limited, the company is responsible for organizing training activities for employees of member companies of Thanachart Group.

Significant Income Structure of the Company's and Subsidiaries

Significant Income Structure of the Company's and Subsidiaries on Consolidated Financial Statements ended 31 December from 2005 - 2007

Business Group	2007		2006		2005	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Interest And Dividend Income						
Thanachart Capital Public Company Limited	2,378	13.4	4,588	33.7	6,979	58.4
Thanachart Bank Public Company Limited	15,360	86.7	11,136	81.7	3,001	25.1
Thanachart Securities Public Company Limited	72	0.4	88	0.7	60	0.5
NFS Asset Management Company Limited	210	1.2	512	3.8	446	3.7
MAX Asset Management Company Limited	63	0.4	114	0.8	181	1.5
Thanachart Fund Management Company Limited	6	0.0	6	0.0	3	0.0
Thanachart Insurance Company Limited	55	0.3	55	0.4	22	0.2
Thanachart Life Assurance Company Limited	160	0.9	141	1.0	102	0.9
Thanachart Group Leasing Company Limited	421	2.4	227	1.7	85	0.7
Thanachart Broker Company Limited	1	0.0	-	-	-	-
Others	73	0.4	84	0.6	56	0.5
Total Interest And Dividend Income	18,799	106.1	16,951	124.4	10,935	91.5
Interest Expense						
Thanachart Capital Public Company Limited	567	3.2	583	4.3	1,578	13.2
Thanachart Bank Public Company Limited	9,125	51.5	9,440	69.3	2,821	23.6
Thanachart Securities Public Company Limited	1	0.0	7	0.0	3	0.0
MAX Asset Management Company Limited	8	0.0	12	0.1	19	0.2
Total Interest Expense	9,701	54.7	10,042	73.7	4,421	37.0
Total Interest and Dividend Income	9,098	51.4	6,909	50.7	6,514	54.5
Reversal of Bad Debt and Doubtful Accounts						
Thanachart Capital Public Company Limited	824	4.6	553	4.1	346	2.9
Thanachart Bank Public Company Limited	(2,643)	(14.9)	(1,228)	(9.0)	(414)	(3.5)
Thanachart Securities Public Company Limited	1	0.0	13	0.1	115	1.0
NFS Asset Management Company Limited	(80)	(0.5)	(134)	(1.0)	700	5.9
MAX Asset Management Company Limited	9	0.1	94	0.7	4	0.0
Thanachart Group Leasing Company Limited	(163)	(0.9)	(61)	(0.5)	(26)	(0.2)
Others	1	0.0	4	0.0	(2)	(0.0)
Total Reversal of Bad Debt and Doubtful Accounts	(2,051)	(11.6)	(759)	(5.6)	723	6.1
(Bad Debt and Doubtful Accounts)						

Business Group	2007		2006		2005	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Loss on Debt Restructuring						
Thanachart Capital Public Company Limited	-	-	(1)	(0.0)	-	-
Thanachart Bank Public Company Limited	-	-	(33)	(0.2)	(63)	(0.5)
Thanachart Securities Public Company Limited	-	-	(10)	(0.1)	(104)	(0.9)
NFS Asset Management Company Limited	-	-	(121)	(0.9)	(259)	(2.2)
MAX Asset Management Company Limited	-	-	-	-	(4)	(0.0)
Total Loss on Debt Restructuring	-	-	(165)	(1.2)	(430)	(3.6)
Net Interest And Dividend Income Debt and Doubtful Accounts and Loss on Debt Restructuring	7,047	39.8	5,985	43.9	6,807	57.0
Non-Interest Income						
Thanachart Capital Public Company Limited	1,718	9.7	1,225	9.0	1,233	10.3
Thanachart Bank Public Company Limited	1,506	8.5	1,144	8.4	642	5.4
Thanachart Securities Public Company Limited	760	4.3	869	6.4	608	5.1
NFS Asset Management Company Limited	471	2.6	797	5.9	523	4.4
MAX Asset Management Company Limited	241	1.3	348	2.6	66	0.6
Thanachart Fund Management Company Limited	368	2.1	255	1.8	243	2.0
Thanachart Insurance Company Limited	2,081	11.7	1,668	12.2	1,056	8.8
Thanachart Life Assurance Company Limited	3,313	18.7	1,231	9.0	779	6.5
Thanachart Group Leasing Company Limited	86	0.5	51	0.4	25	0.2
Thanachart Broker Company Limited	66	0.4	14	0.1	-	-
Others	66	0.4	41	0.3	(31)	(0.3)
Total Non-Interest Income	10,676	60.2	7,643	56.1	5,144	43.0
Net Interest And Dividend Income after Debt and Doubtful Accounts and Loss on Debt Restructuring and Non-Interest Income	17,723	100.0	13,628	100.0	11,951	100.0

Others include Thanachart Leasing 2000 Co., Ltd., National Leasing Co., Ltd., Bangkok Home Co., Ltd., Sinkahakan Co., Ltd., Pasara Co., Ltd., Thiravanit Co., Ltd., Thanachart Legal and Appraisal Co., Ltd., NASSET Property Fund 6, Thanachart SPV 01 Co., Ltd., and Thanachart Management and Services Co., Ltd.

BUSINESS GOALS

Each year, the Company considers and sets its business goals. In this regard, assumptions on related factors are incorporate in determining the target of each business group, including customer base expansion as a major target. The performance will be monitored and evaluated on the pre-agreed time, while business plan will be considered if adjustment is needed at mid-year. In case factors used as the assumptions in preparing the business plan significantly deviate or there is a situation that directly has an impact on the commercial bank, such goals may be adjusted appropriate to the ever-changing factors.

BUSINESS OPERATION POLICIES AND STRATEGIES OF THANACHART GROUP

Thanachart Group has a common policy in considering vision, mission and business operation strategies of Thanachart Group.

VISION OF THANACHART GROUP

“Being a business group, with cooperation from every department that offers fully integrated financial services with focus given on providing excellent quality of services and product development to be able to respond to every financial need of its target customer groups”

Such vision is built from three major fundamentals i.e. be the business group, led by the Thanachart Bank, that provides a full-range of financial services (Universal Banking), response to customers’ needs (Customer Centric) and promote collaboration among every business unit (Synergy). In this regard, those three key fundamentals are the main factors that will drive Thanachart Group to become integrated financial service going forward.

Universal Banking offers full spectrum of financial products and services that match the needs of target customer groups coupled with service channels and network that can reach target customer groups at every services point covering every area across the country enabling them to conveniently use and receive good services. At present, Thanachart Group is the financial business group that has full range of financial services, namely banking business, securities business, asset management business, life insurance business and non-life insurance business. From this point onward, the focus of the development of Thanachart’s financial products and services will be on electronic services, branch expansion, foreign exchange service center and automatic machines (ATM, ADM) aimed at expanding the network to provide nationwide coverage services to its customers.

Customer Centric is the ability to response to all needs of customers. It is the adjustment of financial service procedures

that can response to every need of each target group’s customer. Importance has been placed on the adjustment, research and study of customers’ behaviors for the development of products and services that best match customers’ needs. This also includes the development of data management center, of which the information will be used for the design of new products and to improve services that fit target customer groups. In addition, Thanachart also places great emphasis on services provided by its employees to the customers. Every employee will take care of the customer by making inquiries with impressive wording, noticing frequently used services and assisting customers with the best services.

Synergy is the cooperation of companies and employees within the group to offensively operate the business. In so doing, the Bank needs to pool the efforts of every company under Thanachart Group and employee at all level up to the management to work together in an integrative form. The offensive business operation is in line with the strategic plan efficiency of its operations, Thanachart Group has thus supported in becoming a learning organization for the benefit of human resource development to have knowledge. Know-how and skill covering every business type of the group.

MISSION STATEMENT

- Customers : Determine to develop the quality of products and standardize the financial services
- Competitors : Compete fairly and transparently
- Trading Partners : Build good relationship with other trading partners
- Employees : Be a learning organization to facilitate the continuous improvement of personnel at all levels
- Shareholders : Place great importance on shareholder’s interests
- Society : Be a worthy organization to the society and comply with the official’s regulations

BUSINESS OPERATION STRATEGIES OF THANACHART GROUP

- Jointly consider vision, target and business direction to ensure business collaboration and aim to achieve such common vision and mission
- Have companies in the group to prepare the annual budget and 3-5 years business plan and to propose for consideration on an annual basis
- Have companies in the group to report their performance to Thanachart Capital Public Company Limited; the parent company of the group, on a monthly basis and jointly review target and budget every mid-year period

NATURE OF BUSINESS OPERATIONS OF EACH BUSINESS GROUP

THE INVESTMENT BUSINESS OPERATIONS OF THE COMPANY ARE IN THE FORM OF A HOLDING COMPANY.

The businesses of the Company and its subsidiaries are divided into six main groups including banking business group, securities business group, insurance business group, asset management business group, hire purchase and leasing group, and supporting and others business group. The details of the nature of each group's products and services as well as its marketing and competition in the previous year are as follows :

COMMERCIAL BANKING BUSINESS GROUP

Type of Services

Thanachart Bank operates its banking business in compliance with the Commercial Banking Act and the relevant announcements made by the Bank of Thailand. In addition, the Bank acts as an advisor for the investment in unit trust and securities trading account opening, and life insurance brokerage agent. As of the end of 2007, the Bank had in total 166 branches and 280 ATM machines (both in-branches and stand-alone) and 3 cash deposit machines and 65 foreign exchange booths, 47 of which are in-branches services and the remaining 18 of which are stand-alone.

Business Directions of the Bank

Thanachart Bank operates its business under Thanachart Group's vision, which states that, "Being a business group that offers integrated financial services with cooperation among companies in the group to provide excellent quality financial products and services that can serve all financial needs of target customer groups." In this connection, the Chairman of the Executive Committee has set six key business operations strategies, known as "CEO's Six-point Agenda", which consist of :

1. Achieve financial targets that are set in accordance with the long-term strategic plan.

2. Quicken growth initiatives, including create new products, expand the client base and improve quality of services to the finest level. Focus is given to development of products that fit the needs of target customer segments as well as on expansion of sales channels to the areas that have potential to fully response to target customer groups' needs.

3. Put in place the basic infrastructure system as well as the supporting system that is essential to provide convenience and thereby enabling greater efficiency in operating business (Operation Improvement). This includes the development of Thanachart Group's basic infrastructure system and operation system to ensure best practices.

4. Create a proactive working culture and improve employees' knowledge and skills (People Development) i.e. focusing on building a new corporate culture and creating new DNA for staffs at all levels.

5. Oversee the operations, ensuring strict compliance with the official's measures. Also look after the businesses to ensure that they are conducted under good corporate governance, risk management, general supervision, internal audit as well as relevant rules and regulations. In addition, establish the employee code of conduct that is applied to the whole organization.

6. Publicize good corporate image and reputation to customer groups and investors (Public Relation and Communication).

Products and Service

Thanachart Bank improves and develops products that can better response to various needs of its customers. The following are its 4 main groups of products :

- Group 1 Deposit Services
- Group 2 Lending Services
- Group 3 Electronic Products and Services
- Group 4 Other Services

The details of various groups are as follows :

GROUP 1 - DEPOSIT SERVICES

Thanachart Bank offers deposit services to customer groups, both retail and corporate, through its various service channels. It has 4 major types of deposit products including :

- Savings deposits
- Fixed deposits for periods such as 3, 6, 12, 24 and 36 months as well as special fixed deposits for 9 and 15 months
- Current deposits
- Foreign currency deposits

COMPETITIVE STRATEGIES

1) Product Strategy

Thanachart Bank places strong emphasis on providing deposit services that meet the needs of customers. It is also the Bank's policy to increase the range of deposit services by adding new features to the existing services. Focus is given to leadership in proactive marketing activities as well as development of advance technology systems that can handle new types of deposit products, such as establishment of interest rates for savings deposits by taking into account the outstanding balance at the end of the day.

2) Pricing Strategy

In determining deposit rates, Thanachart Bank has a policy to take into consideration future trends of interest rate, economic direction, including various other internal and external factors. Moreover, Thanachart Bank emphasizes on offering competitive interest rates to those offered by other commercial banks.

3) Sales Promotion Strategy

Thanachart Bank continues to organize sales promotion activities aiming to offer its deposit products to target customer groups. In 2007, Thanachart Bank placed emphasis on organizing marketing activities and sales promotional campaigns which were targeted at savings depositors, both individual and corporate. The objective was to expand its client base to attract new target customer groups.

4) Customer Segmentation Strategy

Thanachart Bank has a policy to categorize its customers into different groups and analyze the needs and service usage behaviors of each customer group. Thanachart Bank has also made available marketing officers who are at service of each customer group in providing advice, counsel and financial planning services, ensuring convenience and maximum satisfaction.

TARGET CUSTOMER GROUPS

Recognizing the importance of its retail and corporate customers, both large and small, Thanachart Bank has adopted the customer-centric approach which places great emphasis on understanding the real needs of its customers. This results in the development and introduction of products and services which truly meet the customers' needs.

Thanachart Bank has improved and developed products aiming to better response to various needs of customers. Thanachart Bank offers its services through different service channels of Thanachart Bank, including its branch network, marketing teams, electronic distribution channels, sales promotion teams as well as its business alliances' networks.

SERVICE CHANNELS

1) Branch Network

As of the end of 2007, Thanachart Bank had 166 branches in total, of which 86 were located in Bangkok and vicinities, and 80 were located in other provinces. Location of branches are accessible to various target customer segments e.g. department stores, community areas and office buildings.

2) Direct Marketing Teams

Thanachart Bank puts together direct marketing teams with good knowledge of deposit products and customer services. The teams are responsible for providing target customer groups with advice on various deposit products or investments.

3) Automated Teller Machines (ATMs)

In 2007, Thanachart Bank attempted to install more ATMs at a faster rate. As of the end of 2007, the Bank had 280 ATMs in total. Also in 2007, it installed three Cash Deposit Machines (CDMs). However, with the support of the ATM pool network, its customers are also able to use the services of cash withdrawal, money transfer, account balance inquiry and utilities payment available 24 hours at ATMs of every bank across the country.

GROUP 2 - LENDING SERVICES

Thanachart Bank's lending services can be divided into five categories including personal loans, loans for small-and medium-sized enterprises (SMEs) corporate loans, hire purchase loans, and trade finance, with details as follows :

2.1 PERSONAL LOANS

Thanachart Bank places emphasis on developing new products and providing a wide range of financial services that cater to every financial need of its customers. The Bank offers the following types of personal loans :

- **Housing loans** - loans under the product trademark "Smart Home" for customers with objective to purchase accommodation from housing project to land for building house or common housing. This also includes refinancing loans to repay the existing financial institution.

- **Multi-purpose loans** - loans under the product trademark “My Cash” for personal consumption with and without collateral. The loans are targeted at customers whose salaries are paid into their bank accounts with Thanachart Bank.

- **Wish-list loans** - additional credit lines for the Bank's hire purchase customers with good repayment track records.

- **Education loans** - loans under the product trademark “Scholar Loan” for customers who want to pursue their studies at the graduate level or those who want to attend the pilot training courses.

TARGET CUSTOMER GROUPS

The characteristics of target customer groups can be divided into four main groups as follows :

- 1) Customers who need loans for general consumption as well as personal consumption. Emphasis is given to the services provided together with other products of Thanachart Bank and Thanachart Group such as transfers of salary to Thanachart Bank's account, non-life insurance, and life assurance.

- 2) Hire Purchase customers with good repayment track records as well as customer groups that are employees of organizations with healthy performances or whose payrolls are processed through Thanachart Bank.

- 3) Customers who wish to purchase houses

- 4) Customers who need a loan to finance their graduate-level studies or their participation in specialized training courses such as pilot training courses.

SERVICE CHANNELS

The Bank's service channels for its personal lending services are as follows :

- 1) Direct marketing teams that approach customers directly take care of product sales to meet the target as specified in the business plan.

- 2) Branch network is another service channel that promotes personal loans or new products to customers.

2.2 LOANS FOR SMALL-AND MEDIUM-SIZED ENTERPRISES (SMEs)

This type of lending service is aimed at small-and medium-sized enterprises that need credit lines, including short-term loans which serve as working capital and enhance

liquidity of the business as well as long-term loans which help finance business expansion or reduce financial cost. Thanachart Bank also offers these customer groups other financial services such as guarantees/avals and trade finance.

TARGET CUSTOMER GROUPS

- New car dealers,
- Used car dealers,
- Transportation and car rental services business,
- Business owners in MBK Center, Siam Paragon and other leading shopping complexes,
- Apartment business, and
- Entrepreneurs who have strong growth potential.

SERVICE CHANNELS

- The loans for SMEs in Bangkok and vicinities are offered through the marketing outlets and branches located in Bangkok and vicinities. Prospective customers may also contact Thanachart Bank's SMEs marketing department directly.

- The loans for SMEs in upcountry are offered through the marketing outlets of branches located in every region of the country.

2.3 CORPORATE LOANS

Thanachart Bank has improved the types of its lending services by focusing on providing services that can better match customers' needs. Financial advisor team (Investment Banking) has been set up to provide services in conjunction with corporate lending services. Thus far, this approach is well accepted by its customers.

For corporate lending services, Thanachart Bank will consider financial services and products that truly meet the financial needs of its customers. Then, the terms, the credit line, the interest rate, and the repayment term will be determined to be in line with cash flow and credit needs of its customers. Thanachart Bank's main corporate lending services include :

1) Term Loan Facility

This type of facility is suitable for customers who have long-term financial needs i.e. for more than one year with clear financial objective e.g. capital expenditure to build a plant, business expansion, purchases of machineries/ equipments and etc.

2) Working Capital Facility

This type of facility is suitable for customers who have short-term financial needs i.e. for no more than one year which will be used as their working capital or for enhancing their liquidity position e.g. loans for raw material purchase order, inventory management and etc. Such financial services include overdraft line or promissory notes. The customers can withdraw loans as they wish but Thanachart Bank will review credit lines and customers' credit annually.

3) Aval/Guarantee Facility

This type of facility is suitable for customers who need it for a guarantee with trade partners e.g. bidding for projects, construction guarantee, utility guarantee and etc.

4) Trade Finance

The trade finance is suitable for customers who operate import and export businesses. Thanachart Bank has various trade finance products that completely match customers' needs e.g. Letter of Credit (LC), Shipping Guarantee (SG), export loans, international money transfer and etc.

Apart from such main corporate lending services, investment banking teams are also available to provide financial advisory services aiming to assist the customers to operate its business to achieve their specified targets e.g. advise on the capital restructuring to raise proper funding sources and etc.

LENDING AND COLLATERAL POLICIES

Thanachart Bank not only concentrates on providing corporate loan services but also acting as the financial advisor to potential medium- and large-sized corporate customers that are in the target sectors and are continuously expanding e.g. hotels, hospitals and etc. Of primary importance are past performance, expertise in the business and ability to repay debt. As regards the collaterals which are of secondary importance, Thanachart Bank takes into account the quality and liquidity of the collaterals.

LOAN RISK MANAGEMENT

To issue loans, Thanachart Bank's credit and credit analysis departments will together assess credit quality of each customer, in terms of business operation and repayment ability through loan rating. At the same time, Thanachart Bank applies a tool called RAROC Model in estimating return from extending loans, which should be in line with risk profile of each customer.

CENTRAL POLICY REGARDING LOAN APPROVAL AND FOLLOW UP

Thanachart Bank has a policy to oversee the operations. In particular, it has established the Credit Policy and Guideline to control the operation officers ensuring strict compliance with Thanachart Bank's requirements. Moreover, Thanachart Bank has set a credit line of each customer that is stricter than the measures imposed by the Bank of Thailand.

In approving loans, Thanachart Bank clearly designates loan department and loan analysis department to analyze credit applications of the customers independently with knowledge and expertise of the officers in each department. Then, every credit application is presented to Credit Committee for consideration and approval. Tools that will assist the decision making include RAROC model, credit scoring and loan rating.

After a thorough consideration, Thanachart Bank's credit checking unit will be responsible for checking customers' information and regularly report any correspondences between Thanachart Bank and customers. Additionally, Watch List Committee holds a regular meeting every month. The Committee reviews the quality of customers once a year to monitor the use of credit line, conformity with specified terms, business status as well as other events that may have impact on their business operation. In so doing, Thanachart Bank aims to protect against any increase in non-performing loans.

CUSTOMER CHARACTERISTICS AND TARGET GROUPS

Thanachart Bank puts strong emphasis on providing services to medium- to large-size customers that have good performance, especially customers that are in the target sectors in Bangkok and provincial areas. Emphasis is given to the expansion of customer base by approaching the supply chain of the target customer groups as well.

SALES AND DISTRIBUTION CHANNELS

Thanachart Bank provides services to customers through three main channels as follows :

- 1) Its Head office,
- 2) Thanachart Group's cross selling channels, and
- 3) Thanachart Bank's Branches.

2.4 HIRE PURCHASE LOANS

Thanachart Bank offers hire purchase loans to both individual and corporate clients. Focus is given to hire purchase loans for both new and used automobiles. Currently, Thanachart Bank is a market leader in the new car hire

purchase business and manages to gain a larger market share in the used car hire purchase business. Moreover, Thanachart Bank has projects for other type of vehicles e.g. loans for NGV project which is a joint project with PTT to provide loans for the modification of car's engine to preserve the environment.

TARGET CUSTOMER GROUPS

The target customer groups for both new and used care hire purchase loans include :

- 1) Retail customers in Bangkok and in the regions,
- 2) Car rental operators, and
- 3) Corporate entities and government agencies.

SERVICE CHANNELS

In terms of sales and service channels for hire purchase business, Thanachart Bank uses the following :

- 1) Sales teams in Bangkok and in other regions with focus on building good relationship with car dealers, including other companies that are considered target customer groups, to be able to reach them directly.
- 2) Thanachart Financial Agents (TFAs) who are responsible for selling Thanachart Group's products. This adds a distribution channel through customer base of Thanachart Group (Cross Selling) with focus given to potential customers.
- 3) Develop new distribution channels by organizing, in cooperation with car dealers, special campaigns that are targeted at specific customer groups.

2.5 LOANS FOR INTERNATIONAL TRADE

Thanachart Bank offers integrated financial services for international trade business. These include, among others, issuance of letters of credit (L/C), acceptance of trust receipt (T/R), packing credit, buying or buying at discount bills (export bill negotiation), issuance of standby letters of credit, and issuance of letters of guarantee.

COMPETITIVE STRATEGIES

Thanachart Bank's services focus on accuracy, convenience, efficiency, competitive interest rate and fees which are key factors in attracting customers to make use of its lending services for international trade. Thanachart Bank places emphasis on the overall income to be gained from the customers' transactions and the creation of the client base.

TARGET CUSTOMER GROUPS

Thanachart Bank's target customer groups include large -, medium - and small - sized corporate clients. Large -

sized corporate clients serve as prospect to establish customer base and extend its network to foreign countries worldwide, while the medium- and small-sized corporations serve as a base to build Thanachart Bank's income.

SERVICE CHANNELS

1. Trade finance officers as well as SMEs and corporate finance marketing officers.
2. Branch network.

GROUP 3 - ELECTRONIC PRODUCTS AND SERVICES

Thanachart Bank offers electronic products and services that enable financial transactions of its customers to be processed in a more efficient manner. These services include fund transfer service, automatic transfer service (ATS), online settlement for financial transactions through the Bank of Thailand's Automatic High-Volume Transaction Network (BAHTNET), automatic money transfers between banks (SMART) and bill payment service through various channels e.g. counters, ATM, IVR, Internet and Mobile. In this regard, Thanachart Bank has set all procedures according to the rules and regulations of the Bank of Thailand. At the same time, other external factors, such as inflation rate, world economy, rate of return and interest rate, are also taken into consideration.

3.1 AUTOMATIC TRANSFER SERVICE (ATS)

An automatic transfer service enables the customers to transfer money to a number of transferees who have savings or current accounts with Thanachart Bank nationwide. This service is in response to customers' needs in executing a large number of transfer transactions by issuing only one instruction in form of "one - to - many". Types of service available include the following :

- Payroll : To pay salary, bonus and dividend,
- ATS Credit : To pay for goods to a large number of receivers, and
- ATS Debit : To automatically deduct payment of goods for a large number of payers.

The customers can also use ATS services via diskette, modem and internet.

3.2 SMART (CREDIT)

Money transfer services to a large number of retail receivers that have savings or current accounts with other banks. The service is in response to customers' needs in executing a large number of transfer transactions by issuing only one instruction in form of "one - to - many" e.g. to pay for goods and services, salary, bonus, dividend and etc. The customers can also use SMART services via counter and internet.

3.3 OTHER FUND TRANSFERS

Other money transfer services between Thanachart Bank and other commercial banks e.g. normal fund transfer, money transfer to third party, automatic money transfer between savings and current accounts (Sweep), small volume money transfer between banks (Online Real-time Fund Transfer - ORTF) and large volume money transfer between banks (BAHTENET).

3.4 SWEEP ACCOUNT SERVICE (CASH LINK ACCOUNT)

This type of service offered by Thanachart Bank represents another service channel for its customers for greater convenience in transferring fund between savings and current accounts.

3.5 ONLINE REAL-TIME FUND TRANSFER (ORFT)

This inter-bank transfer service enables customers to make fund transfers from Thanachart Bank's counter to savings or current accounts of third party with other banks nationwide.

3.6 BAHTNET

This type of service is for customers who want to transfer their money from Thanachart Bank to other banks or financial institutions or those who want to accept the money transfer from other banks or financial institutions to accounts at Thanachart Bank. Such transfers, effective within that day, are suitable for customers who need an immediate transfer of large amount of money.

3.7 BILL PAYMENT SERVICES

The bill payment services are for companies that need to accept installment payments for their various products or services in form of "many - to - one" to facilitate their customers. Payers can also make payments at Thanachart Bank's counter across country or through Thanachart Bank's electronic channels. Payment acceptance reports are available to the companies on the next business day.

3.8 AUTOMATED TELLER MACHINES (ATMs)

In 2007, Thanachart Bank expanded its network to cover wider service areas by installing more ATM machines both in the Bangkok metropolitan and provincial areas. As a result, as of the end of 2007 the total number of ATM machines was 280. Thanachart Bank's depositors can use various services, including cash withdrawal, balance inquiry, bill payment, via

ATM Machines of the Bank and every bank that is the member of ATM Pool Network, around the clock.

In addition, in order to enhance its services, Thanachart Bank has included cash withdrawal services via Visa International's credit cards. Thanachart Bank's ATMs are thus able to give services to holders of Visa/Plus credit cards and Visa Electron debit cards. Moreover, in 2007 Thanachart Bank introduced a new service called "ATM Connect" for greater convenience of its customers. The service enables the customers with Thanachart Bank's ATM cards to use various services via over 4,000 ATM machines of Krung Thai Bank nationwide, as if they were Thanachart Bank's ATM machines.

3.9 SERVICES VIA TELEPHONE SYSTEMS

Currently, Thanachart SmartPhone can offer various services as follows :

- Checking outstanding balances of deposit accounts, credit accounts, money transfer between bank accounts, as well as money transfer to third party at the same bank,
- Checking interest rates,
- Making a request to receive statements and information about available products and services via fax,
- Changing passwords, and
- Giving advice or making comments on the provided services.

3.10 SERVICES VIA INTERNET SYSTEMS

Currently, Thanachart SmartWeb can offer various services as follows :

- Balance inquiry in deposit, credit accounts, and
- Checking and printing statements.

3.11 CASH DEPOSIT MACHINES (CDMs)

In 2007, Thanachart Bank installed three Cash Deposit Machines (CDMs). These CDM machines serve as Thanachart Bank's additional channel for electronic services. The services offered through the CDM machines are as follows :

1. With cash, the customers can use the following two types of service :

- 1.1 Making cash deposits, and
- 1.2 Making payments for utility bills.

2. With ATM cards, the customers can use the following five types of service :

2.1 Making deposits,

2.2 Making payments for utility bills. via ATM cards (within Thanachart Bank),

2.3 Making fund transfers (within Thanachart Bank)

- Making fund transfers to the ATM accounts (within Thanachart Bank)
- Making fund transfers to the accounts of the third party (within Thanachart Bank),

2.4 Checking outstanding balances, using ATM cards (within Thanachart Bank),

2.5 Changing passwords, using ATM cards (within Thanachart Bank).

TARGET CUSTOMER GROUPS

Focus is given to retail and corporate customers (both in the public sector and the private sector) that require convenience and efficiency in making payments or fund transfers from Thanachart Bank to other commercial banks, or between accounts within Thanachart Bank. Focus is also given to those customers that require security and efficiency in processing such transactions.

SERVICE CHANNELS

Thanachart Bank has developed its electronic distribution channels, aiming to provide its customers with convenience in using its services through all the service channels. Emphasis is placed on more convenience, security and efficiency. Moreover, Thanachart Bank has developed its electronic services, in response to the increase in the number of its customers using cell phones and the internet. The electronic services enable the customers to process the financial transactions themselves. As the customers do not have to travel to Thanachart Bank branches, the services help them save time and money.

Thanachart Bank is well prepared to provide its customers with the electronic services. Thanachart Bank's customers, both retail and corporate, can use the services after they open accounts with Thanachart Bank. The services are offered through the following channels :

1. Thanachart Bank's marketing staff at branches,
2. The branch network,
3. Automated Teller Machines (ATMs),

4. Thanachart SmartPhone,

5. The Bank's website, www.thanachartbank.co.th, and

6. Cash Deposit Machines (CDMs).

GROUP 4 - OTHER SERVICES

Thanachart Bank also offers other financial services for retail and corporate clients, aiming to facilitate transactions related to foreign currency exchange, bill of exchange, short-term debentures, including the service of acting as bondholders' representative.

4.1 FOREIGN CURRENCY EXCHANGE SERVICES

Thanachart Bank's services include foreign currency exchange service in form of bank notes and traveler checks, money changers; receipt of foreign currency transfers into the country for payments of goods or for transfers into personal accounts; foreign currency transfers out of the country for payments of goods or for transfers into personal accounts; and opening of Foreign Currency Deposit (FCD) accounts and etc.

TARGET CUSTOMER GROUPS

Thanachart Bank's target customer groups consist of individuals, including tourists and foreign businessmen working in Thailand, as well as corporate clients in business sectors such as hotels and tourism, whose businesses use foreign currencies.

SERVICE CHANNELS

It is Thanachart Bank's policy to increase the number of service units for greater convenience of its customers. Focus is given to locations that are easily accessible by target customers. These include Thanachart Bank's branches located in areas with high demand for foreign currency exchanges as well as stand-alone foreign exchange booths, which are located in popular tourist spots. Thanachart Bank also provides on-site foreign exchange services for organizations that need to use Thanachart Bank's services. As of 31 December 2007, there were total of 65 service points, both stand-alone and in-branch. Of the service points, 32 were located in Bangkok and 33 in other provinces.

4.2 BILLS OF EXCHANGE AND SHORT-TERM DEBENTURES

In 2006, the Bank of Thailand permitted the commercial banks to issue bills of exchange as a mean to borrow money from the public. This offers a new fund raising

alternative for the commercial banks and adds another savings option for the public. As a result, Thanachart Bank issued in November 2006 bill of exchange products for sales to its customers, from individual to corporate except financial institutions and foreign residents, via Thanachart Bank's branches. At the beginning, Thanachart Bank offered these products at its head office and mini-branch at the MBK Tower. Later in 2007, Thanachart Bank made the products available at all its branches. The purpose was to enhance customer convenience and provide better service coverage.

Moreover, the issuance of the bills of exchange represents another measure for Thanachart Bank to get prepared before the new Deposit Protection Agency (DPA) Act takes effect. The bills of exchange issued by Thanachart Bank received good responses and were very well received by its customers. This reflected its strong financial health as well as the customer confidence in Thanachart Bank.

TARGET CUSTOMER GROUPS

Target customer groups are the depositors, both individual and corporate, who have knowledge, understanding and experience in investing in debt instruments and are able to handle certain level of credit risks of Thanachart Bank as an issuer.

COMPETITIVE STRATEGIES

Holders of debt instruments including bills of exchange and short-term debentures issued by commercial banks are considered as creditors. As a result, they receive no guarantee of principle and interest payment from the Financial Institutions Development Fund. To compensate for risks arising from the creditworthiness of the issuing banks, the rate of return on such instruments will be higher than the fixed deposit rate for the same time period. At the same time, Thanachart Bank is placing more emphasis on improving not only the efficiency and speed of its services but also the variety of products. The key is to add new features and modernize the supporting technology systems.

4.3 BONDHOLDERS' REPRESENTATIVE SERVICES

The main responsibilities and duties of the bondholders' representatives are to oversee and protect all rights of its bondholders in accordance with the terms and conditions of any debenture issuance as well as the

notifications issued by the Securities and Exchange Commission and the Stock Exchange of Thailand. Thanachart Bank is well-equipped to act as an agent providing this service, which includes following up, ensuring that the performance are in compliance with terms and conditions under the Issuer Agreement and overseeing the assets that are pledged as collateral.

POLICY AND MARKET CHARACTERISTICS

Thanachart Bank has started to provide a service of bondholders' representative since the end of 2005. The business was transferred from National Finance Public Company Limited, whose name had changed to Thanachart Capital Public Company Limited, to Thanachart Bank. Together with the financial advisor, Thanachart Bank offers this service directly to the issuers of the bonds. So far, Thanachart Bank has reasonably gained trust from customers.

COMPETITIVE STRATEGIES

In view of the prevailing conditions, Thanachart Bank has put great emphasis on providing convenient, quick service and competitive fees.

Business Constraints and Factors Affecting Business Opportunities

Both the consumer confidence and the investor confidence were adversely affected by several factors including political uncertainties, rising crude oil prices, baht appreciation, and volatility in the global financial system. As a result, the Thai economy in 2007 grew at a lower rate than the previous year. The commercial banks' loans and deposits also grew at a lower rate.

In 2007, the financial institutions' loans to the private sectors grew only 4.0 percent, down from 4.2 percent in 2006. This was mainly due to the weaker domestic demand, both in terms of investment and consumption of the private sector. As well, to safeguard against the potential increase in non-performing loans, the financial institutions imposed stricter lending criteria on loan approval.

The hire purchase business in 2007 was also hard hit by the economic slowdown and the rising crude oil prices. As a result, the demand for cars and motorcycles slowed down. The hire purchase business in 2007 grew 40.7 percent, down from 87.3 percent in 2006.

Apart from the economic and political factors, changes initiated by the authorities concerned in some areas represented business constraints in the short-term but helped strengthen the financial system and standardize the Thai commercial banking system in the long-term. The changes included the implementation of the consolidated supervision, Basel II requirements, compliance with the International Accounting Standard No. 39 (IAS 39), and the new Deposit Protection Agency (DPA) Act. The changes affected the business operations of the commercial banks in areas including the loan loss provisions.

However, the changes in the regulations which were imposed on the commercial banks did not apply to other types of financial institutions. This represented a major obstacle to the commercial banks' business operations, mainly because it reduced their competitiveness in the market. Currently, there are many types of financial institutions, such as non-banks, which give financial services similar to those of the commercial banks, but they do not have to register as commercial banks. These entities are allowed to execute some financial transactions while the commercial banks are not allowed to do, as the latter are subject to a number of regulatory requirements. For example, in order to maintain the minimum capital Adequacy Ratio (CAR) required by the authorities, Thanachart bank has less flexibility in issuing loans than the factoring companies which are not subject to the CAR requirement. As well, in complying with the capital adequacy ratio (BIS ratio) requirement, the commercial banks have less flexibility than the factoring companies in issuing loans.

However, the new Financial Institution Business Act B.E. 2551 covers entities whose business mobilizes funds from the public or issues loans or is engaged in any type of financial services. If such business has impact on the country's overall economic system and there is no law specially governing such business, the Bank of Thailand may propose the passing of a law that subjects such business partially or wholly to the jurisdiction under this Act. As a result, the non-banks, to which the conditions apply, may be subject to the control by the Bank of Thailand.

Key positive factors that supported the business operations of the commercial banks in 2007 were as follows :

- The political climate which became clearer towards the latter part of 2007 helped boost domestic investment.

The overall demand for loans by both the business sector and the households in the fourth quarter of 2007 improved.

- Acceleration of disbursement of the government budget and the rising prices of agricultural products helped stimulate the economic growth but at a lower rate than the previous year.
- The commercial banks were allowed to engage in more types of financial business e.g.
 - Relaxing regulations governing the deposit and transfer of foreign currencies enables the commercial banks to accept deposits in form of foreign currencies.
 - Allowing the commercial banks to issue bills of exchange helps the commercial banks cut their financial costs and provides the savers with an additional investment alternative.
- Allowing foreign investors to increase their shareholdings helps strengthen the financial health of the Thai financial institutions and enhance their competitiveness. As well, it helps facilitate transfers of technology as well as development of financial products and services, in preparation for the financial liberalization in the future.

INDUSTRIAL OUTLOOK AND COMPETITION

In 2007, the number of the commercial banks which were registered in Thailand increased by two. The new banks were The Thai Credit Retail Bank Public Company Limited and AIG Retail Bank Public Company Limited. On the other hand, GE Money Retail Bank Public Company Limited returned its banking license to the authority. As a result, as of the end of 2007, the total number of the commercial banks registered in Thailand amounted to 18, an increase of one bank over the year 2006. At the same time, the total number of the foreign bank branches in Thailand amounted to 16, a decrease of one branch from the year 2006. The branch of the Bank of Nova Scotia returned its business operations license as a result of its acquisition of shares in Thanachart Bank.

The total deposits (less deferred expenses) of the commercial banking system amounted to 6,505,148 million baht. The total deposits of the Thai commercial banks registered in Thailand amounted to 5,964,657 million baht, accounting for 91.7 percent, while the total deposits of the foreign bank branches amounted to 540,491 million baht, accounting for the remaining 8.3 percent.

The net loans of the commercial banking system amounted to 5,757,837 million baht. The net loans of the commercial banks registered in Thailand amounted to 5,233,926 million baht, accounting for 90.9 percent, while the net loans of the foreign bank branches amounted to 523,912 million baht, accounting for the remaining 9.1 percent.

In considering the competition in the current financial system, it is necessary to take into account the financial institutions that are not commercial banks, financial market, capital market, as well as the state's specialized financial institutions, which play a more active role in the economic system, as a result of the changes in the regulators' rules and regulations. The changes allow for more flexibility and prepare the industry for the financial liberalization in the future.

The keener competition has caused the commercial banks to speed up the development of a more diverse range of financial products, increase more distribution channels, and develop new technology aiming to provide customers with greater convenience. These are in addition to price competition in form of interest rate change, which is a common strategy adopted by the commercial banks. Moreover, several commercial banks place strong emphasis on building a positive corporate image e.g. by organizing public relations activities and establishing more activities that demonstrate their corporate social responsibility (CSR).

In 2007, the deposits of the Thai financial institutions grew only 1.1 percent over the previous year. This was considered a significantly slow growth, partly due to the economic slowdown. The slow growth was partly due to the bills of exchange issued by the commercial banks, which increased substantially. The purpose was to cut the banks' financial costs and to increase the number of available financial products. As well, savers had a better understanding of the financial products. Putting them together, the combined value of the bills of exchange and the deposits of the Thai commercial banks grew 7.2 percent over 2006.

As regards the commercial banking system's competition in issuing loans, focus was given to both interest rates and quality of service. In 2007, the loans issued by the commercial banks to the private sector grew only 4.0 percent over the previous year. The growth was slightly lower than the previous year. This was mainly due to the decrease of the loans to the business sector for the purpose of investment. On the other

hand, the loans to households increased marginally in line with the economic slowdown. Importantly, many companies with strong potential in issuing debentures stopped mobilizing funds from commercial banks by borrowing. Instead, they mobilized funds directly from the public by issuing debentures. The move helped cut their financial costs.

However, towards the last quarter of 2007, the private sector's investment improved. As a result, the loans issued to the business sector increased.

As regards the interest rates in 2007, the commercial banks reduced the interest rates for their deposits and loans in line with the direction of the policy interest rate which was cut during the first half of the year.

The Bank of Thailand cut its overnight repurchase rate by a total of 175 basis points in the first half of 1 year to 3.25 percent. On the other hand, the interest rates offered for 1 year fixed deposits decreased by 175 - 262.5 basis points from the end of 2006 to 2.25 - 2.375 percent at the end of 2007. This was due to the fact that the liquidity in the commercial banking system remained high.

The interest rates for loans decreased by only 87.5 basis points from the end of 2006 to 6.875 percent at the end of 2007. This was partly due to the economic and business risks which remained relatively high.

As a result, the spread between lending and deposit rates increased from 3.75 percent to 4.5 - 4.625 percent.

THE BANK'S SIZE COMPARED WITH COMPETITORS

In 2007, Thanachart Bank's total assets amounted to 291,098 million baht, an increase of 33,662 million baht or 13.1 percent over the previous year. Its asset size ranked 8th among 18 commercial banks registered in Thailand.

Thanachart Bank commanded a 4.17 percent market share, taking into account the combined value of total deposits and short-term borrowings of the commercial banking system. Its total deposits of 191,546 million baht ranked 8th among the commercial banks registered in Thailand.

Taking into consideration the commercial banking system's total loans, Thanachart Bank commanded a 4.32 percent. It ranked 8th among the commercial banks registered in Thailand.

Availability of Products and Services

SOURCES OF FUND

Thanachart Bank's issued and paid-up share capital as well as its legal reserve and retained earnings are one of its main sources of fund. In 2007, these amounted 17,346 million baht. Thanachart Bank's other two main sources of fund include the following:

1. Deposits as of the end of 2007 amounting to 191,546 million baht, a decrease from 198,981 million baht at the end of 2006.

2. Borrowings worth 68,438 million baht, of which the short-term borrowings amounted to 58,548 million baht. This was mainly due to the increase in short-term bills of exchange. Thanachart Bank provided its customers with an additional alternative for their savings by issuing short-term bills of exchange. On the other hand, Thanachart Bank's long-term borrowings amounted to 9,890 million baht. During the year, the maturities of part of Thanachart Bank's long-term borrowings fell below one year. As a result, these borrowings were recorded as short-term borrowings. The change was in line with the generally accepted accounting standards.

Key Sources of Fund

(Unit : Million Baht)

Sources of Fund	2007	2006	Change from 2006	
			Million Baht	Percent
Equity	23,661	19,561	4,100	21.0
Deposits	191,546	198,981	(7,435)	(3.7)
Borrowings				
- Short-term Borrowings	58,548	15,525	43,023	277.1
- Long-term Borrowings	9,890	17,079	(7,189)	(42.1)
Total Borrowings	68,438	32,603	35,835	109.9
Total	283,646	251,146	32,500	12.9

FUNDING OR BORROWINGS FROM PARITIES RELATED TO EXECUTIVES OR MAJOR SHAREHOLDERS

As of the end of 2007, the loans given by Thanachart Bank to its parent company, subsidiaries and associated companies only within Thanachart Group consisted of the following :

1. Major Shareholder (Thanachart Capital Public Company Limited)

The Company and Thanachart Bank jointly made the announcement on their business reorganization plan. It became difficult for the Company to find sources of fund as all its deposits were transferred to Thanachart Bank since the beginning of 2006. However, there were still outstanding hire purchase loans remaining at the Company These hire purchase loans would be gradually repaid in line with their respective installment plans. Thanachart Bank had to give loans to the Company, to help the latter address the constraints on the sources of fund.

In 2007, the Company gradually repaid its loans given by Thanachart Bank. As of the end of 2007, its outstanding loan balance amounted to 12,500 million baht, a decrease from 39,600 million baht at the end of 2006.

2. Thanachart Group Leasing Company Limited (a subsidiary of Thanachart Bank)

Thanachart Bank gave loans to Thanachart Group Leasing Company Limited, the proceeds of which in turn were used to give hire purchase loans for all types of cars in line with Thanachart Group's policy. As of the end of 2007, Thanachart Bank's outstanding balance of the loans given to the company amounted to 4,000 million baht, an increase from 2,000 million baht at the end of 2006.

3. Thanachart Leasing 2000 Company Limited (a subsidiary of Thanachart Bank)

Thanachart Bank gave loans to Thanachart Leasing 2000 Company Limited, the proceeds of which in turn were

used to give hire purchase loans for all types of commercial vehicles and passenger cars with seating for up to 7 adults as well as motorcycles. In line with the approval given by the Bank of Thailand on 5 July 2007, the company was allowed to operate motorcycle hire purchase business in replacement of Thanachart Group Leasing Company Limited. As of the end of 2007, Thanachart Bank's outstanding balance of the loans given to the company amounted to 294 million baht.

4. NFS Asset Management Company Limited (a subsidiary of the Company)

Thanachart Bank gave loans to NFS Asset Management Company Limited, the proceeds of which in turn were used to purchase non-performing loans from Thanachart Group. As of the end of 2007, Thanachart Bank's outstanding balance of the loans given to the company amounted to 4,250 million baht, a decrease from 8,300 million baht at the end of 2006.

The total loans given by Thanachart Bank to the member companies of Thanachart Group amounted to 21,044 million baht, accounting for 9.4 percent of Thanachart Bank's total loans as of the end of 2007. The loans were given with the approval granted by the Bank of Thailand.

CAPITAL ADEQUACY

It is Thanachart Bank's policy to maintain a capital - to - risk - asset ratio at the level which is adequate to cope with the risks arising from its business operations and the volatility as a result of various factors. It is also its policy to maintain the capital-to-risk-asset ratio at the level that is higher than the minimum requirement of 8.5 percent imposed by the Bank of Thailand. The Bank of Thailand also requires that the minimum ratio of tier-1 capital to risk-weighted assets amounts to 4.25 percent.

As of the end of 2007, Thanachart Bank's capital - to - risk - asset ratio and its ratio of tier-1 capital to risk-weighted assets amounted to 12.00 percent and 10.15 percent respectively.

LIQUIDITY

It is Thanachart Bank's policy to manage its liquidity appropriately. The main objective is to maintain the level of its liquid assets in line with the requirements of the Bank of Thailand and to maintain a good balance between its liquidity

and its liabilities. In this connection, Thanachart Bank's Asset and Liability Management Committee (ALCO) is responsible for managing the liquidity and interest rates. The Committee consists of Thanachart Bank's high - level executives. Its main responsibilities include formulation of the asset and liability management plan as well as setting and reviewing the direction of Thanachart Bank's investment policy in line with the risk policy approved by the Bank's board of directors and executive committee. ALCO meets every week to consider the liquidity risk, interest income and interest expenses, short - term and long - term structure of its assets and liabilities, impact on Thanachart Bank's liquidity as a result of changes in the economic conditions, money markets and capital markets, both local and overseas, as well as rules and regulations of the authorities concerned. As part of its responsibilities, ALCO establishes the policy on the structure of both fixed and floating interest rates, ensuring that they are in line with Thanachart Bank's capital structure. To support ALCO's work, Thanachart Bank's Risk Management Committee helps conduct the interest rate gap analysis and the liquidity gap analysis. The objective of the analyses is to measure the impact from the interest rates and the liquidity. Moreover, to protect against possible negative impact from the business operations, ALCO determines credit limits for each business sector.

SECURITIES BUSINESS GROUP

The business operations of the Securities Business Group are divided into 2 types of business which include securities business and fund management business.

1. SECURITIES BUSINESS Types of Products and Services

The securities business is managed by Thanachart Securities Public Company Limited which is authorized by the Ministry of Finance to operate four types of businesses including securities brokerage, proprietary trading, securities underwriting and investment advisory services. As well, the company is engaged in other related businesses that support the securities business. These include, among others, financial advisory services, futures business, unit trust underwriting and repurchasing services as well as securities registrar.

As of 31 December 2007, the company's headquarters were located at 444 MBK Tower, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330. It had 33 branches in total. Of these branches, 15 were full-service branches in Bangkok and its environs. The company had 469 employees in total.

The company's securities business can be divided into 2 main lines of business including stock brokerage services as well as investment banking and investment advisory services. The areas covered by each line of business are as follows :

Securities Brokerage Services

- 1) Securities Brokerage,
- 2) Proprietary Trading,
- 3) Futures Business,
- 4) Unit Trust Underwriting and Repurchasing Services, and
- 5) Securities Registrar Services.

Investment Banking and Investment Advisory Services

- 1) Financial Advisory and Underwriting Services, and
- 2) Investment Advisory Services.

SECURITIES BROKERAGE SERVICES

1. Securities Brokerage

Thanachart Securities Public Company Limited is the member broker #16 of the Stock Exchange of Thailand. Its brokerage services cover three types of account, including cash account, cash balance account and credit balance account. As well, the company offers its brokerage services through internet. In 2007, it ranked 11th with a market share of 3.49 percent. For the online stock trading, it ranked 9th with a market share of 3.52 percent.

To support the customers in their investment decision making, the company's stock research department and investment strategy department work closely in providing the customers with information and securities analyses. Thanks to the business alliance agreement it entered with BNP Paribas Securities (Singapore) Pte Ltd, the quality of the company's securities analyses is on a par with the international standards. They are well accepted by retail and institutional investors, both local and overseas. The company's stock research covers over 60 securities which account for about 70 percent of the Stock Exchange of Thailand's market capitalization.

2. Proprietary Trading Business

In operating the proprietary trading business, the company trades only debt securities with the focus given to transactions that are executed by matching orders only. The company will first survey the needs of both buyers and sellers before initiating the transactions. The objective is to protect itself against the risk arising from possible price fluctuations. The company is a dealer member of The Thai Bond Market Association (ThaiBMA), acting as a debt instrument dealer in over-the-counter dealing. The company also participates in the public auctions of government bonds, debentures issued by state enterprises, and treasury bills, for the purpose of buying and reselling them to investors. In addition, the company is a member of the Bond Electronic Exchange (BEX) of the Stock Exchange of Thailand, Acting as a broker for trading debt instruments worth over 100,000 baht on behalf of investors. In 2007, the company was awarded the Best Bond Securities Firm at Thai BMA Best Bond Award 2006. In granting the Award, Thai BMA selected from debt instrument brokers which were also securities companies playing an active role in the debt instrument market, taking into account their trading value, compliance with the regulations, trading volume in the primary market and their offers of buying and selling prices of debt instruments.

According to ThaiBMA, in 2007 the company ranked 14th with a market share of 1.13 percent of ThaiBMA's total turnover. All the first ten rankings still belonged to commercial banks.

3. Futures Business

Being a member of Thailand Futures Exchange Public Company Limited (TFEX), the company has started offering the brokerage services for futures trading since 20 July 2006. During the initial period, its first product for trading was SET50 Index Futures. In October 2007, introduced a new product called SET50 Index Options, which attracted a lot of interest from its customers and new investors in trading futures contracts through the company.

In 2007, the company's futures contract trading volume grew steadily, with the total turnover amounting to 28,515 million baht, an increase of 21 percent from 2006. Its market share amounted to 2.02 percent with the number of its accounts in 2006 increasing by 21 percent from 2005.

4. Unit Trust Underwriting and Repurchasing Services

The company acts as an agency which offers unit trust underwriting and repurchasing services to mutual funds. In carrying out its services, it gives information about the mutual funds which it represents to marketing staff and customers in general. As well, it coordinates work related to contracts, compensation, promotions as well as seminars about investments in mutual funds. It also develops channels of distribution for marketing staff and sales teams through online mutual fund systems.

5. Securities Registrar Services

The company's securities registrar division gives two types of service as follows :

1) Services for securities issuers, such as registration of transfers, pledge of securities, securities attachment, securities allocation, notification of the number of securities allocated, dividend payments, interest payments to securities holders, calculation of tax, dividend and withholding interest, preparation of other reports as requested by securities issuers.

2) Services for securities holders, such as registration of securities holders, changes of information about securities holders, securities transfers, issuance of new securities certificates, printing and dispatching of documents to securities holders.

INVESTMENT BANKING AND INVESTMENT ADVISORY SERVICES

1. Financial Advisory and Underwriting Services

The company focuses on giving financial advice to public companies on their initial public offerings (IPOs) for the purpose of mobilizing funds from the public in the form of equity and debt instruments. However, the company still recognizes the importance of providing its customers with financial advice in other areas, as part of its efforts to increase non-interest income. This includes financial advice given to various companies on business reorganization, debt restructuring, financial restructuring, company valuation, as well as mergers & acquisitions. Among other services, the company acts as an independent financial advisor, giving its opinions on a number of transactions.

During the period from 2003 to 2007, it acted as the financial advisor and underwriter of many debt and equity instrument issues, either in the role of lead underwriter, co-lead underwriter or sub-underwriter. Its customers include, among others, CS Loxinfo Public Company Limited, Thai Airways International Public Company Limited, Krungthai Bank Public Company Limited, SC Asset Corporation Public Company Limited, Matching Studio Public Company Limited, Areeya Property Public Company Limited, Airports of Thailand Public Company Limited, Workpoint Entertainment Public Company Limited, Pongsaap Public Company Limited (formerly Mangpong Public Company Limited), Glow Energy Public Company Limited, Phatra Securities, Metrostar Property Public Company Limited, Thai Plastic Public Company Limited, Industrial & Engineering Service Public Company Limited, Bangkok Metro Public Company Limited, PTT Exploration & Production Public Company Limited, PTT Chemical Public Company Limited, Total Access Communication Public Company Limited, Citigroup, MBK Public Company Limited, and Thanachart Capital Public Company Limited. On distribution channels, the company offers its services through the customers of the company's marketing staff as well as through customers who currently use the other financial services of member companies of Thanachart Group.

2. Investment Advisory Services

The company has established an investment advisory division responsible for providing customers with advice and recommendations on all types of investments including, among others, deposits, debt instruments, equity instruments and derivatives as well as mutual funds, both local and overseas through foreign investment funds. The objective is to enable the customers to diversify their risks and to have choices of products in line with their investment objectives. The investment advisory division is also responsible for finding and conducting studies of new investment vehicles that cater to the needs of the customers and for expanding investment channels.

Marketing and Competition

SECURITIES BROKERAGE SERVICES

1. Securities Brokerage

The company's strategy for 2008 places strong emphasis on growth in terms of a larger market share. It also places emphasis on efficient management of operational costs as well as human resource development aimed at enhancing the skills, knowledge and competence of the staff. This is in preparation for keener competition as a result of the liberalization of the securities brokerage business scheduled for 2012, four years from now. The company focuses on growing its business from its existing customers and from the increase in the number of new customers. For the existing customers, it focuses on strengthening the relationship by using the customer relationship management (CRM) strategy. In order to cope with the stronger competition in the securities brokerage business, it will continue maintaining the current client base. On the other hand, in its efforts to increase the number of new customers, it recognizes the importance of the high potential of Thanachart Group. As a result, it has adopted a strategy aimed at gaining new customers from the client bases of Thanachart Group's member companies. In particular, Thanachart Bank Public Company Limited has considerable potential in terms of high-net-worth depositors and local institutional investors. Importantly, thanks to its partnership with BNP Paribas Securities (Singapore) Pte Ltd, the company has a new channel to win new foreign institutional investors. It has been quite successful so far in this area.

INDUSTRY OUTLOOK AND COMPETITION

The securities brokerage industry in 2007 was hard hit by high volatility, as witnessed by the sharp rises and falls of SET index throughout the year. The volatility was due to several factors, both local and overseas. The local one was political uncertainties which had a direct impact on the country's overall investment climate. As well, the uncertainties had an adverse impact on the investor confidence. On the other hand, the overseas factors included, among others, the crude oil prices which hit a new record high and were expected to rise further, and the U.S. sub-primes crisis which had a profound impact on global stock markets, including the Thai bourse. However, the Stock Exchange of Thailand managed to reach an average daily turnover value of 17,097 million baht

in 2007, an increase from 16,281 million baht in 2006. On the part of the company, it generated a total trading value of 297,940 million baht in 2007, which represented 3.49 percent of the market. It was ranked 11th among 38 securities companies.

On competition, the securities brokerage industry is going through drastic changes as a result of the liberalization of the securities brokerage business in 2012. As from 1 January 2012, an unlimited number of securities brokerage licenses will be granted to new players. As a result, the securities brokerage industry will be faced with more intense competition. Only those which are well prepared for the competition will survive in the long run. The fiercer competition will bring about more mergers and acquisitions as well as partnerships between local brokerage houses and foreign companies.

The Thai economy and the capital market in 2008 are expected to be better than in 2007. The political situation has become clearer after the general election is completed and the democratically elected government is set up to run the country. Importantly, the proposed economic stimulus measures in the form of investment in mega-projects will be implemented in full steam. As well, the state agencies will be urged to accelerate their spending. The developments will have a positive psychological impact on the investors, both local and overseas. As a result, the investors will make more investments in Thailand. However, the anticipation may be disrupted by a number of local factors such as government stability, the unrest in the three southernmost provinces, inflation and baht appreciation. Overseas factors will also play an important role in determining the direction of the economy and the capital market. These factors include, among others, rising crude oil prices, the slowdown of the U.S. economy and the U.S. sub-primes crisis which will have an adverse impact on the growth of the European Union's economy and the economies in other regions. In view of both the positive and negative factors, the company expects that the average daily trading value in 2008 will be amount to about 18,000 million baht, which is higher than in 2007.

2. Futures Business

The company recognizes the importance of developing an operational strategy aimed at enhancing its efficiency and competitiveness. It also recognizes the key goal of Thanachart Group which places strong emphasis on

catering to the needs of the customers and on promoting the bundling and cross selling of the products offered by the members of the Group. In this connection, the company focuses on enhancing the skills and knowledge of marketing and operational staff on derivatives. It also regularly organizes seminars aimed at publicizing and introducing its derivative brokerage services as well as new investment vehicles available on the Thailand Futures Exchange. As well, it puts efforts to expand its client base to cover institutional investors, both local and overseas. The company also introduces its derivative brokerage services and gives investment recommendations to other member companies of Thanachart Group.

INDUSTRY OUTLOOK AND COMPETITION

The derivatives trading volume of Thailand Futures Exchange (TFEX) in 2007 is much higher than the trading volume in 2006 when TFEX launched SET50 Index Futures as its first product. Taking into consideration the average daily futures contracts traded, the daily average in 2007 increased by 330 percent from the previous year while the total number of accounts increased by 108 percent. Most investors were retail investors who captured the majority of the total trading volume, followed by foreign investors and institutional investors respectively. In October 2007, TFEX launched SET50 Index Options. Its second product attracted a number of investors, with the average daily trading volume in 2007 amounting to 196 contracts.

The derivatives trading in 2008 is expected to continue growing steadily as investors become more acquainted with the trading of derivatives, both futures and options. Importantly, more investors are expected to use derivatives in managing risks, particularly when the stock market is faced with high volatility. Moreover, the Thailand Futures Exchange Plc has come up with a plan to expand its investor base by getting more brokerage members and making available more stock options. The futures exchange is expected to grow significantly, with a daily average of up to 10,000 contracts. In preparing for the growth, the company has organized training activities and seminars for its marketing personnel, supporting staff and customers. The activities and seminars cover key subjects related to the derivatives trading as well as the work system related to trading orders, both at its headquarters and branches nationwide. The company has also made available supporting

documents. As well it has worked with the media through public relations activities in publicizing its derivatives brokerage services to its staff, customers and the general public.

INVESTMENT BANKING AND INVESTMENT ADVISORY SERVICES

1. Financial Advisory and Underwriting Services

The company has worked out a marketing strategic plan as follows :

- Place more emphasis on giving financial advisory services on fund mobilization in the form of both debt and equity instruments, mergers and acquisitions, financial restructuring and conduct of feasibility studies for projects. The company foresees high potential for growth in these areas.
- Maintain and develop a good relationship with the customers which have used the company's services. The good relationship gives rise to new opportunities in offering other types of financial services to the customers. As well, it brings about opportunities in selling the services to other member companies in the customers' groups.
- Approach prospective customers with strong potential, on the lists of current customers of Thanachart Group's member companies, which use the latter's financial services.
- Introduce and offer products and services of Thanachart Group's member companies to the existing customers and prospective customers with high potential, with more focus given to cross selling.

INDUSTRY OUTLOOK AND COMPETITION

The competition in the financial advisory and underwriting business is rather intense, in view of the great number of local players and those with foreign partners. The competition focuses on expertise and quality services in providing the customers with advice and solutions to their problems. Emphasis is also placed on the offering of new products which can add value and be of benefit to the customers.

On the future prospects of financial advisory services in 2008, the company will continue its focus on assisting its customers in mobilizing funds through initial public offerings. The listing of companies on the stock exchange also offers attractive tax incentives. However, the success in this area of financial advisory services significantly depends on the economic growth, the performance of the company, and the

country's political situations. On the other hand, the mergers and acquisitions continue to attract both buyers and sellers since they serve as an efficient vehicle for business expansion and penetration into new markets. The mergers and acquisitions also help enhance the competitiveness in coping with the more intense competition in almost all kinds of business.

2. Investment Advisory Services.

In view of the numerous investment vehicles available and the fact that domestic investment is closely linked to international investment, it has been the policy of the company's investment advisory division to gather relevant information of each customer, which will be analyzed together with their respective investment objectives. The purpose is to enable the company to provide the customers with appropriate long-term plans and advice. The company will also monitor the customers' investments closely. It will focus on offering the services to the customer groups with strong potential within Thanachart Group as well as new customers which are interested in making use of the company's services. Moreover, the investment advisory division will conduct studies and select new investment vehicles so that the customers will have a wide range of investment alternatives to choose from.

Availability of Products and Services

1. Sources of Funds

The company operates using its shareholders' equity as its main source of fund, which consists mainly of capital and retained earnings. On the policy on future funding, it has adopted a policy aimed at finding sources of fund that are in line with its activities and using those funds by taking into consideration the appropriate ratio of total liabilities to shareholders' equity as well as the appropriate ratio of capital to net liquid assets.

2. Investments

The company's investment policy allows it to invest only in medium- and long-term equity securities with 2 investment objectives. The first objective is concerned with strategic investments in businesses which could support the businesses of the company or member companies of Thanachart Group. The second objective is concerned with investments in securities which offer return both in the form of dividends and gains made from selling the securities.

The company will not invest in equity securities in an amount of more than 60 percent of its shareholders' equity and such investments will not cause the company to violate the minimum Net Capital Ratio (NCR) requirement imposed by the authority. The company may invest in securities which are listed or not listed on the Stock Exchange of Thailand, provided that the securities must have a high liquidity in trading. It is also required that each investment decision must be based on adequate research.

3. Funding or Borrowings from Parties Related to Executives or Major Shareholders

The company's only sources of funds are from its major shareholders Thanachart Capital Public Company Limited and Thanachart Bank Public Company Limited in the form of equity and borrowings.

4. The Company's Net Capital Ratio (NCR)

As at 31 December 2007, the company's Net Capital Ratio (NCR) was 129.9 percent, well above the minimum level of 7 percent of the liabilities, which was imposed by the Office of the Securities and Exchange Commission (SEC).

2. FUND MANAGEMENT BUSINESS

Nature of Products and Services

Thanachart Fund Management Company Limited is a joint venture between Thanachart Capital Public Company Limited (holding 75 percent of the total shares) and The Government Savings Bank (holding 25 percent). Thanachart Fund Management Co., Ltd. received a mutual fund license from the Ministry of Finance in March 1992. It also received licenses to manage private funds and provident funds in 1997 and 2001, respectively. In 2004, the company submitted an application to operate investment advisory services so that it would be able to offer a full range of investment counseling services. It received the related license on 27 July 2004. As at 31 December 2007, Thanachart Fund Management Co., Ltd. had 125 employees in total.

Thanachart Fund Management Co., Ltd. has established and managed all types of mutual funds with various investment policies that cater to the needs of every type of investor including retail investors, major investors, as well as institutional investors. The products or services provided by the company include the following :

MUTUAL FUND

Mutual fund is a collective investment vehicle for investors. To establish a large fund, it pools money from the investors. A fund manager will be appointed to manage investment in line with the policy established for each mutual fund which is aimed at generating a return or gain from the investment. The advantage of making investments through the mutual fund is that it enables investors to diversify their investment risk, regardless of the size of their investment. As well, the related expenses of investing through mutual funds are not very high.

PRIVATE FUND

Private fund is an investment vehicle suitable for high net worth investors or groups of investors who assign the company to manage their investment in line with their specific investment objectives. The private fund manager will manage the investment within the scope of the investment framework and constraints mutually agreed upon between the customer and the company.

PROVIDENT FUNDS

The provident fund is established on a voluntary basis by mutual agreement between employees and their employers. The fund serves as the employees' savings vehicle, aimed at creating financial security for their retirement. It also serves as a type of welfare benefit given by the employers to their employees. In addition, the fund provides a financial safety net for employees in other cases such as resignation, death or if they are incapacitated and unable to work.

Marketing and Competition

POLICY AND MARKET CHARACTERISTICS

COMPETITIVE STRATEGIES

Both marketing and investment strategies adopted by Thanachart Fund Management are aggressive. It also attempts to create new innovative products and services that place emphasis on quality and cater to the needs of its customers in a timely manner. The products and services are offered through its marketing teams and its major shareholders. These include the country's leading financial institutions with integrated financial services both in the public and private sectors, as well as through a number of their business alliances which support the sale and repurchasing of the unit trusts.

The company places strong emphasis on selling units of public mutual funds whose investment objectives are well diversified and which cater to the needs of all customer groups. The unit trusts are sold through several distribution channels including approaching prospective investors directly, selling through Thanachart Bank and its branches, selling through agents that are engaged in underwriting and repurchasing of the unit trusts. The company also develops and promotes trading of the unit trusts through various electronic media.

TARGET CUSTOMER GROUPS

The company's target customer groups include those living in Bangkok and its environs as well as those in major cities in the country's important regions. In its efforts to enlarge its customer base, it takes into consideration the maintenance of high quality services.

Distribution and Channels of Distribution

The sale of the company's unit trusts is made through two main channels including :

1) Thanachart Fund Management

The company is supported by its marketing staff whose main responsibility is to make direct sales. They have received training and passed tests which allow them to contact investors.

2) Agents which support sale and repurchase of unit trusts

The company has appointed a number of financial institutions including Thanachart Bank and other commercial banks as well as securities companies to support the sale and repurchase of unit trusts of the mutual funds under its management.

INDUSTRIAL OUTLOOK AND COMPETITION

In 2007, there were altogether 21 asset management companies licensed by the Ministry of Finance. The combined net asset value of the public mutual funds (excluding Vayupak Fund, Country Fund, Real Estate Mutual Fund for the Financial Sector Rehabilitation, Mutual Fund for the Financial Sector Rehabilitation, and Real Estate/Receivables Claim Funds) amounted to 1,279,266 million baht, an increase of 41.9 percent from 2006. The top five largest asset companies included SCB Asset Management Company Limited with a

23.6 percent market share, Kasikorn Asset Management Company limited with a 18.1 percent market share, TMB Asset Management Company Limited with a 10.8 percent market share, BBL Asset Management Company Limited with a 10.64 percent market share, and Thanachart Fund Management Company Limited with a 5.5 percent market share.

In view of the overall competition in 2007, the majority of the market share still belonged to the above-mentioned 4 asset management companies whose major shareholders were large commercial banks. Their combined market shares amounted to 63.1 percent, representing an increase from 59.7 percent in 2006.

The key types of funds which helped raise the industry's total net asset value to the higher level in 2007 were the short-term foreign investment funds and those funds which had characteristics similar to the money market funds in the terms of high liquidity and whose client base was the same as the depositor base.

Noteworthy was the change in establishing new funds since the middle of 2007. The short-term foreign investment funds had replaced the short-term domestic investment funds which were very popular in 2006. The foreign investment funds grew rapidly. As a result, of the 408 newly established funds in 2007 whose combined value amounting to 580,756 million baht, 41.5 percent were the short-term foreign investment funds while 4.1 percent belonged to other types of foreign investment funds. The total number of these foreign investment funds was 120, with a combined value of 265,050 million baht. In comparison, in 2006 the foreign investment funds accounted for only 1.3 percent.

Due to the change, in 2007 the total value of the domestic investment funds dropped to 294,276 million baht and accounted for 50.4 percent of the newly established funds. In comparison, in 2006 the domestic investment funds amounted to 448,382 million baht and accounted for 92.6 percent of the newly established funds.

Thanachart Fund Management Company Limited manages all types of funds including mutual funds, private funds and provident funds, with their respective market shares as follows :

MUTUAL FUND BUSINESS

As at 28 December 2007, the company had 55 mutual funds under management whose total net asset value amounted to 72,379 million baht. Of the funds, 53 were public mutual funds with a total net asset value of 70,853 million baht, representing an increase of 28,969 million baht or 69.2 percent from 2006. Being ranked 5th among 21 operators, the company commanded 5.5 percent market share.

The total net asset value of the funds managed by the company increased significantly in 2007, mainly due to the dramatic increase of 19,406 million baht or 726 percent in the money market mutual funds. Other significant changes included the increase of 4,558 million baht or 422 percent in the foreign investment funds and the increase of 2,614 million baht or 38 percent in the flexible funds.

PRIVATE FUND BUSINESS

As at 31 December 2007, the company had a total of 28 private funds under management, a decrease from 37 funds in 2006. However, the total net asset value of its private funds in 2007 amounted to 2,913 million baht, an increase of 973 million baht or 50.1 percent from the previous year.

PROVIDENT FUND BUSINESS

As at 31 December 2007, the company had a total of 26 provident funds under management, whose total net asset value amounted to 3,615 million baht, representing an increase of 424 million baht or 13.3 percent from 2006. The provident funds under its management included 12 single provident funds, 12 group funds, and 3 general pooled funds. Total membership of the funds increased from 34,621 to 35,067.

Availability of Products and Services

The company's two main sources of funds consist of its equity, those funds received from ordinary share subscriptions, and the retained earnings which accumulated over time from its business operations.

INSURANCE BUSINESS GROUP

The insurance business consists of two types including non-life insurance which is operated by Thanachart Insurance Company Limited with services covering every type of insurance, and life assurance which is operated by Thanachart Life Assurance Company Limited with services covering life assurance for corporate clients, organizations and members of the general public.

1. NON-LIFE INSURANCE BUSINESS

Thanachart Insurance Company Limited's headquarters are located in Bangkok with 16 branches nationwide. The company receives approval from the Ministry of Commerce to operate non-life insurance business in accordance with the License No. 6/2540. The company offers the following types of insurance products:

Nature of Products and Services

NON-LIFE INSURANCE

The non-life insurance consists of four types, each of which mostly having a scope of protection coverage and exclusion clauses in line with international standards. Their differences lie in protection benefits that cater to the needs of individual policy holders. These four types of non-life insurance include the following :

(1) Fire Insurance

This type of insurance provides protection against damages caused by fire, lightning, and explosion caused by gas for domestic use. Additional coverage can be bought.

(2) Motor Insurance

The motor insurance provides protection against loss or damages caused by the use of a motor vehicle. The motor insurance can be divided into two parts :

(2.1) Compulsory Automobile Liability Insurance (Compulsory Third-Party Insurance), as required under the Motor Vehicle Accident Victims Protection Act.

(2.2) Voluntary Insurance which consists of three types :

- First-class insurance which provides protection against the motor vehicle of the owner as well as property damage and bodily injury to a third party ;

- Second-class insurance which provides protection against one of the risks related to the motor vehicle of the owner as well as property damage and bodily injury to a third party ;

- Third-class insurance which provides protection only against property damage and bodily injury to a third party

(3) Marine and Transportation Insurance

The insurance provides protection against loss or damages to ships, assets or goods on waterways with coverage extended to transportation on land and air, which is connected to transportation on waterways.

(4) Miscellaneous Insurance

The miscellaneous insurance is of many types, depending on the nature of risk and the needs of the insured, such as insurance against theft, personal accident insurance, all-purpose insurance, and insurance against machine and equipment breakdown.

INVESTMENT BUSINESS

Investment is a part of the non-life insurance business. The non-life insurance companies can invest their excess cash in investment vehicles for the purpose of getting a return on their investment. However, they are required to strictly adhere to the types and proportions of investment, as well as terms and conditions prescribed by the law. At present, the law that regulates the investment of non-life insurance companies includes the notification issued by the Ministry of Commerce on the investment in other businesses by non-life insurance companies. The company pays great attention to the careful selection of investment vehicles that are in line with the prevailing developments in the financial and capital markets. Part of the company's investment includes fixed-term securities such as deposits at financial institutions, government bonds, debentures issued by state enterprises, corporate debentures, as well as shares listed on the Stock Exchange of Thailand, both short-term and long-term. In making investments, the company takes into consideration criteria such as liquidity, security and stability of the investment.

Marketing and Competition

POLICY AND MARKET CHARACTERISTICS

COMPETITIVE STRATEGY

The company has adopted a strategic marketing plan aimed at enhancing its competitiveness and increasing its market share on a continuous basis. Special emphasis is placed on rendering high standards of service which include prompt action, efficiency and honesty. The company continues developing new lines of products and offering new types of policies that are in line with social and economic conditions and that cater to the needs of customers, taking into account the rates of premiums that are fair to customers. The company reviews its aggressive marketing plan regularly so that it takes into consideration changing situations. Its goals include increasing distribution channels, gaining new clients to enlarge its customer base, and retaining existing customers.

CUSTOMER CHARACTERISTICS

About 95 percent of the company's customers are retail customers whose insured value is less than 5 million baht. The types of insurance products purchased by the customers include motor insurance and fire insurance for their houses. This group of customers comes from Thanachart Bank Public Company Limited and from the company's own marketing activities as well as brokers, and its marketing representatives.

The customer groups whose insured value is above 5 million baht include institutions or private organizations in various lines of business, both in the commercial and industrial sectors. The main insurance products purchased by these groups include miscellaneous insurance and fire insurance.

In view of the above groups of customers, it could be seen that, since the commencement of its non-life insurance business, there has been no single customer who accounts for more than 30 percent of its total income. Moreover, the company sells its products only to customers living in the country.

INDUSTRIAL OUTLOOK AND COMPETITION

The non-life insurance industry in 2007 continued to grow from 2006. Thai Reinsurance Public Company Limited estimated that direct premiums in 2007 amounted to 101,378 million baht, an increase of 6,287 million baht or 6.6 percent from the previous year. This was mainly due to the increase in miscellaneous insurance which grew 12.1 percent, and the increase in motor insurance which grew 5.5 percent. Thanachart Insurance Company's underwriting income amounted to 2,557 million baht, representing an increase of 313 million baht or 13.9 percent from the previous year. Thanks to the cooperation between Thanachart Insurance Company and Thanachart Bank Public Company Limited, the company was able to sell its products to Thanachart Bank's retail customers. In 2007, Thanachart Insurance Company succeeded in enlarging its customer base by making use of the bancassurance channel, i.e. through Thanachart Bank. On the other hand, the company continued to focus on its current customer base by adopting a strategy aimed at improving its pre- and after-sales services. The objective was to ensure customer satisfaction.

Based on Insurance Commission's report, the summary of the performance of the non - life insurance industry during the first nine months of 2007 was as follows :

The total premium income of the industry in 2007 amounted to 74,266 million baht, representing an increase of 7.4 percent from the same period in 2006. Grouped by type of insurance, the motor insurance premiums accounted for 45,154 million baht or 60.8 percent of the total premium income, the miscellaneous insurance premiums accounted for 20,782 million baht or 28.0 percent, the fire insurance premiums accounted for 5,504 million baht or 7.4 percent, and the marine and transportation insurance premiums accounted for 2,825 million baht or 3.8 percent respectively.

Number of Insurance Companies in Thailand
As at 30 September 2007

Type of Business	Companies in Thailand	Branch of Foreign Companies	Total
Life Assurance	24	1	25
Non-Life Insurance	63	5	68
Health Insurance	5	0	5
Re-Insurance			
Life Assurance	1	0	1
Non-Life Insurance	1	0	1
Total	94	6	100

Direct Premiums of the Non-Life Insurance (January - September 2007)

(Unit : Thousand Baht)

No.	Company	Fire Insurance	Marine and Transportation		Motor Insurance		Miscellaneous Insurance			Total
			Ships	Goods	Compulsory	Voluntary	Personal	Health	Others	
Accident										
1	Viriya Insurance	146,506	2,324	40,062	1,727,223	8,572,533	268,897	7,328	203,210	10,968,083
2	Dhipaya Insurance	484,967	55,417	142,816	162,034	1,103,948	351,282	94,668	2,649,333	5,044,465
3	Bangkok Insurance	655,798	58,836	170,157	127,002	2,306,011	223,595	176,578	1,326,454	5,044,431
4	Syn Mun Kong Insurance	86,125	0	5,912	560,819	2,014,699	295,825	1,517	108,642	3,073,539
5	Safety Insurance	32,381	159	39,727	185,977	1,950,409	22,673	1,803	328,766	2,561,895
	Total	1,405,777	116,736	398,674	2,763,055	15,947,600	1,162,272	281,894	4,616,405	26,692,413
11	Thanachart Insurance	52,426	576	3,437	98,638	1,419,904	32,766	0	180,571	1,788,318
	Market Share	0.9%	0.2%	0.1%	1.2%	3.9%	0.6%	0.0%	1.3%	2.4%
	Grand Total	5,504,155	291,063	2,534,399	8,351,293	36,802,866	5,513,092	1,622,753	13,646,476	74,266,097

Source : Insurance Commission

In 2008, the various problems affecting the country's economy in the past are expected to persist in throughout the year. As all these problems erode investor confidence, both local and overseas investors will delay their investment decision. As the problems also represent a threat to the general public and erode consumer confidence, the economic growth will be adversely affected. As well, the non - life insurance business will be directly impacted by the problems.

The economic forecasts made by the Bank of Thailand show that the Thai economy will grow 4 - 5 percent. On the non - life insurance business, the direct premiums are expected to grow about 7.5 percent with the miscellaneous insurance business registering the highest growth. Noteworthy

will be the growth of personal accident insurance and health insurance. This is mainly due to the efforts made by the non-life insurance companies in giving more focus to retail customers. As well, the general public is becoming increasingly aware of the importance of the insurance in protecting life and property.

The company has set 2008 direct premium growth target of 25 percent, which is higher than the anticipated growth of the non-life insurance business. This is mainly because of the efforts to expand its retail customer base through the bancassurance channel, direct sales, and phone calls. The company plans to launch a wide range of new products through all its channels of distribution.

Availability of Products and Services

SOURCES OF FUNDS

It is the policy of Thanachart Insurance Company Limited to obtain funds for its operations from three funding sources:

(1) The Company's Operations

The company obtains proceeds from selling protection in the form of various types of insurance policies, collection of insurance premiums from the insured, agents, and brokers. This funding source is important as it enables the company to receive cash on a daily basis.

(2) Proceeds from Investment Activities

The company's excess cash from operations after meeting obligations is invested in investment vehicles. The investment is made in accordance with the conditions imposed by the Department of Insurance. The company will receive payments from the investment activities in the form of principal amounts of fixed-term deposits, bills, treasury bills, debentures, bonds, and unit trusts which reach maturity or proceeds from selling securities. The company also receives interest from fixed-term deposits, bills, debentures, and bonds as well as dividends from investment in equity instruments.

(3) Borrowings from Financial Institutions

The company has entered into agreements with commercial banks for overdraft facilities. In case the company wants to make use of the facilities, it can take out money by issuing cheques.

INVESTMENT

The company's established policy in relation to securities investment is that the company invests in securities in line with the requirements stipulated in the notification issued by the Ministry of Commerce concerning the non - life insurance companies' investment in other businesses. The company invests its excess cash in investment vehicles for the purpose of earning a return, with strong focus given to the preservation of the investment capital while taking into consideration the cautious trade-offs between investment risk and return. The company acts prudently in its investment activities and reviews its investment policy regularly in line with

the prevailing market conditions. Part of the company's investment is in securities which have high liquidity and could be turned into cash easily. These include short-term financial instruments such as promissory notes and fixed-term deposits. The other part of the investment is in fixed-income instruments such as government bonds, state enterprise bonds, or debentures. The remaining part of the investment is in shares listed on the Stock Exchange of Thailand.

INVESTMENT RISK MANAGEMENT

The company manages the investment risk by diversifying its investments in different types of securities such as government bonds and state enterprise bonds with focus given to those instruments with a short-term maturity. The purpose is to protect against the risk arising from changes in interest rates. The company also diversifies its investments into treasury bills, debentures, unit trusts and ordinary shares. For the ordinary shares, the company invests only in companies with good fundamentals. However, the investment in the ordinary shares would account for not more than 20 percent of its total investment portfolio.

FUNDING OR BORROWINGS FROM PARTIES RELATED TO EXECUTIVES OR MAJOR SHAREHOLDERS

- The company does not have this transactions.

ABILITY TO MAINTAIN LOSS RATIO BY BUSINESS TYPE

The company has established a policy aimed at prudently considering and screening applications for all types of insurance products. Importantly, it has also established a risk management measure through a reinsurance mechanism for both group and individual agreements. The goal is to maintain its loss ratio to the level below the average ratio of the industry for every type of insurance product.

LIQUIDITY

For its liquidity policy, the company places emphasis on investments in government bonds and corporate debentures which have high liquidity and could be turned into cash easily. Moreover, it has made arrangements with banks for overdraft facilities and has invested in short-term promissory notes, which serve as a revolving fund reserve for short-term operations.

2. LIFE ASSURANCE BUSINESS

Having received approval from the Department of Insurance of the Ministry of Commerce to engage in life assurance business, Thanachart Life Assurance Company Limited (“Thanachart Life Assurance”) was established on 22 October 1997. As of 31 December 2007, the company has 158 staff in total, 154 of whom were full-time employees and 4 were staff with a short-term contract. The company provides service related to life assurance and health insurance. The company’s services can be divided into two main types which include personal life assurance and group life assurance (for corporate clients and organizations).

Marketing and Competition

POLICY AND MARKET CHARACTERISTICS

Thanachart Life Assurance has adopted a multi-distribution channel strategy, aimed at catering to the diverse and different needs of its prospective customers by offering products and services that are appropriate to each group of the prospective customers. The company’s current distribution channels consist of business-to-business (B2B) sales, brokers, Thanachart Bank (bancassurance) and life assurance agents.

INDUSTRY OUTLOOK AND COMPETITION

The life assurance business registered a growth of 16.1 percent, with total premiums amounting to 201,623 million baht. The growth was substantial when compared with the same period in 2006 which registered a growth of 4.1 percent. This was mainly due to several factors. One of them was the fall of deposit interest rates offered by commercial banks. The fall caused the consumers to search for other deposits or investments which offered higher rates of return. The life assurance became one of the alternatives for the consumers during the period. On one hand, there were several marketing developments in the life assurance business. These included, among others, recruitment of more sales representatives, training and development sales representatives establishment of more new channels of distribution, and continuous sales promotions. On the other hand, the life assurance business came up with more new products which were appropriate for the market conditions and for each group of consumers. As a result, the performance of the life assurance industry in 2007 was much stronger than the previous year, despite the fact that there were several negative factors including political uncertainties, rising crude oil prices and baht appreciation.

Currently, there are 24 life assurance companies in total. Ranked 10th among these 24 companies, Thanachart Life Assurance Company commanded 1.7 percent market share in terms of all types of premiums. As it mainly focused on the group life assurance, its first-year premiums for the group life assurance ranked 1st in the life assurance industry, compared to 3rd in the previous year, while its total premiums for the group life assurance ranked 2nd, compared to 4th in the previous year.

On the industry outlook for 2008, it is expected that the life assurance business will continue to grow but at a lower rate than the previous year. In supporting the business growth, the players in the industry will continue to use the same marketing strategies as in the previous year. These included competition in recruiting more new sales representatives, advertisements in various media, continuous sales promotions, establishment of new channels of distribution, as well as introduction of new types of insurance policy which cater to the needs of the customers in each phase of the economic cycle and in line with the direction of interest rates offered by the commercial banks. The change in the interest rates has a significant impact on the sales promotion of the life assurance products through the bancassurance channel.

AVAILABILITY OF PRODUCTS AND SERVICES

As all funding sources for the company’s operations are from shareholder’s equity, it is not necessary for the company to obtain loans to finance its future business plans. Moreover, during the present period, there is no need for the company to recapitalize.

ASSET MANAGEMENT BUSINESS GROUP

1. Max Asset Management Company Limited

The company received approval from the Bank of Thailand to operate the asset management business pursuant to the Emergency Decree on Asset Management Corporation B.E. 2541, as per License No. 006/2543 dated 25 August 2000.

Nature of Products and Services

(1) The company is engaged in buying or taking transfers of non-performing loans of financial institutions as well as the related loan collateral, for the purpose of managing or selling them. The company is also engaged in other related

businesses which are permitted by the Ministry of Finance's notifications or the law related to the asset management corporation or other related laws. As well, the company is authorized to employ or appoint asset management experts to manage the assets or to perform other actions that will benefit the management of the transferred assets, either partially or wholly.

(2) The company can perform any acts related to management and rehabilitation of the acquired or transferred debts or assets so that they can continue with their business and repay their debts. These acts include, among others, lending, debt restructuring or compromising, reaching a compromise with the debtor concerned, acquiring stakes in the businesses which are transferred as debt repayment, accepting repayments by debt-equity conversion or filing a petition for the debtor's business rehabilitation plan.

(3) The company can be engaged in all types of activities which are related to or linked with management or rehabilitation of the debtor's business in order to achieve the related objectives. For example, the company can let, sell on hire purchase, or develop the property which it has acquired or taken transfers of, provided that the real estate development focuses on the property whose development has been stalled, excluding the development of vacant land.

(4) In accordance with the notification issued by the Bank of Thailand, the company may make good use of the foreclosed property by joint venture with other investors or companies.

Marketing and Competition

(1) POLICY AND MARKET CHARACTERISTICS

COMPETITIVE STRATEGY

The management of non-performance assets, which is the main objective of the company's business, includes many activities. However, most activities are related to taking transfers of properties for the purpose of debt settlement. As a result, the company makes necessary advance preparation for managing these assets. The main objective is to sell the transferred assets to third parties who are interested in buying them. As a strategy to sell the assets efficiently and to be able to compete with other players in the market, it has hired special consultants specifically for managing properties for sale.

These consultants are responsible for collecting information about the property for sale, determining their selling prices, managing high-value assets, as well as appointing selling agents or brokers with prior experience in selling these types of assets.

TARGET CUSTOMER GROUPS

The company has identified the following groups of debtors which will very likely make their repayments to the company :

- 1) Debtors which are still operating their businesses and have potential to repay their debts,
- 2) Debtors whose collateral is of high value, and
- 3) Debtors against which legal actions have been brought and a court judgment has already been issued.

DISPOSAL AND DISTRIBUTION CHANNELS

It is the company's policy to sell the assets which are transferred from the debtors by the following methods :

- 1) Appointment of sale agents, and
- 2) Participation in public auctions.

(2) INDUSTRIAL OUTLOOK AND COMPETITION

COMPETITIVE STRATEGY

Since the company takes transfers of non - performing assets mostly from DBS Thai Danu Bank Public Company Limited, it is not necessary for the company to compete with other asset management companies, financial institutions or various funds in the market. However, since some of the transferred non-performing assets might belong to debtors who have many lenders, this might give rise to competition in exercising legal rights in foreclosing on the assets for the purpose of selling them and using the sale proceeds to repay the lenders. This might have an adverse impact on bringing the debtors' assets to courts of law and putting them out to auction since part of the sale proceeds would have to be shared with the other lenders.

NUMBER OF COMPETITORS

In terms of competitors, as the company takes transfers of non-performing loans from DBS Thai Danu Bank Public Company Limited through Thanachart Capital Public Company Limited, it does not have any competitor in the asset management business.

SIZE OF THE COMPANY WHEN COMPARED WITH ITS COMPETITORS

Since the company has no competitor, no comparison in terms of size is made.

STATUS AND COMPETITIVENESS POTENTIAL

As the company takes transfers of non-performing loans from DBS Thai Danu Bank Public Company Limited, the company does not need to focus primarily on the enhancement of its competitiveness. Instead, it focuses on finding solutions to its non-performing loan problems. It needs to assess the financial health of the debtors to find out whether debts could be restructured or assets of the debtors should be sold so that the proceeds from the sale could be used to repay debts. In this connection, the company takes into consideration the feasibility of the debtors continuing with their existing business as well as their honesty, cooperation and ability to repay the debts. The key objective is to successfully dispose of or minimize non-performing assets.

AVAILABILITY OF PRODUCTS AND SERVICES

The company's business operations are financed by the shareholders' equity and borrowings from Thanachart Public Company Limited and MBK Public Company Limited, with details as follows:

(1) Loans

(1.1) Senior debt facility from Thanachart Public Company Limited for the amount of 2,124,458,400 baht (two thousand one hundred twenty four million four hundred fifty eight thousand and four hundred baht only) with the related details given in the Loan Agreement No. Kormor. 001 - 5 - 4300016 dated 11 September 2000, Amendment to the Loan Agreement No. Kormor. 001 - 5 - 4300016 (1st) dated 18 October 2000, Amendment to the Loan Agreement No. Kormor. 001 - 5 - 4300016 (2nd) dated 29 January 2001 and Amendment to the Loan Agreement No. Kormor. 001 - 5 - 4300016 (3rd) dated 26 February 2001. The company already repaid this loan in October 2004.

(1.2) Sub-debt facility from Thanachart Capital Public Company Limited for the amount of 1,075,541,600 baht (one thousand seventy five million five hundred forty one thousand and six hundred baht only) with the related details given in the Sub - Debt Loan Agreement No. Kormor. 001 - 5

- 4300032 dated 11 September 2000 and Amendment to the Loan Agreement No. Kormor. 001 - 5 - 4300032 (1st) dated 19 October 2000.

(1.3) Sub - debt facility from MBK Public Company Limited for the amount of 213,458,400 (two hundred thirteen million four hundred fifty eight thousand and four hundred baht only) with the related details given in the Sub - Debt Loan Agreement No. Kormor. 001 - 5 - 4300032 dated 11 September 2000 and Amendment to the Loan Agreement No. Kormor. 001 - 5 - 4300032 (1st) dated 19 October 2000.

(2) Investment

(2.1) Investment from Thanachart Public Company Limited for the amount of 334,334,000 baht (three hundred thirty four million three hundred thirty four thousand baht only)

(2.2) Investment from MBK Public Company Limited for the amount of 94,723,200 baht (ninety four million seven hundred twenty three thousand and two hundred baht only).

(2.3) Investment from Morgan Stanley Open-End Country Funds for the amount of 142,942,800 baht (one hundred forty two million nine hundred forty two thousand and eight hundred baht only).

2. NFS Asset Management Company Limited

The company received approval from the Bank of Thailand to operate the asset management business pursuant to the Emergency Decree on Asset Management Corporation B.E. 2541, as per License No. 001 - 2533 dated 22 March 2000.

NATURE OF PRODUCTS AND SERVICES

(1) The company is engaged in buying or taking transfers of non-performing loans of financial institutions as well as the related loan collateral, for the purpose of managing or selling them. The company is also engaged in other related businesses which are permitted by the Ministry of Finance's notifications or the law related to the asset management corporation or other related laws. As well, the company is authorized to employ or appoint asset management experts to manage the assets or to perform other actions that will benefit the management of the transferred assets, either partially or wholly.

(2) The company can perform any acts related to management and rehabilitation of the acquired or transferred debts or assets so that they can continue with their business and repay their debts. These acts include, among others, lending, debt restructuring or compromising, reaching a compromise with the debtor concerned, acquiring stakes in the businesses which are transferred as debt repayment, accepting repayments by debt-equity conversion or filing a petition for the debtor's business rehabilitation plan.

(3) The company can be engaged in all types of activities which are related to or linked with management or rehabilitation of the debtor's business in order to achieve the related objectives. For example, the company can let, sell on hire purchase, or develop the property which it has acquired or taken transfers of, provided that the real estate development focuses on the property whose development has been stalled, excluding the development of vacant land.

(4) In accordance with the notification issued by the Bank of Thailand, the company may make good use of the foreclosed property by joint venture with other investors or companies.

Marketing and Competition

(1) POLICY AND MARKET CHARACTERISTICS

The management of non-performing assets, which is the main objective of the company's business, includes many activities. However, most activities are related to taking transfers of properties for the purpose of debt settlement. As a result, the company makes necessary advance preparation for managing these assets. The main objective is to sell the transferred assets to third parties who are interested in buying them. As a strategy to sell the assets efficiently and to be able to compete with other players in the market, it has hired special consultants specifically for managing properties for sale. These consultants are responsible for collecting information about the property for sale, determining their selling prices, managing high-value assets, as well as appointing selling agents or brokers with prior experience in selling these types of assets.

COMPETITIVE STRATEGY

Since the company took transfers of non-performing assets mostly from Thanachart Group, it has no competitive strategy. The transferred non-performing loans consist of the following :

- 1) Non-performing loans
 - 1.1) Bad debts,
 - 1.2) Doubtful of loss debts,
 - 1.3) Doubtful debts, and
 - 1.4) Substandard debts.
- 2) Non-performing property foreclosed.

These are non-performing assets transferred to the company for the purpose of managing them and getting the outstanding debts repaid.

TARGET CUSTOMER GROUPS

The company has identified the following groups of debtors which will very likely make their repayments to the company:

- 1) Debtors which are still operating their businesses and have potential to repay their debts,
- 2) Debtors whose collateral is of high value, and
- 3) Debtors against which legal actions have been brought and a court judgment has already been issued.

DISPOSAL AND DISTRIBUTION CHANNELS

There are two cases as follows :

- 1) Non-performing loans :
 - 1.1) The company analyzes and classifies the debts.
 - 1.2) The company takes transfers of non-performing assets from Thanachart Group for managing and gets the debts paid so that the debtors who are capable of making repayments within the established schedule can continue with their existing businesses or start new ones of that the debtors' assets should be disposed of, the proceeds of which will be used for debt repayments.

1.3) Those debtors who are not in a position to make repayments or whose debts cannot be restructured, the company will take the necessary legal actions as soon as possible.

- 2) Non-performing property foreclosed :

The company hires Plan Estate Company Limited to manage the company's non-performing property foreclosed. The property foreclosed is managed in the way as follows :

- 2.1) Find a partner to enter into a joint venture in developing the property.

2.2) Group the assets into Grade A, B and C to facilitate management and sales.

2.3) Prepare a promotion package aimed at adding value to the property foreclosed. Coordinate with Thanachart Group's member companies in the form of insurance services, life assurance services, and low-interest loans.

2.4) Increase the number of distribution channels. For example, selling the foreclosed property through brokers or agents, finding and contacting private companies in organizing public auctions to dispose of the property, cross selling and selling on the internet.

2.5) Organize sales promotion activities by finding and selecting media which can help promote sales and reach as many target groups as possible.

(2) INDUSTRIAL OUTLOOK AND COMPETITION

COMPETITION IN THE INDUSTRY

Since the company takes transfers of non - performing assets mainly from Thanachart Group, it is not necessary for the company to compete with other asset management companies, financial institutions or various funds in the market. No comparison is made with its competitors in the industry.

NUMBER OF COMPETITORS

As the company takes transfers of non - performing loans directly from Thanachart Group, it does not have any competitor.

SIZE OF THE COMPANY WHEN COMPARED WITH ITS COMPETITORS

Since the company has no competitor, no comparison in terms of size is made.

STATUS AND COMPETITIVENESS POTENTIAL

Since the company takes transfers of non - performing assets mainly from Thanachart Group, it does not need to focus primarily on the enhancement of its competitiveness. Instead, it focuses on finding solutions to its non-performing loan problems. It needs to assess the financial health of the debtors to find out whether debts could be restructured or assets of the debtors should be sold so that the proceeds from the sale could be used to repay debts. In this connection, the company takes into consideration the feasibility of the debtors continuing with their existing business as well as their honesty, cooperation and ability to repay the debt. The key objective is to successfully dispose of or minimize non-performing assets.

Availability of Products and Services

1) The company's registered capital amounted to 1,000,000,000 baht (one thousand million baht only) which was fully paid up. As at 31 December 2007, the shareholders' structure was as follows :

<u>Name of Shareholder</u>	<u>Number of Shares</u>	<u>Shareholding (Percent)</u>
• Thanachart Capital Public Company Limited	99,999,993	99.99
• Retail Investors	7	0.01

2) As at 31 December 2007, the outstanding balance of the company's borrowings from Thanachart Bank Public Company Limited amounted to 4,250,000,000.00 baht (four thousand two hundred fifty million baht only). During 2007, NFS Asset Management Company Limited made loan repayment for the combined amount of 4,050,000,000 baht (four thousand fifty million baht only) to Thanachart Bank Public Company Limited. As well, the company borrowed 92,710,000 baht (ninety two million seven hundred and ten thousand baht only) from Thanachart Capital Public Company Limited. The loan was used to buy non-performing loans.

RISK MANAGEMENT AND RISK FACTORS

OVERVIEW OF RISK MANAGEMENT

Competition in the finance business in 2007 was highly intense. As excess liquidity in the commercial banking system continued to rise, commercial banks cut their deposit rates in line with the decrease in the Bank of Thailand's policy interest rate. The loans issued to the private sector also declined as the Thai economy was faced with several negative factors such as the continuous appreciation of the Thai baht which had an adverse impact on export growth, the subprime mortgage crisis and slowdown in the U.S. economy, the rising price of crude oil and commodities in world markets, unrest in the south of Thailand, as well as political instability. All these factors impacted on both consumers and investors.

Thanachart Group received an approval from the Bank of Thailand to establish a financial group under the authority's consolidated supervision policy. In line with the policy, Thanachart Capital Public Company Limited ("the Company") became a holding company while Thanachart Bank Public Company belonged to a solo consolidation group.¹ At the 2007 Annual General Meeting of Shareholders of the Company which was held on 30 April 2007, the shareholders adopted a resolution allowing the Company to sell the shares of its eight subsidiaries at their respective book value to Thanachart Bank Public Company Limited ("Thanachart Bank"). These subsidiaries included Thanachart Securities Public Company Limited, Thanachart Fund Management Company Limited, Thanachart Insurance Company Limited, Thanachart Life Assurance Company Limited, Thanachart Group Leasing Company Limited, Thanachart Management & Service Company Limited, Thanachart Legal and Appraisal Company Limited and Thanachart Broker Company Limited. In line with the resolution, the Company executed the transactions related to the sale of the shares of the subsidiaries on 12 July 2007. Thanachart Bank's shareholders at their Annual General Meeting adopted a resolution on the capital increase which allowed the Bank to issue ordinary shares and offer them for sale to The Bank of Nova Scotia Asia Limited ("BNSAL"). The objective was to strengthen Thanachart Group's finance business. The shares were sold to BNSAL on 19 July 2007. As a result, BNSAL held 24.98 percent of the paid-up share capital. However, the Company was still well aware of the rapid

change in the business environment. As a result, it continued to place emphasis on developing various risk management systems under the supervision of the Bank of Thailand. The regulator introduced several measures aimed at enabling financial institutions to develop more efficient risk management systems and to meet international standards and requirements. For example, it required the financial institutions to comply with the Basel II requirements to be enforced towards the part of 2008.

The Company's Risk Management Structure

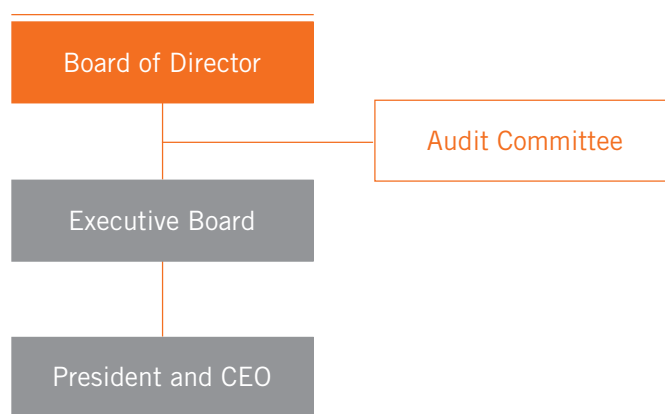
The Company recognizes the importance of risk management since its business operations are always faced with various risk factors, both internal and external, which may affect the Company's operations. As a result, in order to be able to control and manage the risks efficiently, the Company has established a structure in which the risk management is placed under the direction and supervision of the following committee.

The Company's Board of Directors plays a role in establishing policies and guidelines. They are also responsible for overseeing the Company's enterprise-wide risk management, taking into consideration the impact of risks on the Company's goals, operations and financial position and ensuring that risk management is efficient and in line with the Company's operations.

The Executive Committee plays a role in formulating strategies and developing risk management processes as well as examining policies and guidelines related to risk management, ensuring that they are appropriate so that they could be submitted to the Board of Directors for approval. As well, the Executive Board is responsible for supervising various business transactions, ensuring their compliance with the Company's risk management policies.

The Audit Committee plays a role in establishing guidelines in relation to operations control and supervision, ensuring that business operations comply with the requirements of the authorities concerned. The Committee is also responsible for checking the effectiveness and adequacy of risk management processes and internal control systems.

¹ Solo consolidation group means a group of credit institutions consisting of a bank and its subsidiaries in which it holds more than a 75 percent stake.



- The conduct of business affairs is based on a system of checks and balances with the middle offices. These include the Business Control Department and the back offices which are separated from the front offices.

- The Company puts in writing all its established policies and guidelines related to risk management. It also specifies responsibilities for each unit concerned. The objective is to enable the staff concerned to observe those responsibilities correctly. Moreover, the Company has established four common steps for risk management. These include : 1) identification of the nature of risk and risk factors, 2) development of appropriate tools and models for measuring risks, 3) the control of risks so they stay within acceptable limits, and 4) the monitoring of risk status so that they can be properly managed in a timely manner when situations change.

- The Company establishes different degrees and levels of risk which will be used either as a ceiling that represents the acceptable level of risk or as an early warning signal before any serious damage occurs.

The aforementioned risk management systems are developed based on prudent principles and will be reviewed regularly to fit the prevailing situation. The systems are designed to be transparent, clear and accounted for, taking into consideration the interests of the shareholders, customers and staff.

Key Types of Risk Faced by the Company

1. Credit Risk

Credit risk arises from a situation in which the Company's debtors or counter-parties of contracts with the Company fail to fulfill their agreed obligations. This might be attributable to the financial problems faced by the debtors, economic

volatilities which impact on businesses, or the debtors' mismanagement. The failure may adversely affect the Company's earnings and shareholders' equity. The credit risk may arise from normal finance business transactions such as loans, obligations in the form of avals and guarantees or other transactions related to lending. The credit risk may also arise from investment in debt instruments issued by state agencies or state enterprises, which neither the government nor the Bank of Thailand guarantee, as well as from investment in debt instruments such as debentures issued by the private sector.

With its credit risk management policies and guidelines, the Company has succeeded in establishing a credit culture. To start with, the credit risk of the borrowers, counter-parties of contracts, or issuers of debt instruments would be assessed by making use of the credit risk models developed for each type of borrower or counter-parties. The credit analysis unit, which is an independent unit, is responsible for conducting credit analysis using such models. At the same time, credit analysis is also conducted by credit or investment staff. In this regard, the committees and the sub-committees which are authorized to consider and approve credit applications are responsible for considering and deciding on the level of credit risk of the borrowers or counter-parties as well as the appropriate level of credit lines or investment, terms and conditions related to the loans or obligations, as well as risk status control at the enterprise wide level. This is achieved by appropriately diversifying the credit risk into various groups of borrowers under the established credit risk levels. The committees and the sub-committees are also responsible for monitoring the quality of loans, making sure that they are properly managed and carefully implemented, with the main focus given to the borrowers' business potential and ability to repay loans. As well, the business control unit, which is an independent unit, is responsible for monitoring all lending activities, making sure

that they comply with the established policies and guidelines in relation to credit risk management. There is also an audit unit which is responsible for verifying the credit transactions.

Important Factors in Credit Risk

1.1 Risk arising from concentration of loans in some specific areas

It is the Company's goal to appropriately diversify its loans to various groups of customers. Emphasis is placed

on groups of customers with good potential. The objective is to avoid too much concentration on any one group of customers. The Company ensures that the risk for its overall loan portfolios are properly managed, monitored and assessed with the related reports being regularly given to the committees concerned. The purpose is to mitigate the risk arising from uncontrollable factors which may affect any groups of customers with too much credit support from the Company.

The Company's loan portfolios as at 31 December 2007 and 31 December 2006 classified by type of business are summarized as follows :

Type of Business	2007		2006	
	Outstanding (Million Baht)	Percent	Outstanding (Million Baht)	Percent
Subsidiaries - asset management companies & leasing companies	1,446	5.83	1,468	2.93
Agriculture and Mining	-	0.00	-	0.00
Manufacturing and Commerce	5	0.02	5	0.01
Real Estate and Construction	-	0.00	1	0.00
Public Utilities and Service	3	0.01	13	0.02
Personal Consumption				
Housing Loans	47	0.19	54	0.11
Hire Purchase	23,069	92.99	48,295	96.38
Others	238	0.96	274	0.55
Total Loans and Accrued Interest Receivables	24,808	100.00	50,110	100.00

Scrutiny of the Company's overall loan portfolios in 2007 revealed that the majority were hire purchase loans which accounted for 92.99 percent of the total portfolios. However, most of the hire purchase loans were given to retail customers whose individual line of credit was relatively low and the customer base was quite diversified. The Company already transferred its hire purchase services to its subsidiary Thanachart Bank which currently managed the hire purchase services in place of the Company.

1.2 Risk arising from deteriorating quality of loans

The non-performing loans include substandard accounts, doubtful accounts and bad debts. They are the main problems encountered by each financial institution as they have an impact on their income and shareholders' equity. The Company pays attention to the problems and attempts to control the quality of loans by regularly establishing policies and procedures in monitoring the quality of loans.

Proportions of the non-performing loans as at 31 December 2007, when compared with those of 31 December 2006 during the same period are as follows :

Classified Loans	2007		2006	
	Outstanding (Million Baht)	Percent	Outstanding (Million Baht)	Percent
Substandard	274	17.54	308	14.72
Doubtful	181	11.59	284	13.57
Doubtful of Loss	1,107	70.87	1,501	71.72
Total	1,562	100.00	2,093	100.00

The Company's non-performing loans decreased from 2,093 million baht in 2006 to 1,562 million baht in 2007. In view of the total loans and interest receivables, the

Non-Performing Loans by Type of Business

non-performing loans in 2007 accounted for 6.30 percent, an increase from 4.18 percent in the previous year. The non-performing loans could be grouped by type of business as follows :

Type of Business	2007		2006	
	Outstanding (Million Baht)	Percent	Outstanding (Million Baht)	Percent
Agriculture and Mining	-	0.00	-	0.00
Manufacturing and Commerce	4	0.26	4	0.19
Real Estate and Construction	-	0.00	-	0.00
Public Utilities and Service	3	0.19	11	0.53
Personal Consumption	-			
Housing Loans	33	2.11	42	2.01
Hire Purchase	1,311	89.93	1,907	91.11
Others	211	13.51	129	6.16
Total Loans and Accrued Interest Receivables	1,562	100.00	2,093	100.00

As at 31 December 2007, the Company was not faced with any credit risk arising from non-performing loans whose collateral did not fully cover the remaining loan amounts (after deducting provision for loan loss). This was due to the

fact that, in line with the International Accounting Standards 39 (IAS 39) requirements, the Company already set aside the provision of up to 100 percent for the non-performing loans whose collateral did not fully cover the remaining loan amounts.

Non-Performing Loans

(Unit : Million Baht)

	2007	2006	Change
Non-Performing Loans (NPLs)	1,562	2,093	(531)
Loans not fully covered by collateral	1,450	2,041	(591)
Provision for Loan Loss	1,450	1,668	(218)
Loans not fully covered by collateral (after Loan Loss Provision)	-	373	(373)

Restructuring of Problem Loans

(Unit : Million Baht)

	2007	2006
Number of Debtors	37	20
Restructured Debts - Outstanding Principal Balance and Accrued Interest Receivables	156	73
Loans not fully covered by collateral	32	16
Revaluation allowance for debt restructuring	0	1
Total Loans and Accrued Interest Receivables	24,808	50,110
Ratio of Restructured Debts to Total Loans (Percent)	0.63	0.15

The risk in relation to debt restructuring arises from the re-entry of the loans which have been previously restructured. In other words, after debt restructuring, the debtors default on their payments and become non-performing again. The problem will have an impact on the Company's performance. In terms of debt restructuring, as at 31 December 2007, the outstanding principal balance and the accrued interest receivables of the restructured loans amounted to 156 million baht, accounting for 0.63 percent of the total loans and accrued interest receivables. The net restructured loans (less collateral) amounted to about 32 million baht.

1.3 Risk arising from collateral

For loans which are covered by collateral, the Company after careful analysis has classified their quality according to each type of collateral, taking into consideration liquidity and the level of risk of the collateral. The results of the Company's analysis represent a factor used in determining the risk of the loans. In this regard, the collateral both in the form of immovable and movable properties whose value could be appraised is subject to price appraisal or valuation in line with rules established by the Bank of Thailand.

In the past, automobile hire purchase services were the Company's main business. The automobiles were collateral assets whose ownership belonged to the Company. If the hire purchasers were unable to repay their loans, the Company was able to repossess the assets immediately for the purpose of reselling them in the used automobile market. As a result, the Company might be faced with a risk arising from its inability to repossess the assets or from its inability to compensate for damage caused although the assets could be re-sold. However, this depended on risk factors such as the situation of the used automobile market and the condition of the repossessed cars.

1.4 Risk arising from the diminution in value of the property foreclosed

As at 31 December 2007, the net amount of property foreclosed, which was the accounting value after deducting the allowance for impairment, was 2,867 million baht, representing 5.59 percent of the total assets. The allowance for impairment accounted for 11.68 percent of the accounting value at cost.

In addition, the Company still had property foreclosed worth 389 million baht (at cost). The Company had

already entered into agreements to sell the property with customers. The property was being paid for in installments or its ownership was being transferred. As a result, the Company had not yet recognized the revenue from the sale of the property. The property was still recorded as part of the Company's property foreclosed.

1.5 Risk arising from guarantees and avals

As part of its services to customers, the Company has obligations in the form of avals and guarantees for loans. The risk arises when the Company is held responsible in place of its customers which are unable to fulfill their obligations. In managing the risk arising from guarantees and avals, the Company controls the risk by carefully examining the supporting information as well as applying strict approval procedures. As well, the Company controls and monitors these obligations, using the same approaches as the ones applied to in the Company's normal loans.

As at 31 December 2007, the Company's obligations in the form of avals and guarantees for loans as well as other obligations amounted to 11 million baht, accounting for 0.02 percent of the total assets.

2. Market Risk

The market risk arises from changes in interest rates, foreign currency exchange rates, and prices of instruments in the money market and the capital market, which may adversely affect the Company's earnings and shareholders' equity. The market risk consists of three types of risk including price risk, interest rate risk and exchange rate risk. It is the Company's policy to control and manage the risks by ensuring that they are within appropriate levels and in line with the Company's established policy on risk management.

2.1 Price Risk

The price risk arises when the Company's earnings or shareholders' equity are adversely affected by any change in the price of debt and equity instruments, which decreases the value of the Company's investment in trading and available-for-sales securities.

The Company has developed a tool for measuring the risk, making use of the Value-at-Risk (VaR) Model. The tool is used to measure the maximum loss at a certain confidence level if the securities are held for a specified period of time. The risk value obtained from using this

tool will serve as a guide in establishing an acceptable level of risk. The Investment Committee is responsible for controlling and monitoring this type of risk. To make sure that such a tool is efficient and gives accurate information, the Company requires that the tool is subject to backtesting in line with the standard framework established by the Bank for International Settlement (BIS).

In addition, the Company has conducted simulation or stress tests for analyzing crisis events that may result in a sudden, sharp fall in the prices of securities in the capital market. The objective is to estimate the size of any potential loss that might affect the Company's earnings and shareholders' equity.

As at 31 December 2007, the Company's investment in trading and available-for-sale securities classified by type of investment included the following :

(Unit : Million Baht)

	Fair Value	
	2007	2006
Current Investment		
Trading Investment	-	-
Available-for-sale Investment	-	-
Govt and State Enterprise Securities	-	-
Private Enterprise Debt Instruments	-	-
Marketable Equity Securities - Domestic	-	8
Total Current Investment	-	8
Long-term Investment		
Available-for-sale Investment	-	-
Govt and State Enterprise Securities	-	-
Private Enterprise Debt Instruments	-	-
Marketable Equity Securities - Domestic	1,518	826
Total Long-term Investment	1,518	826
Total Investment	1,518	834

Although the domestic economic situation was rather volatile, domestic confidence started improving as the political climate became clearer after the elected government took office. As a result, the Company increased its investment in listed companies. This, in turn, led to the increase in the Company's price risk.

2.2 Interest Rate Risk

The interest rate risk is the risk that the Company's earnings or shareholders' equity are adversely affected by changes in interest rates of its rate-sensitive items including assets, liabilities and off-balance sheet items whose re-pricing periods are mismatched. The changes may have a negative impact on the Company's net interest income.

It is the Company's target to run its business operations with an effective interest rate risk management system over a long period of time. The system enables the Company to maintain at different time intervals an appropriate structural relationship between assets and liabilities which are

rate-sensitive. The relationship is kept at a level that is suitable for its current business operations and gives the maximum benefit to the Company and its shareholders. To achieve this target, the Company has developed a tool called Interest Rate Gap Analysis Model, for measuring interest rate risk and for assessing the impact that may arise from the mismatch of the re-pricing periods of assets, liabilities and obligations. The objective is to make sure that the risk for the Company's business operations is at an acceptable level. The Company has also established an acceptable risk ceiling level and an early warning signal level, taking into account the structure of assets, liabilities and obligations as well as changes in interest rates which are expected to take place in each period of time when the Company's business plan is implemented. The Executive Committee closely controls and monitors the interest rate risk. It also closely monitors economic situations, developments in the money and capital markets, and the direction of interest rates which could pose an interest rate risk. The information is then used in establishing various measures aimed at accommodating the risk.

Items	The period when the interest rate will be re-priced or the due date						Total
	On Call	0-3 Months	3-12 Months	1-5 Years	Over 5 Years	No Interest	
Financial Assets							
Interbank and Money Market Items	22	-	-	-	-	249	271
Loans to financial institutions	-	-	-	-	-	-	-
Securities purchased under resale agreement	-	-	-	-	-	-	-
Investment	1,284	1,280	-	-	3,000	19,025	24,589
Loans and receivables	2,164	343	3,774	18,416	-	97	24,794
Total financial assets	3,470	1,623	3,774	18,416	3,000	19,371	49,654
Financial Liabilities							
Interbank and Money Market Items	12,500	-	-	-	-	-	12,500
Borrowings	-	1,650	7,080	4,000	-	-	12,730
Total financial liabilities	12,500	1,650	7,080	4,000	0	0	25,230

The following are details of the Company's financial assets and liabilities as at 31 December 2007, classified by the period when the interest rates would be re-priced in accordance with the Company's agreements related to the financial assets and liabilities :

As part of the business structure reorganization of Thanachart Group, the Company transferred its deposit-taking (in the form of promissory notes) and hire purchase services to Thanachart Bank Public Company Limited. To accommodate the deposit transfers, it was necessary for the Company to borrow from the Bank whose short-term interest rates were adjustable. However, its hire purchase loan portfolio decreased slowly and the Company gradually made loan repayments to the Bank. As a result, the interest rate risk decreased gradually.

2.3 Exchange Rate Risk

The exchange rate risk is a risk to the Company's earnings or shareholders' equity which can be adversely affected by volatilities in exchange rates as a result of its foreign exchange business or its possession of assets or liabilities in foreign currency.

The Company has assigned to the Executive Committee the duties of controlling and monitoring this type of risk by considering the proper matching between the structure and maturity of the assets and liabilities in foreign currencies. However, in protecting against the risk that may

arise, the Company has established a policy of hedging the risk by making use of financial tools such as forward contracts.

As at 31 December 2007, the Company did not possess any assets or liabilities in foreign currencies. As a result, it had no foreign exchange risk.

3. Liquidity Risk

Liquidity risk arises from the Company's inability to repay its debts or honor its obligations when they become due, as it is unable to convert its assets into cash or to mobilize adequate funds or to mobilize funds at an acceptable cost. The failure will have an adverse impact on the Company's earnings and shareholders' equity both in the present and in the future. The risk management mechanisms will start from an assessment of the Company's cash flows and the liquidity position for each period in which the Company might require different levels of funds to accommodate loan repayments upon maturity, to redeem other types of liabilities, or to acquire additional assets. In this regard, the Company has assigned the Executive Board to be responsible for controlling and managing liquidity risk.

As at the end of 2007, the Company's key source of funds was borrowings from financial institutions. This was mainly due to the business structure reorganization of Thanachart Group. As the Company transferred its deposits to Thanachart Bank Public Company Limited, the Company had to borrow from the Bank instead. As at 31 December 2007, the Company's total borrowings from financial institutions amounted to 12,500 million baht.

Funds Classified by Sources of Funds

(Unit : Million Baht)

Sources of Funds	2007	Percent	2006	Percent
Loans and deposits				
From the public	-	-	-	-
From financial institutions	12,500	49.54	39,600	71.65
From overseas	-	-	-	-
Bills of Exchange	-	-	-	-
Promissory Notes	7,730	30.64	10,665	19.30
Debentures	5,000	19.82	5,000	9.05
Total	25,230	100.00	55,265	100.00

Funds Classified by Maturity of Sources of Funds

(Unit : Million Baht)

Maturity	2007	Percent	2006	Percent
Less than 1 Year	20,730	82.16	42,535	76.97
More than 1 Year	4,500	17.84	12,730	23.03
Total	25,230	100.00	55,265	100.00

As at 31 December 2007, the Company's financial assets and liabilities grouped by their maturities were as follows :

(Unit : Million Baht)

Items	Date when the financial instruments become due				
	On Call	Not over 1 year	Over 1 Year	Not Specified	Total
Financial Assets					
Interbank and Money Market Items	251	-	20	-	271
Securities purchased under resale agreement	-	-	-	-	-
Investment	1,284	800	3,480	19,025	24,589
Loans and receivables	3,009	3,937	17,848	-	24,794
Total financial assets	4,544	4,737	21,348	19,025	49,654
Financial Liabilities					
Interbank and Money Market Items	12,500	-	-	-	12,500
Borrowings	-	8,230	4,500	-	12,730
Total financial liabilities	12,500	8,230	4,500	-	25,230
Off-Balance Sheet Items					
Avals to bills and guarantees of loans	10	-	-	-	10
Other contingencies	1	-	-	-	1
Total Off-Balance Sheet Items	11	-	-	-	11

4. Operational Risk

The operational risk is the risk that arises from the lack of appropriate governance of business affairs or lack of good corporate governance within the organization. Risk may also arise from the fact that the organization's audit systems and internal control systems are not adequately efficient. The risk may be related to the internal processes, human resources, work systems or external events, which affect the Company's earnings and shareholders' equity as well as its reputation and credibility.

The Company has established a number of measures aimed at making sure that its internal control systems are efficient. As well, it has streamlined internal work processes to make them more flexible and in line with its financial service businesses. The purpose is to maintain efficient work processes and operational risk at an acceptable level. These measures include the following:

- To develop its organizational structure, the Company clearly specified roles, and the scope of duties and responsibilities for each job. Moreover, in order to have a system of checks and balances, it separated the front office functions from those units responsible for controlling the compliance of internal regulations (middle offices) such as the business control department, and the back offices which are responsible for recording transactions.

- The Company established supporting units such as a computer and information technology unit, legal office and price appraisal unit, all of which have expertise in their respective fields of work. These units are allowed to work independently, in order to minimize errors or blunders resulting from ignorance or untimely responses.

- The Company put in writing procedures and regulations for every type of business transaction, staff manuals as well as the approving authority. The purpose is to make sure that all work within the organization follows common standards.

- The Company established the Audit Committee and the Executive Committee as well as an operational risk management unit. The purpose is to monitor, and assess the Company's operational risk as well as identifying and correcting errors so that the operations become better controlled and more efficient.

- The Company also improved its information management systems and information security systems, aiming to increase the capability of accommodating business

expansion and gaining enhanced credibility from its customers in terms of technology and information. Particular focus was given to protection against damage caused by hackers.

- The Company established procedures for selecting outsourcing services, both operations and information systems. The purpose was to reduce the operational risk in various areas, enhance efficiency and gain operational credibility. However, the arrangements were still subject to the Company's regulations and by-laws as well as the regulations of the authorities concerned.

- The Company formulated business continuity plans which included an emergency plan, a backup system plan and a business recovery plan. The purpose was to protect against business discontinuities. The Company also ran a simulation exercise designed to test the preparedness of the plans and to revise the plans so that they could be efficiently implemented in real practice.

The Company also assessed the possible impact of operational risk, using the Basic Indicator Approach established by the Bank for International Settlements (BIS). The approach calculated the risk by using the Company's average gross income.

5. Risk from Investments in Subsidiaries and Associated Companies

This type of risk arises when the Company's earnings and shareholders' equity are adversely affected by recognition of losses from its investments in the subsidiaries and the associated companies as a result of their negative performance. The losses were recognized when the Company's subsidiaries and associated companies suffered losses or went bankrupt.

As at 31 December 2007, the Company's total investments in its subsidiaries and associated companies amounted to 17,498 million baht, accounting for 71.55 percent of the Company's net investments. Its largest investment was in Thanachart Bank Public Company Limited, in which it invested 14,406 million baht, representing 82.33 percent of the total investments in the subsidiaries and the associated companies. The second highest investment was in NFS Asset Management Company Limited, in which it invested 1,000 million baht, representing 5.71 percent of its total investments. The details of its investments (cost method) in the subsidiaries and the associated companies as at 31 December 2007 and 2006 were as follows :

Value of Investments in Subsidiaries and Associated Companies (Cost Method)

(Unit : Million Baht)

Company Name	Investment Value	
	2007	2006
Thanachart Bank Public Company Limited	14,406	16,019
NFS Asset Management Company Limited	1,000	1,000
MAX Asset Management Company Limited	334	334
Thanachart Securities Public Company Limited	-	1,500
Thanachart Fund Management Company Limited	-	113
Thanachart Insurance Company Limited	-	422
Thanachart Life Assurance Company Limited	-	500
Thanachart Group Leasing Company Limited	-	360
Others	1,758	1,529
Total	17,498	21,777

6. Strategic Risk

This type of risk is the risk that arises from the formulation of strategies, planning and implementation which are not suitable for or not in line with internal factors and the external environment, which may have an adverse impact on the Company's earnings, shareholders' equity or survival. In managing the strategic risk, the Company arranges for the formulation of strategies for the next three years. The strategies are subject to review at least once a year or whenever there is an outside event that may have an impact on the achievement of its business goals. The Executive Board is responsible for regularly monitoring and appraising the performance of various work units against the established targets in the annual plan.

7. Regulation Risk

The risk arises from improvements or changes in regulations, laws or requirements of the authorities concerned, especially the Bank of Thailand. Each change in the Bank of Thailand's policy might affect the Company's strategies and business operations.

IMPACT FROM THE GUIDELINE ON CONSOLIDATED SUPERVISION

The Bank of Thailand recently established the Guideline on Consolidated Supervision. The Guideline covers the supervision of financial groups or financial institutions which have a network of businesses or whose businesses are diverse, by applying good supervisory standards which meet

international practices. On 12 July 2007, the Bank of Thailand issued a notification approving Thanachart Bank's acquisition of shares in the Company eight subsidiaries. These subsidiaries included Thanachart Securities Public Company Limited, Thanachart Fund Management Company Limited, Thanachart Insurance Company Limited, Thanachart Life Assurance Company Limited, Thanachart Group Leasing Company Limited, Thanachart Management & Service Company Limited, Thanachart Legal and Appraisal Company Limited, and Thanachart Broker Company Limited, at prices equal to their respective book value. On 12 July 2007, Thanachart Bank purchased the shares in the subsidiaries. At the Annual General Meeting of shareholders of Thanachart Bank, the shareholders approved the capital increase by issuing and offering for sale ordinary shares to The Bank of Nova Scotia Asia Limited (BNSAL). The purpose was to strengthen Thanachart Group's finance business operations. The shares were sold to BNSAL on 19 July 2007. As a result, BNSAL held a 24.98 stake in Thanachart Bank. Thanachart Group has always been growing based on the concept of a financial conglomerate with Thanachart Capital being the holding company. As a result, Thanachart Group was well prepared for the changes and they did not affect the Group significantly.

CORPORATE SOCIAL RESPONSIBILITY

Apart from engaging in business for profits, corporations nowadays play an important role in improving their environment and the quality of life for their local communities and society at large through a wide range of activities in line with the Corporate Social Responsibility (CSR) concept. This new concept is being widely implemented in the developed countries. On the part of Thanachart Group, in addition to its determination to provide its shareholders, customers, employees as well as trading partners with the highest satisfaction and benefits possible, it recognizes the importance of its responsibility as a good corporate citizen towards society as a whole. It continues to lend its cooperation and support to various organizations and their socially beneficial activities. This is because Thanachart Group wishes to help shape Thai society into one in which people live happily, with the citizens having a good quality of life so that they can participate in and make a valuable contribution to the development of the country through their respective duties and responsibilities. In the past year, the Group continued to support socially beneficial activities in many areas including education and youth development, maintenance of religion, traffic safety campaigns as well as social contributions and the environment. The details of the activities undertaken by the Group are as follows :

Education and Youth Development

Youth education is a basic factor which plays a critical role in developing the country. As a result, Thanachart Group is determined to play an active part in supporting the education

and youth development in society at large, some activities of which are as follows :

- Thanachart Bank Public Company Limited (“Thanachart Bank”) gave its financial support to buying books and book cabinets under the project on “Book Corner in Honor of His Majesty the King on the Auspicious Occasion of His Majesty the King’s 80th Birthday on the 5th December 2007.” The project is a cooperative effort between the Bank of Thailand and commercial banks in giving books to 1,280 schools nationwide.
- Thanachart Bank supported the Project on “Send Books, Share Knowledge, For Libraries” which was jointly promoted by the Stock Exchange of Thailand and Thai Library Association. The project accepted donations of new books or used books in good condition, which were then forwarded to school libraries, public libraries and prison libraries which lacked resources. The objective was to give learning opportunities to the general public and to enable them to develop themselves through reading.
- Thanachart Bank gave financial support for the construction of a library at Wat Pathum Wanaram School which was initiated by Her Royal Highness Princess Maha Chakri Sirindhorn. The school teaches students at the secondary level. Bangkok Metropolitan Administration supported the construction of the school building as well as a library for charity at the discretion of His Majesty the King on the Auspicious Occasion of His Majesty the King’s 80th Birthday.

1 Ms. Maleeratna Plumchitchom, Advisor of Thanachart Group, represented Thanachart Bank in receiving a commemorative plaque from Ms. Tarisa Watanagase, the Bank of Thailand Governor, to mark the occasion of Thanachart Bank’s support to the Project on “Book Corner in Honor of His Majesty the King on the Auspicious Occasion of His Majesty the King’s 80th Birthday”

2 Thanachart Bank’s representatives namely, Mr. Kunathin Sriakkachan, Assistant Vice President of Corporate Activity Department, and Ms. Napaporn Saengkaew, Senior Manager of Corporate Communication Department, joined Dr. Manoon Leechawengwongs, President of the Anti-Drowsy Fund of Ramathibodi Foundation, in giving the “Get Enough Sleep” brochures to Deputy Education Minister Assoc. Prof. Dr. Varakorn Samakoses



- Thanachart Bank supported the “Get Enough Sleep” project of the Anti-Drowsy Fund of the Ramathibodi Foundation under the Patronage of Her Royal Highness Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra in printing 200,000 brochures and 45,000 CDs. They were delivered to the Ministry of Education which would distribute them to schools and educational institutions under the Ministry’s supervision and to public libraries. The objective was to spearhead campaigns to help Thai youth to recognize the importance of having enough sleep which would in turn, help them to improve their memory. Lack of sleep affected one’s learning, cognition, understanding, concentration, acquisition of new knowledge, problem solving and memory.

- Thanachart Bank donated 1 million baht to the Maha Chakri Sirindhorn Foundation for the Faculty of Arts, Chulalongkorn University, which was under the patronage of Her Royal Highness Princess Maha Chakri Sirindhorn. The purpose was to support the construction of computer laboratory of Geography Program, Faculty of Arts, to be located at the Maha Chakri Sirindhorn Building, a new building which was being built for students of the Faculty of Arts.

- Thanachart Securities Public Company Limited organized a CSR project on “Help Young Ones (4th Year)” by accepting cash donations and textbooks which would be given to students of four schools, namely Ban Ta Long School, Ban Huay Mak Tai School, Ban Don Pan Chad School and Ban Coke School in Ubon Ratchathani and Srisakate Province.

- Thanachart Life Assurance Company Limited continued its support for youth education through the 5th-Year “Ri Rerm Term Ruk (Initiate and Fulfill Love)” Project which was implemented in 2003. 60 scholarships were awarded to students studying at the secondary education levels (Matthayom Levels 1-6) at ten schools

under the jurisdiction of the Department of General Education. The students receiving the awards were needy students with good academic records. The scholarships would pay for the education of the same students from the secondary education levels (Matthayom Levels 1 to 6).

Maintenance of Religion

Thanachart Group recognizes the importance of the maintenance of religion which plays a significant role in guiding people and training their minds. As a result, the Group places emphasis on the participation in the continuous maintenance of religion. In 2007, it organized a number of religion maintenance activities as follows :

- Thanachart Bank hosted the presentation of Kathin robes to monks at Wat Muen Ra-gnab Rangsan in Amphoe Cha-uard, Nakorn Sri Thammarat Province with cash donations given to the temple for building a sermon hall and making merits in dedication to His Majesty the King. The company also hosted the presentation of Kathin robes at Kwuan Sri Temple, Amphoe Bannasarn, Surat Thani Province with funds to build Mondop (a square structure with four arches and a pyramidal roof) in honor of the Reverend Father Kongkaew.

Traffic Safety Campaigns

As a leader in the country’s automobile hire purchase business, Thanachart Group recognizes and fully understands traffic problems and their negative impact. As a result, it continues to organize and support traffic safety campaigns. Over the past year, the Group undertook the following activities :

- Thanachart Bank supported the construction of two police booths for Pattaya Police Station. The purpose was to give security to the general public and tourists and to facilitate their travels along Sukhumvit Road, Pattaya, Chonburi.

3 Mr. Vicha Kulkobkiat, Senior Vice President of Thanachart Bank’s Communications and Brand Management Group, presented a donation worth 1 million baht to the Maha Chakri Sirindhorn Foundation for the Faculty of Arts, Chulalongkorn University. The purpose was to support the construction of laboratory at the Maha Chakri Sirindhorn Building.



- Thanachart Bank published 10,000 copies of “Life Saving Manual” and 20,000 brochures to support the “Get Enough Sleep” project of the Anti-Drowsy Fund of Ramathibodi Foundation under the Patronage of Her Royal Highness Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra. The objective of the campaign was to encourage the general public to recognize the importance of adequate sleep and dangers caused by drowsy driving.

Social Contributions

Thai society is currently faced with many problems. It needs help from various organizations. Thanachart Group considers it important to play its part in giving the help required. In the past year, Thanachart Group has provided assistance and supported organizations in many socially beneficial projects which included, among others, the following :

- Thanachart Bank helped teachers in the South by giving cash donations to them through the “Tossakan Helps Teachers in the South” project of Workpoint Entertainment Public Company Limited. In turn, the money would be given through Sai Jai Thai Foundation to the teachers in the southernmost provinces of the country who are suffering as a result of the unrest. The purpose is to boost the morale of the teachers. In addition, the Bank encouraged others who also wanted to support the project to make their contributions. Their cash donations were put into Thanachart Bank’s savings account under the name of “Workpoint Entertainment for Tossakan to Help Teachers in the South.”

- Thanachart Bank supported activities under the “Savings for Father of the Nation” project. The Bank encouraged members of the public nationwide to save 80 baht (or multiples of the amount) each in a savings account under the name of “Savings for Father of the Nation.” The money received would be

used to support the education of fellow countrymen in the three southernmost provinces of the country, as a contribution to a royal charity and as a part of the government’s “Do Good for the Father of Nation” project.

- Thanachart Bank supported the Project on “Savings Accounts for Self-Sufficiency in line with His Majesty the King’s Royal Idea on Sufficiency Economy.” The Bank cooperated with Bangkok Metropolitan Administration (BMA) and other 16 financial institutions in encouraging Thai people to open savings accounts on the Auspicious Occasion of His Majesty the King’s 80th Birthday. The passbooks for these savings accounts were specially designed and were the same for every participating bank. The information on the money saved under this project was reported to His Majesty the King.

- Thanachart Bank supported the production of a Travel Guidebook entitled “Royal Initiative Discovery” on the Auspicious Occasion of His Majesty the King’s 80th Birthday. The guidebook provides the Thai people and foreigners with information about places of various Royal Initiative Projects which are conceptualized and created by His Majesty the King. The guidebook promotes tourism with the focus on learning about sustainable development based on His Majesty the King’s Economic Self-sufficiency Concept.

- Thanachart Bank gave tumble dryer to the Foundation for Slum Child Care under the Patronage of Her Royal Highness Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra for use in taking care of the Foundation’s young children. The Bank also put in place donation boxes of the Foundation for Slum Child Care at all its branches nationwide throughout 2007. It helped act as a channel for accepting donations from members of the public, the proceeds of which would be forwarded to the Foundation to help the children.

4 Mr. Bundit Cheevadhanarak, Senior Executive Vice President of Thanachart Bank, gave cash donations to support the “Tossakan Helps Teachers in the South” project. The money would be given to teachers in the southernmost provinces.

5 Mr. Vicha Kulkobkiat, Senior Vice President of Thanachart Bank’s Communications and Brand Management Group, gave tumble dryer to the Foundation for Slum Child Care under the Patronage of Her Royal Highness Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra.



- Thanachart Bank joined its PR Bank Club in supporting the “Vankaew” project by accepting donations in the form of spectacles, lenses, and cash from Thanachart Group’s staff who wished to help their fellow human beings. The spectacles and cash donations would be delivered to the Maha Chakri Sirindhorn Foundation for Spectacle Bank at Metta Pracharak Hospital (Wat Rai Khing), Nakhonprathom Province.

- Thanachart Bank supported the construction of Auspicious Model Stupas containing relics of the Lord Buddha and displaying 12 signs of the zodiac. The project was initiated by Thammarak Foundation, Wat Phra Baht Nam Phu, Lopburi Province. The proceeds after expenses from the sales of the Model Stupas with 12 signs of the zodiac would be presented to His Majesty the King for charity at his discretion and also to Wat Phra Baht Nam Phu Temple, Lopburi Province for paying part of the costs in constructing Thammarak Hospital as well as for maintaining the Stupa.

- Thanachart Bank supported the printing of oath taking postcards under the project on “60 Million People Jointly Taking an Oath on the Auspicious Occasion of His Majesty the King’s 80th Birthday.” The project was jointly initiated by the Center for the Promotion of National Strength on Moral Ethics and Values, and organizations from both the private and public sectors.

The purpose was for the people to honor His Majesty the King and to pledge their allegiance to His Majesty the King. The project encouraged members of the public nationwide to show their unity and loyalty by taking an oath through postcards that they would behave honestly towards themselves and others.

Environment

At present, it is crucial for all parties to recognize the importance of environment problems. While the environment plays an important role in the way of life of Thai citizens, it has been badly damaged. Being aware of the problems, Thanachart Group organized the following activities aiming to promote environmental protection and preservation.

- Thanachart Bank organized a project entitled, “Clean Sight and Clean Minds in Honor of His Majesty the King.” The project aimed to clean community areas and public spaces. The activity was an important annual event for Thanachart Bank. It was organized on the same day at all of its 21 hubs nationwide. Receiving cooperation and support from the state agencies, the private sector and members of the public at the location where the event was held, the activity was in honor of His Majesty the King on the Auspicious Occasion of His Majesty the King’s 80th Birthday on 5 December 2007.

6 Mr. Bundit Cheevadhanarak, Senior Executive Vice President of Thanachart Bank, and Mr. Panit Vikitsethi, Deputy Governor of Bangkok Metropolitan Administration (2nd and 3rd from left) presided over the opening ceremony of the “Clean Sight and Clean Minds in Honor of His Majesty the King” project which aimed to clean community areas and public spaces. The event was held on the same date at all the Bank’s 21 hubs nationwide.



7 Mr. Bundit Cheevadhanarak, Senior Executive Vice President of Thanachart Bank, led his team in marching along the road, as part of the campaign under the Bank’s “Clean Sight and Clean Minds in Honor of His Majesty the King” Project which aimed to clean community areas and public spaces. He and his team helped clean public areas at Pathumwan Intersection and from Rama I Road to Ploenchit Road.



8 Mr. Kunathin Sriakkachan, Assistant Vice President of Corporate Activity Department of Thanachart Bank’s Communications and Brand Management Group, received a plaque from National Police Chief Pol. Gen. Seripisut Temiyavej on the occasion of Thanachart Bank’s support to Pathumwan Police Station’s Bio-Diesel Project.



- Thanachart Bank in Cooperation with PTT Public Company Limited organized a project entitled, “NGV Credit from Thanachart at 0% with Repayment Period of up to 36 Months” to support members of the public who wanted to use NGV as an alternative fuel for vehicles and to support the government in promoting its energy conservation and environmental protection measures.

- Thanachart Bank gave cash donations to support the establishment of the bio-diesel production station under Pathumwan Police Station’s Bio-Diesel Project. The objective of the project was to conserve energy and to promote the police’s use of alternative energy as well as enhancing the efficiency of police surveillance, ensuring compliance with the strategic crime suppression and protection policy. The other purpose was to conserve energy in line with His Majesty the King’s Economic Self-sufficiency Philosophy and to pay respect to His Majesty the King on the Auspicious Occasion of His Majesty the King’s 80th Birthday on 5 December 2007.

- Thanachart Bank joined forces with Thai Bankers’ Association and Rajapruek Institution Foundation in supporting reforestation in line with the project on “Permanent Reforestation in Honor of His Majesty the King on the 50th Anniversary Celebration of His Majesty’s Accession to the Throne” which covered 760 rai of land in a national forest reserve in Ta Pla District, Uttaradit Province. The reforestation activities had been undertaken for the past three years (2005-2007). The project organizers handed over the new forests to the National Park, Wildlife and Plant Conservation Department, which represented the state. The Department would, in turn, continue to maintain the forests as national assets and water sources.

- Thanachart Employee Savings and Credit Cooperatives Company Limited encouraged its members and their families to participate in the reforestation activity in honor of His Majesty the King, at Bangpu, Samut Prakan Province. The purpose was to jointly organize a campaign aimed at raising the awareness of the staff and their families about the importance of conserving nature and mangrove forests which were the main source of food in an ecosystem.

Corporate Social Responsibility (CSR) Activities of Hubs

In addition to various CSR activities mentioned above, in 2007 Thanachart Group led by Thanachart Bank with support from member companies of the Group organized a project entitled, “Corporate Social Responsibility by Hubs.” The objective was to raise the awareness of the Group’s various hubs which consisted of the Bank’s branch network and the various service outlets of the Group’s member companies about the importance of Corporate Social Responsibility towards the communities and environment in various regions of the country. In 2007, the following activities were undertaken :

- Tonson Hub supported vocational training by organizing an activity entitled, “Thanachart Creates Jobs to Promote Social Development”, for Suan Lumpini Vocational Training Center. It gave the Center learning materials, training on various types of work, and refurbished its school building as well as improving the surrounding landscape of the center. The purpose was to create opportunities for members of the general public as well as the underprivileged to receive training and to enable them to make use of the knowledge gained in making a living.

9 Ms. Napaporn Saengkaew, Senior Manager of Corporate Communication Department of Thanachart Bank, handed over forests with a total area of 760 rai under the project on “Permanent Reforestation in Honor of His Majesty the King” from Khunying Kalaya Sophonpanich , Director and Secretary General of the Rajapruek Institute Foundation, before handed over it to the National Park, Wildlife and Plant Conservation Department which would, in turn, maintain the forests as national assets and water sources.



10 Surat Thani Hub organized Thanachart Football Kids Camp and invited former national striker Piyapong Pew-on to teach the kids in Surat Thani Province how to play football and develop various techniques.



- Surat Thani Hub organized a program called “Thanachart Fulfills for Society.” The program encouraged the youth in the community to develop good health and raised their awareness about the importance of doing physical exercise. It also gave training equipment to schools in the community. As well, it assisted communities in Surat Thani Province, Chumphon Province and Ranong Province in organizing various special activities. Moreover, it helped organize football tournaments with the aim of promoting good relationships among various communities. It established a football team whose name was “Thanachart Football Kids Camp.” Former national striker Piyapong Pew-on was invited to coach the team by teaching the kids in Surat Thani Province how to play football as well as developing various techniques.

- Thanachart Bank joined forces with Thai Red Cross Society in organizing an annual blood donation activity for staff of Thanachart Bank and member companies of Thanachart Group, both in the central and other regions. In the region, the Bank’s branch in Khon Kaen and various organizations in the province jointly organized a project on “Celebrating 80th Birthday of Father of the Nation, Khon Kaen People Donate 80 Million Drops of Blood” at the Bank’s branch. The donations would be presented to His Majesty the King for charities at his discretion on the Auspicious Occasion of His Majesty the King’s 80th Birthday.

- Nakhon Sawan Hub gave 1,000 safety kits to help the flood-hit victims in Nakhon Sawan Province under the project entitled “Safety Kits Ease Sufferings of Flood-hit People.”

- Had Yai Hub organized a campaign entitled “Thanachart Bank Cares, Children Wear Safety Helmets.” The campaign encouraged parents to recognize the importance of their children’s safety.

The Hub donated 1,200 safety helmets to five schools in Amphoe Had Yai, Songkhla Province. These included Toed Khunnatham Wittaya School, Srinakorn School, Kob-kan Suksa School, Wat Klong Rien School, and Wangdee Kindergarten. The purpose was to raise the awareness of both the motorcycle drivers and their passengers about safe driving to help them reduce motorcycle accidents.

- Ngam Wong Wan Hub joined forces with the local community and Nonthaburi Municipality in organizing a project on “Beautiful Canal, Clean Water.” The objective was to develop Bangsue Canal and Raewadee Community, aiming to restore the good local scenery and improve the environment for the community. Staff of Thanachart Bank and Nonthaburi Municipality as well as members of the local community jointly cleaned up and removed sewage from Bangsue Canal. Thanks to their joint efforts, they achieved their target of improving the scenery and the environment. In another development, the hub cooperated with Nonthaburi Municipality in organizing a global environment day with the theme, “Earth Not Hot in Nont City.” The objective was to raise the awareness of the children and members of the general public about the benefits to be gained from the conservation of natural resources and environmental protection, as well as ensuring that they know, understand, and have positive attitudes about the environment. As a result, they would change their behavior and help protect the environment.

Thanachart Group will continue to organize activities to promote Corporate Social Responsibility, with support from Thanachart Bank and member companies of the Group through their various hubs which are located in the central and other regions. The objective is to continue developing and supporting the society as well as looking after the country’s environment.

11 Had Yai Hub organized a campaign entitled “Thanachart Bank Cares, Children Wear Safety Helmets.” The campaign encouraged parents to recognize the importance of their children’s safety. The hub donated 1,200 safety helmets to five schools in Amphoe Had Yai, in Songkhla Province.



12 Ngam Wong Wan Hub joined forces with Nonthaburi Municipality in organizing a global environment day with the theme “Earth Not Hot in Nont City.” On the global environment day, Mr. Bundit Cheevadhanarak, Senior Executive Vice President of Thanachart Bank, led his team in marching along a road to launch a campaign aimed at raising the awareness of the children and members of the general public about the important benefits to be gained from conservation of natural resources and environmental protection



REPORT ON RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR FINANCIAL REPORT

The Company's Board of Directors is responsible for the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries as well as the financial information given in the annual report. These financial statements are prepared in conformity with the generally accepted accounting principles (GAAP), making use of appropriate accounting policies which are regularly adhered to. Supported by careful judgment, the preparation of the financial statements also makes use of the best estimates possible. For transparency, adequate important information is also disclosed in the notes to the financial statements for the benefit of both the shareholders and the investors in general.

The Board of Directors arranges for and maintains appropriate and efficient risk management systems and internal control systems. The objective is to create a reasonable confidence that the accounting information is accurate, complete and sufficient for the maintenance of the company's assets as well as for prevention of fraud or significant irregularities.

In this regard, the Board of Directors has established the Audit Committee consisting of independent directors. The Committee verifies the company's accounting policies and is responsible for the quality of financial reports, verification of internal control systems, internal audit, and risk management systems, as well as consideration of the disclosure of information related to connected transactions. The Audit Committee's opinions on these matters are disclosed in the Audit Committee's report given in this Annual Report.

The financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries have been audited by the certified public accountant Ernst & Young Office Limited, which is the Company's auditor. In the course of auditing, the Board of Directors provided the auditor with supporting information and documentation to enable the auditor to audit and give its report in line with auditing standards. The report of the independent auditor is also given in this Annual Report.

The Board of Directors is of the opinion that the Company's overall internal control systems are at a satisfactory level and can create a reasonable confidence that the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries for the period ended 31 December 2007 are reliable, in conformity with generally accepted accounting principles and in compliance with all the related legal requirements and regulations.



Banterng Tantivit
Chairman of the Board of Directors



Suphadej Poonpipat
President and Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

The Audit Committee consists of three members appointed by the Company's Board of Directors. All of them are independent directors who are qualified experts in accounting and finance with extensive work experience in financial institutions and large-sized corporations. They include:

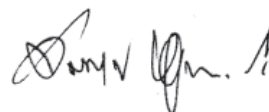
Mr. Sommart	Poonpakdee	Chairman of the Audit Committee
Mrs. Siripen	Sitasuwan	Member
Mrs. Chantima	Chaturaphat	Member

In 2007, there have been significant changes under the Group. The Company transferred its common shares of all 8 subsidiary companies to Thanachart Bank Public Company Limited, and partnered with the Bank of Nova Scotia Asia Limited for increasing competitive strength and potential which in line with the Group's shareholding reorganization plan approved by the Bank of Thailand.

The Audit Committee has duties and responsibilities assigned by the Company, which are in the charter established by the Audit Committee. In 2007, The Audit Committee held seven meetings and one extraordinary meeting with the related units including, among others, the Audit Office, Compliance Department, Thanachart Capital Accounting Department, Risk Management Department, and auditor. The meetings were for informing and considering all related issues and audit committee reported the results of all meetings to the Company's Board of Directors. The Audit Committee also participated in the Board of Director's meeting so as to be informed of the performance of various unit in the Company and those of Thanachart Group's member companies.

The Audit Committee is of the opinion that the business management of the Company and member companies of Thanachart Group is in line with the principles of good corporate governance. It is also of the opinion that the Company's financial statements disclose complete, accurate, reliable information and are in line generally accepted accounting principles. Moreover, the operation of the Company must comply with the laws because it is one of the most important policies of the Company. The internal control systems are sufficiently tight and show continuous improvement. As well, the Company's risk management systems adequately cover all key types of risks with a work unit specifically responsible for monitoring the various risks and making necessary changes that match the prevailing conditions. The Company has no transaction that gives rise to any conflict of interest. In carrying out its duties, the Audit Committee has received good cooperation from the management and other parties concerned. The Committee is able to work independently to its satisfaction.

The Audit Committee recommends that Ernst & Young Office Limited continues to act as the Company's auditor for another year. The Committee is of the opinion that the auditor is considered one of the country's leading auditors. It also has a good understanding of the Company's businesses and is supported by qualified personnel with knowledge and experience. Therefore, the Audit Committee considers it appropriate that the Company proposes to its shareholders that Ernst & Young remain as the Company's auditor in 2008.



Sommart Poonpakdee
Chairman of the Audit Committee

AUDIT REPORT OF CERTIFIED PUBLIC ACCOUNTANT

Thanachart Capital Public Company Limited
and Its Subsidiaries Companies
As at 31 December 2007 and 2006

To the Shareholders of Thanachart Capital Public Company Limited

I have audited the accompanying consolidated balance sheets of Thanachart Capital Public Company Limited and its subsidiaries as at 31 December 2007 and 2006, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Thanachart Capital Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audits to obtain reasonable assurance about 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Capital Public Company Limited and its subsidiaries and of Thanachart Capital Public Company Limited as at 31 December 2007 and 2006, the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to the following matters :-

a) As discussed in Note 4 to the financial statements, as at 1 January 2007, the Company changed its accounting policies for recording investments in subsidiary and associated companies in the separate financial statements from the equity method to the cost method, and for presenting the associated company's assets at the revaluation method to be cost method as the same as the Company's policy. In this regard, the Company has restated the consolidated and separate financial statements as at 31 December 2006 and for the year then ended to reflect the change in accounting policies.

b) As discussed in Note 5.10 a) to the financial statements, as at 31 December 2006 the Company and its subsidiaries had recorded the allowances for doubtful accounts in the financial statements in accordance with the Bank of Thailand's guidelines on determining provisions for non-performing loans, which became effective in three phases in the years 2006 and 2007. The Company and its subsidiaries set provisions against those loans which fell under the 2006 criteria and the effect of the additional provision that would be required under the new guidelines in 2007 could not be determined at that stage. In 2007 the Company and its subsidiaries have set aside provision in accordance with the new guidelines in the financial statements of the current year.



Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited
Bangkok : 28 February 2008

BALANCE SHEETS

Thanachart Capital Public Company Limited
and Its Subsidiaries Companies
As at 31 December 2007 and 2006

(Unit : Baht)

		CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	Note	2007	2006	2007	2006
			(Restated)		(Restated)
ASSETS					
CASH		3,274,646,674	2,466,125,940	40,000	40,000
INTERBANK AND MONEY MARKET ITEMS	6				
Domestic					
Interest bearing		1,369,192,055	2,559,774,515	21,837,128	9,309,020
Non-interest bearing		3,310,826,238	2,979,958,425	249,224,880	265,737,748
Foreign					
Interest bearing		35,600,519,727	21,420,641,997	-	-
Non-interest bearing		181,005,967	104,083,340	-	-
Total interbank and money market items - Net		40,461,543,987	27,064,458,277	271,062,008	275,046,768
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	7	2,500,000,000	6,300,000,000	-	-
INVESTMENTS					
Current investments - Net	8	5,296,660,463	7,338,916,150	800,000,000	8,464,722
Long-term investments - Net	8	22,269,203,345	26,201,194,502	6,155,936,302	5,835,793,998
Investments in subsidiaries - Net	9	-	-	16,840,417,694	21,465,780,870
Investments in associated companies - Net	10	1,308,475,772	1,226,111,101	657,994,072	311,098,381
Net investments		28,874,339,580	34,766,221,753	24,454,348,068	27,621,137,971
RECEIVABLES FROM CLEARING HOUSE		243,570,359	786,300	-	-
LOANS AND ACCRUED INTEREST RECEIVABLE	11				
Loans		237,306,778,789	207,471,746,186	24,793,914,227	50,093,526,829
Securities business receivable		1,930,104,554	1,815,873,590	-	-
Total loans and receivables		239,236,883,343	209,287,619,776	24,793,914,227	50,093,526,829
Accrued interest receivable		252,786,998	277,312,650	13,779,451	17,332,543
Total loans and accrued interest receivable		239,489,670,341	209,564,932,426	24,807,693,678	50,110,859,372
Less : Allowance for doubtful accounts	12	(8,371,854,678)	(8,095,956,105)	(1,651,568,121)	(3,110,412,890)
Less : Revaluation allowance for debt restructuring	13	(84,025,462)	(150,134,868)	(393,052)	(513,991)
Net loans and accrued interest receivable		231,033,790,201	201,318,841,453	23,155,732,505	46,999,932,491
PROPERTY FORECLOSED - Net	15	8,074,114,289	8,420,480,978	2,867,334,573	3,198,671,684
LAND, PREMISES AND EQUIPMENT - Net	16	2,308,196,743	1,758,009,632	220,236,517	344,342,339
INTANGIBLE ASSETS - SOFTWARE - Net	17	216,292,664	156,135,419	3,728,279	96,070,347
LEASEHOLD RIGHT		430,465,286	379,125,195	150,096,832	171,688,982
GOODWILL		44,274,108	10,215,267	-	-
AMOUNT BY WHICH VALUE OF INVESTMENTS IS					
LOWER THAN BOOK VALUE		-	(18,111,127)	-	-
VALUE ADDED TAX REFUNDABLE		1,095,149,691	1,475,295,586	-	-
OTHER ASSETS	18	2,699,768,509	2,131,374,156	129,780,567	216,175,736
TOTAL ASSETS		321,256,152,091	286,228,958,829	51,252,359,349	78,923,106,318

The accompanying notes are an integral part of the financial statements

BALANCE SHEETS (CONTINUED)

Thanachart Capital Public Company Limited
and Its Subsidiaries Companies
As at 31 December 2007 and 2006

(Unit : Baht)

Note	CONSOLIDATED		SEPARATE	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2007	2006 (Restated)	2007	2006 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY				
DEPOSITS	19			
Deposits in Baht	189,997,866,185	198,526,848,577	-	-
Deposits in foreign currencies	628,475,240	75,568	-	-
Total deposits	190,626,341,425	198,526,924,145	-	-
INTERBANK AND MONEY MARKET ITEMS	20			
Domestic				
Interest bearing	4,173,262,261	4,338,927,141	12,500,064,786	39,600,428,747
Non-interest bearing	588,938,459	168,430,791	-	-
Foreign				
Non-interest bearing	6,679,965	-	-	-
Net interbank and money market items	4,768,880,685	4,507,357,932	12,500,064,786	39,600,428,747
PAYABLE TO CLEARING HOUSE	-	609,006,654	-	-
SECURITIES BUSINESS PAYABLE	1,243,919,399	645,425,567	-	-
BORROWINGS	21			
Short-term borrowings	65,398,267,154	18,459,806,407	8,230,300,000	2,935,000,000
Long-term borrowings	11,046,546,400	26,574,862,400	4,500,000,000	12,730,300,000
Total borrowings	76,444,813,554	45,034,668,807	12,730,300,000	15,665,300,000
ACCRUED INTEREST PAYABLE	1,494,769,833	1,883,846,932	81,532,078	122,343,224
LIABILITIES PAYABLE ON DEMAND	1,329,027,334	1,461,622,782	-	-
CORPORATE INCOME TAX PAYABLE	941,425,140	373,672,153	620,943,529	89,201,602
UNEARNED PREMIUM RESERVE	1,207,394,714	923,333,476	-	-
LIFE PREMIUM RESERVE	5,593,424,455	3,550,307,646	-	-
OTHER LIABILITIES	22	5,343,886,644	710,896,572	889,075,796
TOTAL LIABILITIES	288,993,883,183	262,798,133,549	26,643,736,965	56,366,349,369

The accompanying notes are an integral part of the financial statements

BALANCE SHEETS (CONTINUED)

Thanachart Capital Public Company Limited
and Its Subsidiaries Companies
As at 31 December 2007 and 2006

(Unit : Baht)

	Note	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2007	2006	2007	2006
			(Restated)		(Restated)
SHAREHOLDERS' EQUITY					
Share capital	23				
Registered, issued and paid-up					
19,336 preference shares of Baht 10 each					
(2006 : 19,546 preference shares of Baht 10 each)		193,360	195,460	193,360	195,460
1,333,134,667 ordinary shares of Baht 10 each					
(2006 : 1,333,134,457 ordinary shares of Baht 10 each)		13,331,346,670	13,331,344,570	13,331,346,670	13,331,344,570
		13,331,540,030	13,331,540,030	13,331,540,030	13,331,540,030
Share premium		2,065,644,888	2,065,644,888	2,065,644,888	2,065,644,888
Share premium of a subsidiary company	2.2	1,141,663,553	-	-	-
Revaluation surplus on investments	24	510,938,562	159,423,516	355,674,041	63,949,974
Revaluation deficit on investments	24	(528,018,466)	(925,583,445)	(54,979,876)	(130,466,921)
Retained earnings					
Appropriated - statutory reserve	25	734,878,415	597,369,267	734,878,415	597,369,267
Unappropriated		8,951,655,999	7,336,945,260	8,175,864,886	6,628,719,711
Equity attributable to the Company's shareholders		26,208,302,981	22,565,339,516	24,608,622,384	22,556,756,949
Minority interest - equity attributable to minority shareholders of subsidiaries		6,053,965,927	865,485,764	-	-
TOTAL SHAREHOLDERS' EQUITY		32,262,268,908	23,430,825,280	24,608,622,384	22,556,756,949
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		321,256,152,091	286,228,958,829	51,252,359,349	78,923,106,318
OFF-BALANCE SHEET ITEMS - CONTINGENCIES					
Avals to bills and guarantees of loans	37.1	33,887,500	63,669,300	10,000,000	10,000,000
Liability under unmatured import bills		25,150,252	18,911,350	-	-
Letter of credits		399,286,956	94,146,696	-	-
Other contingencies		85,246,622,627	73,567,149,018	10,600,966,747	19,986,966,747

The accompanying notes are an integral part of the financial statements

INCOME STATEMENTS

Thanachart Capital Public Company Limited
and Its Subsidiaries Companies
For the Years Ended 31 December 2007 and 2006

(Unit : Baht)

	Note	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2007	2006	2007	2006
					(Restated)
INTEREST AND DIVIDEND INCOME					
Loans		3,063,653,516	2,945,907,112	166,731,917	145,128,641
Interbank and money market items		1,274,549,060	2,255,798,513	13,027,249	96,422,784
Hire purchase and financial lease		13,118,259,526	10,424,698,645	2,276,261,880	4,325,799,840
Investments		1,342,781,396	1,324,995,718	528,155,161	1,193,238,897
Total interest and dividend income		18,799,243,498	16,951,399,988	2,984,176,207	5,760,590,162
INTEREST EXPENSE					
Deposits		7,227,545,237	8,182,299,397	-	-
Interbank and money market items		168,933,463	108,154,733	1,275,447,740	3,552,487,000
Short-term borrowings		1,443,550,838	184,236,868	221,919,997	32,582,889
Long-term borrowings		860,704,839	1,567,874,189	349,763,642	550,193,054
Total interest expense		9,700,734,377	10,042,565,187	1,847,131,379	4,135,262,943
Net interest and dividend income		9,098,509,121	6,908,834,801	1,137,044,828	1,625,327,219
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS					
(BAD DEBT AND DOUBTFUL ACCOUNTS)	5.10, 26	(2,051,231,770)	(758,826,589)	852,729,039	557,558,109
LOSS ON DEBT RESTRUCTURING	27	(339,015)	(165,205,840)	(4,285)	(1,233,032)
Net interest and dividend income after					
bad debt and doubtful accounts and loss on debt restructuring		7,046,938,336	5,984,802,372	1,989,769,582	2,181,652,296
NON-INTEREST INCOME					
Brokerage fees		713,717,596	647,811,506	-	-
Gain on investments	2.2, 28	819,236,623	357,773,534	1,765,762,512	130,260,447
Share of income from investments in associated companies accounted for under equity method		270,890,523	223,028,360	-	-
Fees and service income					
Acceptances, aval and guarantees		21,780,855	16,576,429	-	-
Discounted income on insurance premium		709,260,467	724,675,565	402,876	69,099,983
Others		1,421,742,661	948,384,082	455,582,124	347,012,181
Gains on exchange and financial derivatives contracts		50,604,465	37,673,662	-	-
Gains on debt settlement/disposals		493,878,162	874,422,069	59,232,032	41,845,932
Insurance premium/Life insurance premium income		5,389,475,019	2,935,330,206	-	-
Gains on property foreclosed and other assets	29	250,792,045	590,414,366	48,773,809	11,694,020
Other income		534,516,318	287,374,129	336,158,245	326,675,705
Total non-interest income		10,675,894,734	7,643,463,908	2,665,911,598	926,588,268

The accompanying notes are an integral part of the financial statements

INCOME STATEMENTS (CONTINUED)

Thanachart Capital Public Company Limited
and Its Subsidiaries Companies
For the Years Ended 31 December 2007 and 2006

(Unit : Baht)

	Note	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2007	2006	2007	2006
					(Restated)
OPERATING EXPENSES					
Personnel expenses	30	2,894,603,867	2,571,756,035	87,297,704	356,962,364
Premises and equipment expenses		1,287,629,189	1,189,348,339	104,845,992	354,522,228
Taxes and duties		363,849,820	547,413,617	22,636,214	19,508,246
Fees and service expenses		251,784,630	267,886,680	15,764,832	38,148,786
Directors' remuneration	31	31,199,766	33,735,122	19,390,231	20,135,232
Fund contributed to the Financial Institutions Development Fund		814,591,364	740,395,956	-	22,043,370
Commission charged on hire-purchase		-	1,477,963,573	-	-
Insurance/Life insurance expenses		4,460,895,992	2,345,149,818	-	-
Other expenses		2,744,737,611	1,869,700,728	595,410,711	806,065,262
Total operating expenses		12,849,292,239	11,043,349,868	845,345,684	1,617,385,488
INCOME BEFORE INCOME TAX AND MINORITY INTEREST		4,873,540,831	2,584,916,412	3,810,335,496	1,490,855,076
CORPORATE INCOME TAX	32	(1,704,551,296)	(965,255,505)	(1,060,152,537)	(304,963,981)
INCOME BEFORE MINORITY INTEREST		3,168,989,535	1,619,660,907	2,750,182,959	1,185,891,095
MINORITY INTEREST IN NET INCOME IN SUBSIDIARIES		(351,241,012)	(151,794,081)	-	-
NET INCOME FOR THE YEAR		2,817,748,523	1,467,866,826	2,750,182,959	1,185,891,095
EARNINGS PER SHARE					
Basic earnings per share	34	2.11	1.10	2.06	0.89
Diluted earnings per share		2.11	1.10	2.06	0.89

The accompanying notes are an integral part of the financial statements

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

Thanachart Capital Public Company Limited
and Its Subsidiaries Companies
For the Years Ended 31 December 2007 and 2006

(Unit : Baht)

	CONSOLIDATED FINANCIAL STATEMENTS									
	Issued and paid-up share capital		Share premium of a subsidiary company	Surplus from	Revaluation	Retained earnings		Minority interest	Total	
	Preference shares	Ordinary shares		of assets of an associated company	surplus (deficit) on investments	Appropriated - statutory reserve	Unappropriated			
Balance as at 1 January 2006 - as previously reported	195,460	13,331,344,570	2,065,644,888	-	540,420,162	(830,178,038)	523,975,925	7,007,426,252	746,761,908	23,385,591,127
Cumulative effects of the change in accounting policy of an associated company to conform with the Company and its subsidiaries policy (Note 4)	-	-	-	-	(540,420,162)	-	-	-	-	(540,420,162)
Balance as at 1 January 2006 - as restated	195,460	13,331,344,570	2,065,644,888	-	-	(830,178,038)	523,975,925	7,007,426,252	746,761,908	22,845,170,965
Payment of dividends	-	-	-	-	-	-	-	(1,066,523,202)	-	(1,066,523,202)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	1,568,726	-	1,568,726
Decrease in revaluation deficit on investments	-	-	-	-	-	64,018,109	-	-	-	64,018,109
Transfer of retained earnings to statutory reserve	-	-	-	-	-	-	73,393,342	(73,393,342)	-	-
Decrease in minority interest in subsidiaries	-	-	-	-	-	-	-	-	(33,070,225)	(33,070,225)
Net income for the year	-	-	-	-	-	-	-	1,467,866,826	151,794,081	1,619,660,907
Balance as at 31 December 2006	195,460	13,331,344,570	2,065,644,888	-	-	(766,159,929)	597,369,267	7,336,945,260	865,485,764	23,430,825,280
Balance as at 1 January 2007 - as previously reported	195,460	13,331,344,570	2,065,644,888	-	539,051,342	(766,159,929)	597,369,267	7,336,945,260	865,485,764	23,969,876,622
Cumulative effects of the change in accounting policy of an associated company to conform with the Company and its subsidiaries policy (Note 4)	-	-	-	-	(539,051,342)	-	-	-	-	(539,051,342)
Balance as at 1 January 2007 - as restated	195,460	13,331,344,570	2,065,644,888	-	-	(766,159,929)	597,369,267	7,336,945,260	865,485,764	23,430,825,280
Payment of dividends (Note 23)	-	-	-	-	-	-	-	(1,066,523,202)	-	(1,066,523,202)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	994,566	-	994,566
Increase in share premium of a subsidiary company	-	-	-	1,141,663,553	-	-	-	-	-	1,141,663,553
Decrease in revaluation deficit on investments	-	-	-	-	-	749,080,025	-	-	-	749,080,025
Conversion of perference shares to ordinary shares (Note 23)	(2,100)	2,100	-	-	-	-	-	-	-	-
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	-	-	137,509,148	(137,509,148)	-	-
Increase in minority interest in subsidiaries	-	-	-	-	-	-	-	-	4,837,239,151	4,837,239,151
Net income for the year	-	-	-	-	-	-	-	2,817,748,523	351,241,012	3,168,989,535
Balance as at 31 December 2007	193,360	13,331,346,670	2,065,644,888	1,141,663,553	-	(17,079,904)	734,878,415	8,951,655,999	6,053,965,927	32,262,268,908

The accompanying notes are an integral part of the financial statements

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

Thanachart Capital Public Company Limited
and Its Subsidiaries Companies
For the Years Ended 31 December 2007 and 2006

(Unit : Baht)

	SEPARATE FINANCIAL STATEMENTS							
	Issued and paid-up share capital			Surplus from		Retained earnings		
	Preference	Ordinary		revaluation of	Revaluation	Appropriated -		
	shares	shares	Share premium	assets of an associated	surplus (deficit)	statutory	Unappropriated	Total
				company	on investments	reserve		
Balance as at 1 January 2006 - as previously reported	195,460	13,331,344,570	2,065,644,888	540,420,162	(830,178,038)	523,975,925	7,007,426,252	22,638,829,219
Cumulative effects of the change in accounting policy for investments in subsidiary and associated companies (Note 4)	-	-	-	-	865,312,926	-	(426,249,818)	439,063,108
Cumulative effects of the change in accounting policy of an associated company to conform the Company and its subsidiaries policy (Note 4)	-	-	-	(540,420,162)	-	-	-	(540,420,162)
Balance as at 1 January 2006 - as restated	195,460	13,331,344,570	2,065,644,888	-	35,134,888	523,975,925	6,581,176,434	22,537,472,165
Payment of dividends	-	-	-	-	-	-	(1,066,523,202)	(1,066,523,202)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	1,568,726	1,568,726
Decrease in revaluation surplus on investments	-	-	-	-	(101,651,835)	-	-	(101,651,835)
Transfer of retained earnings to statutory reserve	-	-	-	-	-	73,393,342	(73,393,342)	-
Net income for the year	-	-	-	-	-	-	1,185,891,095	1,185,891,095
Balance as at 31 December 2006	195,460	13,331,344,570	2,065,644,888	-	(66,516,947)	597,369,267	6,628,719,711	22,556,756,949
Balance as at 1 January 2007 - as previously reported	195,460	13,331,344,570	2,065,644,888	539,051,342	(766,159,929)	597,369,267	7,336,945,260	23,104,390,858
Cumulative effects of the change in accounting policy for investments in subsidiary and associated companies (Note 4)	-	-	-	-	699,642,982	-	(708,225,549)	(8,582,567)
Cumulative effects of the change in accounting policy of an associated company to conform the Company and its subsidiaries policy (Note 4)	-	-	-	(539,051,342)	-	-	-	(539,051,342)
Balance as at 1 January 2007 - as restated	195,460	13,331,344,570	2,065,644,888	-	(66,516,947)	597,369,267	6,628,719,711	22,556,756,949
Payment of dividends (Note 23)	-	-	-	-	-	-	(1,066,523,202)	(1,066,523,202)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	994,566	994,566
Increase in revaluation surplus on investments	-	-	-	-	367,211,112	-	-	367,211,112
Conversion of preference shares to ordinary shares (Note 23)	(2,100)	2,100	-	-	-	-	-	-
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	-	137,509,148	(137,509,148)	-
Net income for the year	-	-	-	-	-	-	2,750,182,959	2,750,182,959
Balance as at 31 December 2007	193,360	13,331,346,670	2,065,644,888	-	300,694,165	734,878,415	8,175,864,886	24,608,622,384

The accompanying notes are an integral part of the financial statements

CASH FLOW STATEMENTS

Thanachart Capital Public Company Limited
and Its Subsidiaries Companies
For the Years Ended 31 December 2007 and 2006

(Unit : Baht)

	CONSOLIDATED		SEPARATE	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2007	2006	2007	2006
				(Restated)
Cash flows from operating activities				
Net income	2,817,748,523	1,467,866,826	2,750,182,959	1,185,891,095
Adjustments to reconcile net income to				
net cash provided by (used in) operating activities :-				
Minority interest in income of subsidiaries	351,241,012	151,794,081	-	-
Share of income from investments accounted for under equity method	(270,890,523)	(223,028,360)	-	-
Depreciation and amortisation	445,550,561	342,718,346	55,721,348	117,817,573
Bad debt and doubtful accounts and loss on debt restructuring				
(Reversal of bad debt and doubtful accounts)	2,051,570,785	924,032,429	(852,724,754)	(556,325,077)
Increase in provision for impairment of property foreclosed	32,282,661	17,554,267	27,734,974	34,963,301
Increase (decrease) in provision for impairment of equipment/other assets	34,537,179	19,031,129	(1,401,144)	12,032,992
Increase in provision for impairment of investments	99,296,814	180,295,574	43,287,541	81,507,491
Amortisation of deferred gain on disposal of property foreclosed	(94,423,716)	(70,176,695)	-	(8,587,930)
Amortisation of surplus/discounts on investments in debt securities	(259,263,102)	(143,243,041)	-	-
Amortisation of discounts on borrowings	28,028,979	28,810,694	-	-
Amortisation of goodwill/amount by which value of				
investments is lower than book value	(7,895,861)	(11,903,611)	-	-
Loss on foreign exchange and financial derivatives	93,316,444	133,057,670	-	-
Increase in unearned premium reserve/life insurance premium reserve	2,263,029,327	670,537,698	-	-
Gain on transfers of assets for debt repayment	(34,798,095)	(56,818,785)	-	(539,281)
Gain on sales of investments in subsidiaries	(885,275,270)	-	(1,981,314,592)	-
Loss (gain) on disposal of equipment	15,712,026	(10,746,453)	(4,844,234)	(8,428,388)
Decrease (increase) in accrued interest and dividend receivable	46,399,851	(253,880,126)	4,830,118	15,073,384
Amortisation of deferred income	(183,358,768)	(132,908,724)	(36,563,099)	(59,655,111)
Decrease (increase) in other accrued income receivable	(224,025,554)	(32,709,717)	37,592,067	(9,387,212)
Increase (decrease) in accrued interest payable	(389,077,100)	628,799,478	(40,811,147)	19,389,737
Income from operating activities before changes				
in operating assets and liabilities	5,929,706,173	3,629,082,680	1,690,037	823,752,574

The accompanying notes are an integral part of the financial statements

CASH FLOWS STATEMENTS (CONTINUED)

Thanachart Capital Public Company Limited
and Its Subsidiaries Companies
For the Years Ended 31 December 2007 and 2006

(Unit : Baht)

	CONSOLIDATED		SEPARATE	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2007	2006	2007	2006
				(Restated)
Operating assets (increase) decrease				
Interbank and money market items	(13,447,260,777)	(22,209,039,923)	5,267,147	555,884,805
Securities purchased under resale agreements	3,800,000,000	13,400,000,000	-	7,200,000,000
Current investments	(77,472,844)	(98,012,347)	-	-
Receivable from clearing house	(242,784,059)	163,134,165	-	-
Loans and receivable	(36,486,641,068)	(49,130,830,062)	24,213,577,614	32,291,745,036
Property foreclosed	5,254,341,364	2,650,767,381	927,706,649	1,162,775,780
Other assets	(71,343,617)	368,018,810	42,050,063	1,032,252
Operating liabilities increase (decrease)				
Deposits	(7,900,582,720)	50,155,715,194	-	-
Interbank and money market items	261,522,753	1,906,508,844	(27,100,363,961)	(36,099,705,907)
Securities sold under repurchase agreements	-	(200,000,000)	-	-
Payable to clearing house	(609,006,654)	583,567,762	-	-
Securities business payable	598,493,832	(412,437,379)	-	-
Liability payable on demand	(132,595,448)	464,467,493	-	-
Other liabilities	859,751,584	1,211,988,135	355,526,051	(347,028,736)
Net cash flows from (used in) operating activities	(42,263,871,481)	2,482,930,753	(1,554,546,400)	5,588,455,804
Cash flows from investing activities				
Decrease (increase) in long-term investments	6,665,032,636	(2,188,033,147)	(903,865,210)	(3,105,483,936)
Cash received from sale of investment in subsidiaries	2,572,221,636	-	6,730,459,084	-
Cash paid for purchase of investment in subsidiary/associated companies	(204,078,076)	-	(472,853,838)	(211,499,225)
Dividend received from associated companies	146,838,109	137,158,318	-	-
Dividend received from subsidiaries (capital refund)	-	-	2,188,990	161,952,562
Cash paid for purchase of land and equipment/intangible assets	(957,728,380)	(728,025,097)	(33,631,477)	(162,209,139)
Cash received from disposal of land and equipment/intangible assets	13,336,271	28,991,976	233,626,209	235,438,410
Net cash flows from (used in) investing activities	8,235,622,196	(2,749,907,950)	5,555,923,758	(3,081,801,328)

The accompanying notes are an integral part of the financial statements

CASH FLOWS STATEMENTS (CONTINUED)

Thanachart Capital Public Company Limited
and Its Subsidiaries Companies
For the Years Ended 31 December 2007 and 2006

(Unit : Baht)

	CONSOLIDATED		SEPARATE	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2007	2006	2007	2006
				(Restated)
Cash flows from financing activities				
Borrowings increase (decrease)	31,382,115,768	3,055,823,385	(2,935,000,000)	(1,441,700,000)
Cash received from new issuance shares of a subsidiary	4,522,428,584	-	-	-
Dividend paid	(1,066,377,358)	(1,064,954,476)	(1,066,377,358)	(1,064,954,476)
Dividend paid to minority shareholders	(1,396,975)	(58,719,395)	-	-
Net cash flows from (used in) financing activities	34,836,770,019	1,932,149,514	(4,001,377,358)	(2,506,654,476)
Net increase in cash	808,520,734	1,665,172,317	-	-
Cash at beginning of the year	2,466,125,940	800,953,623	40,000	40,000
Cash at ending of the year	3,274,646,674	2,466,125,940	40,000	40,000
Supplemental cash flows information :-				
Cash paid during the year for				
Interest	10,070,039,243	9,395,074,039	1,888,916,252	4,116,970,933
Corporate income tax	1,073,789,018	1,069,353,648	528,410,610	515,409,364
Non-cash transactions				
Conversion of preference shares to ordinary shares	2,100	-	2,100	-
Property foreclosed transferred from loans, other receivable and investments in receivables purchased	4,905,459,240	3,338,096,545	624,104,513	1,134,232,590
Loans transferred from investment in receivables purchased	176,238,849	50,036,153	-	-
Accounts payable for purchase of fixed assets	73,016,701	172,622,048	5,988,314	6,712,591
Bad debt written-off	1,490,128,073	74,797,490	256,813,973	74,518,054

The accompanying notes are an integral part of the financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Thanachart Capital Public Company Limited
and Its Subsidiaries Companies
For the Years Ended 31 December 2007 and 2006

1. GENERAL INFORMATION

1.1 The Company's information

Thanachart Capital Public Company Limited ("the Company") was incorporated as a public company limited under Thai laws and operates its business in Thailand. The Company is mainly engaged in investment holding and is the parent company of the Thanachart Group. The Company's registered address is 444 MBK Tower, 10-11 and 15-20 Floors, Phayathai Road, Wangmai, Pathumwan, Bangkok.

All subsidiaries are registered as limited or public limited companies under Thai laws and operate their businesses in Thailand. The subsidiaries' business include commercial banking business, securities business, non-performing assets management business, leasing and hire-purchase business, non-life insurance business, life insurance business, fund management business, and others.

1.2 Restructuring of financial institution operations

a) On 5 July 2007, the Bank of Thailand ("the BOT") approved a proposal for the Company and Thanachart Bank Public Company Limited (a subsidiary company) ("the Bank") to change the structure of the financial business group in accordance with the principle of consolidated supervision. In this regard, in accordance with a resolution of the Annual General Meeting of the Shareholders of the Company and the Bank held on 30 April 2007, the Company sold investments in 8 subsidiaries to the Bank. Those subsidiaries are Thanachart Securities Public Company Limited, Thanachart Insurance Company Limited, Thanachart Life Assurance Company Limited, Thanachart Fund Management Company Limited, Thanachart Broker Company Limited, Thanachart Group Leasing Company Limited, Thanachart Management and Service Company Limited and Thanachart Legal and Appraisal Company Limited. On 12 July 2007, the Company sold the said 8 subsidiaries to the Bank for a total of Baht 4,158 million, with the price being referenced to the book value of the subsidiaries as of the end of June 2007.

Moreover, the BOT granted permission for the Company to be shareholder of the three companies in the financial business group, comprising the Bank and two asset management companies together with one of the companies outside the financial business group that carries on financial business (in this respect, the existing conditions of permission are to be complied with and the investment in this company does not need to be deducted from the capital funds of the financial group). Under the conditions of this permission, the Company can invest in other four companies outside the financial business group that do not operate financial business (which consist of MBK Plc., Patum Rice Mill and Granary Plc., Puen Pob Paet Co., Ltd. and Saturn Inc.) and another company acquired as a result of debt restructuring (HTR Corporation Limited), but shareholdings in these five companies are to be reduced to not more than 10% within 20 December 2009. The investments in Prosperity Industrial Estate Co., Ltd. and V.M.C. Safety Glass (Thailand) Co., Ltd. are also allowed to invest but have to be reduced to not more than 10% within 31 December 2007, of which the Group were successfully reduced in December 2007. In calculating capital funds under the consolidated supervision level, the Company must apply full consolidation, such that investments where direct and indirect shareholdings in companies in the financial business group amount to less than 50% of the issued and paid-up capital, investments in companies in which the Company is not permitted to hold more than 10% of paid-up share capital and investments in insurance and life-assurance companies are to be deducted from the capital funds of the financial business group. The Bank is also to prepare financial statements on a solo consolidation basis, consolidating the financial information of the Bank and Thanachart Group Leasing Company Limited, with the Bank's direct and indirect shareholdings being deducted in the same way as those of the Company.

- b) On 11 July 2007, the BOT announced that the minister of the Ministry of Finance had agreed to a relaxation of the rule whereby the holding of the Bank of Nova Scotia Asia Limited (“BNSAL”) could not exceed 24.99% of the total paid-up capital of the Bank, permitting the Bank to have non-Thai shareholding of up to 49% of its total paid-up capital and to have non-Thai national directors comprising more than one fourth, but no more than one half and no more than the proportion of non-Thai shareholding, of the total number of directorships.

On 19 July 2007, the Bank proposed the sale of 276,263,200 additionally issued shares to BNSAL at a price of Baht 16.37 per share, and BNSAL's purchase of 157,130,216 existing ordinary shares of the Bank from the Company at a price of Baht 16.37 per share. As a result, BNSAL's shareholding in the Bank would total 433,393,416 shares, or 24.98% of its total issued capital, and the Company would hold 1,291,912,593 of the Bank's shares, or 74.48%.

Under the Shareholders' Agreement made between the Company and BNSAL on 29 April 2007, BNSAL had indicated its intention to purchase up to 49% of the issued and outstanding ordinary shares of the Bank as a strategic partner, in terms of both investment and management, with all additional shares to be purchased from the Company, under conditions whereby the shares are to be purchased in 2 periods. However, the purchase of additional shares of the Bank depends on the receipt of regulatory approval.

- The initial obligation period ends in 2007 which was extended to the end of 2008, BNSAL will purchase the shares at a price of 1.6 times the net book value per share, calculated after deducting the amount and the number of shares in which BNSAL has already invested.
- The subsequent call period is for a period of 4 years from the end of the obligation period, with BNSAL to purchase the shares at a price of 1.7 times the net book value per share, calculated after deducting the amount and the number of shares in which BNSAL has already invested.

In addition, the Company, the Bank and BNSAL agreed on other matters under the agreements, whereby each company had rights and performance obligations as per the conditions outlined in the agreements, such as stipulations on dividend payment, the sale of the Bank's shares, the issuance of additional securities or convertible securities by the Bank, the right of first refusal to purchase the Bank's shares, obligation to purchase the Bank's shares, call and put options to purchase the Bank's shares, the appointment of directors of the Bank and its subsidiaries, and the assignment of experts to work at the Bank.

Furthermore, under the conditions of the agreements among the Company, the Bank and BNSAL, the Company and the Bank must disclose information relating to business performance, operations, and legal compliance of the Bank and its subsidiaries and certify the disclosed information, to assist BNSAL in deciding whether to purchase shares in the Bank. In the event that the Bank or the subsidiaries have to pay any damages, compensation or penalties to any other party, as a result of events or information that the Company and the Bank failed to disclose to BNSAL before BNSAL purchased the shares of the Bank, the Company and the Bank will compensate BNSAL for any losses in accordance with the conditions and timeframe stipulated in the agreements.

On 11 January 2008, BNSAL transferred all of its shares in the Bank to The Bank of Nova Scotia (“BNS”), which is the parent company of Nova Scotia Group. The transfer was made with the approval of the minister of the Ministry of Finances, who has permitted BNS to hold up to 24.99% of the total paid-up capital of the Bank. As a result, BNS is a shareholder in the Bank instead of BNSAL, and all conditions of agreements pertaining to business between the Bank and BNSAL are to be fulfilled by BNS.

- c) On 19 July 2007, the Bank accepted the transfer of assets and liabilities of the Bank of Nova Scotia - Bangkok Branch in accordance with the One Presence Policy, in line with the Financial Sector Master Plan. Under this policy, when BNSAL became a shareholder of the Bank, it had to return the commercial bank operation license of the Bank of Nova Scotia - Bangkok Branch to the Ministry of Finance and transfer its assets, liabilities and commitments denominated in Thai Baht and foreign currencies to the Bank at their net book values, which are summarised below :-

		(Unit : million)
Transactions		Amount
Assets	- Loans	824
	- Equipment	4
Liabilities	- Deposits	53
Net amount paid		775
Letters of guarantee and letters of credit		1,754
Other commitment - foreign exchange contracts		10

- d) During 2007, the Company transferred 547 employees of the Company to the Bank to support the operations of the Bank and its subsidiaries, effective from 1 February 2007. All transferred staff will receive identical compensation and benefits to those received prior to the transfer. Moreover, the Company transferred assets totaling Baht 221 million used by those staff in carrying out their duties, including intellectual property, which comprises all related rights, obligations and benefits in IT-related intellectual property relevant to the business of the Bank and its subsidiaries.
- e) On 1 October 2007, Extraordinary Meeting of the Shareholders of Thanachart Bank, approved the cessation of the trading of the Bank's shares on the Stock Exchange of Thailand ("SET"), and on 9 October 2007, the SET approved the delisting of the Bank's shares. The Company made an offer to purchase all ordinary shares of the Bank from other shareholders at a price of Baht 16.37 per share, and other shareholders offered the sale of 7,694,450 shares of the Bank to the Company. As a result, the Company's shareholding in the Bank comprises 1,299,607,043 shares, or 74.92%. On 15 January 2008, the Bank delisted its shares from the SET.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Act B.E. 2547 and with reference to the guidelines stipulated by the BOT. Since, the Company is the holding company who was approved by the BOT to be the parent company of a financial business group and has a significant subsidiary company engaged in banking business which is under a consolidated supervision by the BOT. Therefore, the presentation of the financial statements has been made in compliance with the Notification of the BOT relating to the format of the financial statements of commercial banks, dated 10 May 2001.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation financial statements

These consolidated financial statements include the financial statements of Thanachart Capital Public Company Limited (hereinafter referred to as “the Company”) and its subsidiaries (herein after referred to as “the subsidiaries”) as follows :-

	Percentage of shares held by the Company		Percentage of shares held by the subsidiaries	
	31 December		31 December	
	2007	2006	2007	2006
<u>Subsidiaries directly held by the Company</u>				
Thanachart Bank Plc.	74.92	99.36	-	-
N.F.S. Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	58.45	58.45	-	-
NASSET Property Fund 6	99.80	99.80	0.06	0.06
Pasara Co., Ltd.	100.00	100.00	-	-
Thiravanit Co., Ltd.	99.90	99.90	-	-
Sinkahakarn Co., Ltd.	95.12	95.12	-	-
Bangkok Home Co., Ltd.	99.87	99.87	-	-
Thanachart SPV 01 Co., Ltd.	100.00	100.00	-	-
<u>Subsidiaries indirectly held by the Company</u>				
Thanachart Securities Plc.	-	100.00	100.00	-
Thanachart Insurance Co., Ltd.	-	78.00	100.00	10.00
Thanachart Life Assurance Co., Ltd.	-	100.00	100.00	-
Thanachart Fund Management Co., Ltd.	-	75.00	75.00	-
Thanachart Broker Co., Ltd.	-	100.00	100.00	-
Thanachart Group Leasing Co., Ltd.	-	100.00	100.00	-
Thanachart Management and Services Co., Ltd.	-	100.00	100.00	-
Thanachart Legal and Appraisal Co., Ltd.	-	100.00	100.00	-
Thanachart Leasing 2000 Co., Ltd.	-	-	100.00	100.00
National Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Training and Development Co., Ltd.	-	-	100.00	-

Total assets and total income of the subsidiaries that have a significant impact to and are included in the consolidated financial statements as at 31 December 2007 and 2006 and for the years then ended, after eliminating significant intercompany transactions, are as follows :-

(Unit : Million Baht)

	Total assets		Total income	
	2007	2006	2007	2006
Thanachart Bank Plc.	265,968	207,787	16,867	12,281
N.F.S. Asset Management Co., Ltd.	5,596	9,631	680	1,309
Max Asset Management Co., Ltd.	1,933	2,262	304	462
Thanachart Life Assurance Co., Ltd.	5,665	3,974	3,473	1,372
Thanachart Insurance Co., Ltd.	2,164	1,903	2,136	1,723
Thanachart Securities Plc.	3,035	2,615	832	957

- a) On 12 July 2007, the Company sold investments in eight subsidiaries to Thanachart Bank Public Company Limited (subsidiary) for a total of Baht 4,158 million. The selling price was based on the net book value of each subsidiary company as at the end of June 2007.

Companies		Number of shares	Shareholding (Percent)
1.	Thanachart Securities Plc.	1,499,999,930	100.00
2.	Thanachart Insurance Co., Ltd.	38,999,434	78.00
3.	Thanachart Life Assurance Co., Ltd.	49,999,400	100.00
4.	Thanachart Fund Management Co., Ltd.	7,499,993	75.00
5.	Thanachart Broker Co., Ltd.	9,999,000	100.00
6.	Thanachart Group Leasing Co., Ltd.	35,999,994	100.00
7.	Thanachart Management and Services Co., Ltd.	599,993	100.00
8.	Thanachart Legal and Appraisal Co., Ltd.	999,993	100.00

The Company had gains from its sales of investments in the said subsidiaries totaling Baht 1,146 million. These were presented as gains on investments in the separate income statements and have been eliminated in the consolidated financial statements.

- b) On 19 July 2007, the Company sold 157,130,216 shares of the Bank to BNSAL at a price of Baht 16.37 per share. BNSAL also purchased 276,263,200 of additional shares issued by the Bank at Baht 16.37 per share, and as a result, BNSAL's holding in the Bank stands at 24.98% of the paid-up share capital, while the Company holds 74.48% of outstanding share capital. The realised gain on the sale of Baht 835 million calculated under the cost method was presented in the separate income statements, while a gain of Baht 885 million was presented in the consolidated income statements under the equity method. In addition, the price of the issued shares sold to BNSAL was higher than the par value and the Bank therefore had share premium from the share capital issuance amounting to Baht 1,760 million, with Baht 1,142 million of such amount presented as share premium of a subsidiary company under shareholders' equity in the consolidated balance sheet.

- c) On 28 September 2007, the Bank purchased an additional 6,000,000 shares of Thanachart Insurance Co., Ltd., one of the Bank's subsidiaries, from a third party, for Baht 78.12 million. This represents 12.00% of the total issued and paid-up shares. The price was set based on the book value as at the end of July 2007. As a result, the Bank holds 100% of that company's shares.
- d) On 27 April 2007, the Bank invested in a 100% shareholding in Thanachart Training and Development Co., Ltd.
- e) Outstanding balances between the Company and its subsidiaries have been eliminated in the consolidated financial statements. The investments in subsidiaries as recorded in the Company and its subsidiaries' books of accounts have been eliminated against the shareholders' equity of the subsidiaries. The remaining differences are amortised from the date of acquisition of the investments in subsidiaries.

2.3 The separate financial statements, which present investments in subsidiaries and associates under the cost method, have been prepared solely for the benefit of the public.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The Notification mandate the use of the following new Accounting Standards.

a) Thai Accounting Standards which are effective for the current year

TAS 44 (revised 2007)	Consolidated and Separate Financial Statements
TAS 45 (revised 2007)	Investments in Associates
TAS 46 (revised 2007)	Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the current year, the Company changed its accounting policy for recording investments in subsidiaries, jointly controlled entities and associates in the separate financial statements in order to comply with the revised Thai Accounting Standards No. 44 and 45, as discussed in Note 4 to the financial statements. The revised Thai Accounting Standard No. 46 is not relevant to the businesses of the Company and its subsidiaries.

b) Thai Accounting Standards which are not effective for the current year

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied. The revised Thai Accounting Standards No. 31, 33 and 49 are not relevant to the businesses of the Company and its subsidiaries.

4. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES COMPANIES

- 1) During the current year, the Company changed its accounting policy for recording investments in subsidiaries and associates in the separate financial statements, from the equity method to the cost method, in compliance with the Thai Accounting Standard No. 44 (Revised 2007) regarding “Consolidated Financial Statements and Separate Financial Statements”, under which investments in subsidiaries and associates are to be presented in the separate financial statements under the cost method.

In this regard, the Company has restated the previous period’s separate financial statements, presented for comparative purposes, as though the investments in the subsidiaries and associates had originally been recorded using the cost method. The change has the effect of decreasing net income in the separate income statements for the years ended 31 December 2007 and 2006 by Baht 68 million (Baht 0.05 per share) and Baht 282 million (Baht 0.21 per share), respectively. The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiaries and associates” in the separate statements of changes in shareholders’ equity.

Such change in accounting policy affects only the accounts related to investments in subsidiaries and associates in the Company’s separate financial statements, with no effect to the consolidated financial statements.

- 2) Thai Accounting Standards No. 44 and 45 require that the Company, its subsidiary and associated companies use the same accounting policies. Formerly, the Company and its subsidiaries formerly presented land, land improvements and premises at cost, while an associated company that is engaged in real estate business, presented such assets at their fair values (market value or replacement cost). Such accounting policy differed from the Company and its subsidiaries’ policy because the nature of their businesses differs. In order to comply with requirement of the Thai Accounting Standards, the Company has therefore restated the previous period’s consolidated and separate financial statements as though the associated company had applied the same accounting policies. The effect of the change is to decrease investments in associated companies and shareholders’ equity in the consolidated and the separate financial statements as at 31 December 2007 and 2006 by Baht 449 million and Baht 539 million, respectively.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Revenue recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on the amount of principal outstanding. Interest on financial lease agreements is recognised under the effective rate method.

From 1 January 2007, the Company and its subsidiaries changed their revenue recognition method for interest on hire-purchases from the sum-of-the-years’ digits method to the effective interest method, whereby income from hire-purchase contracts which originated on or after 1 January 2007 is recognised under the effective interest method, and income from hire-purchase contracts which originated before 1 January 2007 is recognised using the brought forward balances of hire-purchase receivables as of 1 January 2007 as the beginning balance, and recognising interest under the effective interest method over the remaining period of the contract.

The Company and its subsidiaries cease accruing interest income for loans on which principal or interest payments have been defaulted for more than three months, with interest income formerly recognised for such defaulted loans being reversed from the accounts. Interest is then recognised as income on a cash basis until the Company and its financial institution subsidiaries collect such overdue loans.

The Company and its subsidiaries recognise interest income on restructured loans on an accrual basis, with reference to interest rate stipulated in the agreements, with the exception of loans that are subject to monitoring for compliance with restructuring conditions, from which the Company and its subsidiaries recognise income on a cash basis until the debtors are able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

The Company and its subsidiaries recognise interest income on investments in purchased/transferred loans for which loan repayment is received during the year based on multiplication of the effective yield rate used for the determination of the cost of the portfolio multiplied by the new book value (purchase cost) of the outstanding balances of receivables. After the restructuring of the purchased/transferred loans, interest income is recognised by the effective interest rate method for those receivables from which collection is made during the year.

Interest or discounts already included in the face values of notes receivable or loans are recorded as deferred interest income and taken up as income evenly throughout the term of the notes or loans or in proportion to the amount collected.

Deferred interest income on hire-purchases represent discounts on interest granted to debtors by dealers and is recognised based on the effective interest rate method, in the same manner as interest income on hire-purchases receivable.

b) Interest and dividends from investments in securities

Interest income is recognised on an accrual basis based on the effective rate method. Dividend income is recognised when the right to receive the dividend is established.

c) Brokerage fees income

Brokerage fees charged on securities trading are recognised as income on the transaction date.

d) Interest on loans for purchases of securities

Interest on loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary company ceases accruing interest for certain loans that fall under conditions stipulated by the Securities and Exchange Commission ("SEC").

e) Gain (loss) on investments and financial derivatives.

Gain (loss) on investments and financial derivatives are recognised as income/expenses at the transaction date.

f) Fees and service income

Fees and service income are recognised as income on an accrual basis.

g) Insurance/life insurance premium income

- Insurance premium income is recognised on the date the insurance policy comes into effect, after deducting premium ceded and cancelled for insurance policies with coverage periods of up to 1 year. For long-term insurance policies with coverage periods of longer than 1 year, related revenues and expenses are recorded as unearned and prepaid items, and amortised to income and expenses over the coverage period.
- Life insurance premium income is recognised on the date the insurance policy comes into effect, after deducting premium ceded and refunded.
- Reinsurance premium income is recognised when the reinsurer places the reinsurance application or statement of accounts.

5.2 Expense recognition

a) Interest expense

Interest expense is charged to earnings on an accrual basis. Interest on notes payable is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

b) Commission and expenses charged on hire-purchase

For hire-purchase contracts originating on or after 1 January 2007, the subsidiaries changed their method of recognition of initial direct expenses at the inception of a hire-purchase contract (i.e. commission expenses and stamp duty expenses) from fully recognising them as expenses at the transaction date to amortising them under the effective interest method, and deducting the amortisation from interest income throughout the contract period to reflect the effective rate of return of the contracts.

Unearned income on hire-purchases is presented after netting commission expenses and initial direct costs at the inception of the contracts.

The change is in accordance with Accounting Standards No. 29 (revised 2007) "Leases". The Company and its subsidiaries did not restate the financial statements for the year 2006 for comparative purpose.

5.3 Unearned premium/life insurance premium reserve

Unearned premium reserve of a subsidiary company is set aside in compliance with the Notification of the Ministry of Commerce regarding the appropriation of unearned premium reserve as follows :-

Fire, marine (hull), motors and miscellaneous (except for traveling accident with coverage of not more than 6 months)	- Monthly average basis (the one-twenty fourth basis)
Marine and transportation (cargo)	- Net premium written for the last ninety days
Traveling accident with coverage of not more than 6 months	- Net premium written for the last thirty days

Life insurance premium reserve represents the accumulated total reserve for liability from the effective date up to the balance sheet date, for all life insurance policies in force. The reserve is calculated by the subsidiary company under the actuarial method prescribed by the Regulation on Life Insurance Policy Reserve as promulgated by the Ministry of Commerce.

(a) Reserve for life insurance policies of over 1 year is determined using the fractional reserve method.

(b) Reserve for life insurance policies of 1 year or less is determined based on the full unearned premium reserve and the period of coverage.

5.4 Investments

Investments in securities held for trading are determined at fair value. Gains or losses arising from changes in the value of such securities are included in determining income.

Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, when the changes are included in determining income.

Investments in debt securities, both due within one year and expected to be held to maturity, are stated at cost after amortisation. Premiums/Discounts on debt securities are amortised by the effective rate method, which the amortisation amount are presented as an adjustment to the interest income.

Investments in non-marketable equity securities, which are classified as other investments, are valued at cost net of allowance for impairment (if any).

The Company and its subsidiaries do not consider the investment in funds to be investments in subsidiaries and associated as the Company and its subsidiaries do not have control or influence over the financial and operating policies of the funds, which are independently managed by the fund manager and are under supervision of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand.

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private sector

debt securities is determined using the formula quoted by the BOT, which is based on the yield rate quoted by the Thai Bond Market Association, adjusted by an appropriate risk factor. The fair value of unit trusts is determined based on their net asset value.

Allowance for impairment (if any) on investments in available-for-sale securities, investments in held to maturity debt securities and investments in non-marketable equity securities is recognised in the statements of income.

The weighted average method is used for computation of the cost of investments.

In the event of the transfer of investment portfolio, the Company and its subsidiaries value such investments at their fair values prevailing at the transfer date. Differences between the carrying amounts of the investments and their fair values at that date are recorded as gains (losses) in the income statements or presented as surplus (deficit) from revaluation of investments, which is presented as a separate item in shareholders' equity and amortised over the remaining period to maturity of the debt securities, depending on the type of investment which is reclassified.

5.5 Investments in receivables purchased and allowance for impairment

Investments in receivables purchased, which are classified as other investments, are valued at acquisition cost net of allowance for impairment (if any). Allowance for impairment is recognised in the statements of income.

If the receivables purchased enter into troubled-debt restructuring agreements, they are transferred to loans and presented at fair value. The fair value is based on the outstanding balance of the receivables purchased as at the acquisition date or as at the date of restructuring.

Allowance for impairment of investments in receivables purchased is set up based on estimated fair value, determined from the value of the collateral.

5.6 Investments in subsidiary and associated companies

Investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method, net of allowance for impairment (if any). Loss on impairment is recognised as expenses in the income statements.

Investments in associated companies in the consolidated financial statements are accounted for under the equity method. Under this method, investments are initially recorded at their acquisition cost and are adjusted to reflect the attributable share of the earnings from the operations of each associated company in proportion to the investment.

If the Company and its subsidiaries have no commitments or guarantees to the associated companies, losses are recognised only to the extent that they do not exceed the outstanding balance of investments.

5.7 Securities purchased under resale agreements

The subsidiary company enters into agreements to purchase securities under conditions to resell at certain dates in the future at a fixed price. Amounts paid for securities purchased subject to a resale commitment are presented as assets under the caption of "Securities purchased under resale agreements" in the balance sheets and the underlying securities are treated as collateral for such receivables.

The difference between the sale and purchase considerations is recognised as interest income on an accrual basis over the transaction period.

5.8 Receivables from/payable to Clearing House

Receivables from/payable to Clearing House comprises the net balance receivable from/payable to Thailand Securities Depository in respect of securities trades settled through the Clearing House of Thailand Securities Depository and the net receivable from/payable to Derivatives Clearing House. These also include amounts pledged with Derivatives Clearing House as security for derivatives trading.

5.9 Loans

Loans are presented at the principal balances, excluding accrued interest receivable, except for overdrafts which are presented at the principal balance plus accrued interest receivable. Unrecognised deferred income/discounts on loans is deducted from the loan balances.

Hire-purchase and finance lease receivables are stated at the contract value of the hire-purchase and the finance lease receivables net of unearned income, which is presented after netting commission expenses and initial direct costs at the inception of the contracts.

Securities and derivatives business receivables comprise the net securities business receivables and derivatives business receivables. Securities receivable comprise the net receivable balances of cash accounts and credit balance accounts (for which the securities purchased are used as collateral) as well as other receivables, such as overdue cash accounts and securities receivables which are under legal proceedings, are undergoing restructuring, or are being settled in installments.

5.10 Allowance for doubtful accounts

- a) The Company and its subsidiaries provide allowance for doubtful accounts in accordance with the notifications of the BOT and adjust these by the additional amount which is expected not to be collectible, based on the evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral. Increase (decrease) in allowance for doubtful accounts are recognised as expenses in the income statements.

Year 2006

During the year 2006, the Company and its financial institutions subsidiaries revised its guidelines on determining allowance for doubtful accounts and the value of collateral to be deducted against the loan balance when setting provisions for non-performing loans (receivables classified as substandard, doubtful and doubtful of loss) in accordance with the new BOT's guideline which was announced on 21 December 2006. Under the new guidelines, the provision has to be set up at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, based on the use of the stipulated discount rate and the time needed to dispose of collateral. The timeline for implementing these provisioning guidelines is presented below :-

- a) From the second half-year period of 2006 provisions are to be made for receivables for which a court judgment has already been issued, for which a court order is being executed, and against which legal actions have been brought.
- b) From the half-year period ended 30 June 2007 provisions are to be made for receivables that are classified as doubtful of loss and doubtful.
- c) From the year ended 31 December 2007 provisions are to be made for receivables that are classified as substandard.

For normal loans (including restructured receivables) and special mention loans, the provision has to be set up at rates of at least 1% and at least 2%, respectively, of the loan balance (excluding accrued interest receivable) net of collateral value as required by the BOT's guidelines, except for provision for hire-purchase receivables and finance lease receivables of the Company which is determined before netting collateral value.

As at 31 December 2006, the Company and its subsidiaries set provision at 100% on receivables for which a court judgment has already been issued, for which a court order is being executed, and against which legal actions have been brought, in accordance with the new guidelines of the BOT. For the others non-performing loans which are classified as doubtful of loss, doubtful and substandard loans, the Company and its subsidiaries still apply provisioning rates of 100%, at least 50% and at least 20% of the loan balance net of collateral value, respectively, in accordance with the prior guidelines. However, one subsidiary company (Thanachart Bank) set full provision for non-performing loans in accordance with the above mentioned guidelines a), b) and c).

Year 2007

The Company changed the minimum rate used in determining allowance for doubtful accounts for normal loans from 3% to 1% of the loan balance net of collateral value, and excluding accrued interest receivable. The base for allowance for doubtful accounts for normal and special mention hire-purchase receivables and finance lease receivables also changed from the loan balance (excluding accrued interest receivable) before netting collateral value to the remaining loan balance (excluding accrued interest receivable) after deducting the values of vehicles placed as collateral.

Therefore, the Company and its subsidiaries have recorded allowance for doubtful accounts for loans in year 2007 as follows :

- Normal and special mention loans are set allowance for doubtful accounts at minimum rates of 1% and 2%, respectively, of loan balances (excluding accrued interest receivable) after deducting collateral, as required by the BOT's guidelines.
- Non-performing loans are set allowance for doubtful account at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, based on the use of the discount rate and time needed to dispose of collateral in accordance with the BOT's guideline which was announced on 21 December 2006, except for in case of hire-purchase receivables and finance lease receivables would not used collateral value to deduct from the outstanding loan balance.

As at 31 December 2007, the Company and its subsidiaries have completely set up allowance for doubtful accounts for non-performing loans in accordance with the notifications of the BOT.

- b) A securities subsidiary has provided allowance for doubtful accounts based on a review of the debtors' repayment capability, taking into consideration the risk of recovery and the value of collateral. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classification and provisions are made in accordance with the notifications of the SEC.
- c) Leasing and hire-purchase subsidiaries have provided allowance for doubtful accounts based on a percentage of the amount of principal outstanding. Allowance for doubtful accounts is set for normal and special mention loans at minimum rates of 1% and 2% respectively, of loan balances after deducting collateral, and at 100% of the balance of non-performing loans without deducting collateral.
- d) Allowance for other doubtful accounts receivables is made based on the estimated amount that may not be collectible, determined from a review of the current status of the receivables as at the balance sheet date.
- e) Amounts written off as bad debts or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

5.11 Troubled debt restructuring

In cases where the debt restructuring involves modifications of the terms of repayment, the fair value of the receivables after restructuring is based on the net present values of expected future cash collections, discounted by the minimum loan rate for commercial customers prevailing at the restructuring date. The differences between the fair value of receivables as of the restructuring date and their previous book value is recorded as "Revaluation allowance for debt restructuring", and recognised as an expense in the income statements in the period when the restructuring take place. Such allowance is amortised over the remaining period and the amortised amount is recognised as an adjustment against bad debt and doubtful accounts.

In case where the troubled debt restructuring involves the transfer of assets or equity, the Company and its subsidiaries record the assets or equity interest received as a result of debt restructuring at their fair value (based on the value appraised by internal appraisers or external independent appraisers), providing this does not exceed the amount of principal (including interest of which recognition has ceased until the restructuring date) legally claimable by the Company and its subsidiaries from the debtors. Any excess of the fair value of the assets over the book value

is recognised as a gain from debt restructuring or an interest income in the period, as the case may be. In case of the assets transferred with the conditions that the debtor must repurchase or have option to purchase at prices within period specified in the agreements, the Company and its subsidiaries record such assets at the lower of their fair value or the book value.

Losses arising from debt restructuring through waivers of part of the principal or recorded accrued interest receivable are recognised in the income statements when incurred.

5.12 Recognition and amortisation of customers' assets

Assets which customers have placed with a subsidiary company for securities trading, in term of cash accounts and credit balance accounts, including amounts which customers have placed as security for derivative trading are recorded as assets and liabilities of a subsidiary company for internal control purpose, and at the balance sheet date a subsidiary company writes off those amounts which there are no guarantee obligations from both assets and liabilities and presents only those assets which belong to a subsidiary company.

5.13 Property foreclosed

Property foreclosed is stated at the lower of cost or net realisable value, which is determined with reference to the latest appraisal value less estimated selling expenses.

From 1 January 2007, the Company and its subsidiaries changed their accounting method of property foreclosed - movable assets from recording the cost of such assets at the book value of the receivables on the transfer date, to recording them at the fair value (with reference to appraisal value less estimated selling expenses), providing this does not exceed the book balance of such receivables.

In this regard, the Company and its subsidiaries have restated the previous years' financial statements as though the property foreclosed had originally been recorded at fair value on the transfer date. These changes, together with allowance for doubtful accounts, do not effect to balance sheet and income statements for the years 2006 and 2007 but may decrease corporate income tax of the year 2006 of one subsidiary company by Baht 102 million. On 19 September 2007, the subsidiary company requested the refund of this corporate income tax from the Revenue Department but there is uncertainty as to the amount that will be refunded, and the subsidiary company has therefore not reflected the tax effect in the financial statements.

Gains on the disposal of property foreclosed are recognised in the income statements on disposal, unless the purchase was made with a loan from the Company or its subsidiaries. In such cases, gains are recognised in proportion to the amount of payment received. Losses on disposal and impairment are recognised as expenses in the income statements.

5.14 Land, premises and equipment and depreciation

- a) Land and assets in progress are stated at cost and depreciation is not provided.
- b) Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Depreciation is calculated with reference to cost on a straight-line basis over the following estimated useful lives :-

Buildings	-	20	years
Building improvements	-	5 - 10	years
Furniture, fixtures and equipment	-	5 - 10	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

5.15 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over the estimated useful lives of 5 - 10 years.

Amortisation is included in determining income.

5.16 Goodwill

The goodwill presented as an asset in the consolidated financial statements is the excess of the purchase price over the fair market value of investment in subsidiaries as of the acquisition date and is stated at cost less accumulated amortisation. Goodwill is amortized as expenses in the income statements over 5 - 10 years, by the straight-line basis.

The negative goodwill presented as negative assets in the consolidated financial statements is the discount inherent in the purchase price compared to the fair market value of the investment as of the acquisition date, and is stated at cost less accumulated amortisation. Negative goodwill is amortized as income in the income statements on the straight-line basis over the remaining weighted average useful life of the identifiable acquired assets, over 3 - 5 years.

5.17 Long-term leases

Vehicles under financial leases, which transfer substantially all the risks and rewards of ownership, are classified as financial lease. Financial leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other payables, while the interest element is charged to the income statements over the lease period. Assets acquired under finance leases are depreciated over their estimated useful lives.

5.18 Premium due and uncollected and allowance for doubtful accounts

Premium due and uncollected is stated at its net realisable value. Subsidiaries provide an allowance for doubtful accounts based on the estimated loss that may be incurred in the collection of the premium due, on the basis of collection experience and a review of current status of the premium due as at the balance sheet date.

5.19 Sales of commercial paper

Commercial paper with an aval by the subsidiary company, or without an aval or acceptance which is sold with recourse, is recorded as a liability under the caption of "Liabilities under commercial paper sold". Commercial paper sold at a discount with recourse, which is apled by or has acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of "Contingent liabilities".

5.20 Loss reserve and outstanding claims/Benefits payment to life policy

Loss reserves are taken up in the accounts when the subsidiaries receive claims advices from the insured/life insured, based on estimates made by independent appraisers or the relevant officers of the subsidiary companies on a case by case basis. The estimated value of losses is limited to not more than the sum insured of the related insurance policies.

In addition, a subsidiary company engaged in non-life insurance business, additionally set up provision for losses incurred but not yet reported (IBNR) at the rate of 2.5 percent of net cash inflows from insurance premiums during the previous 12 months. Such reserve is set up in accordance with the Notification of the Ministry of Commerce governing the appropriation of loss reserves of non-life insurance companies.

5.21 Related party transactions

Related parties comprise enterprises and individuals that control or are controlled by the Company and its subsidiaries, whether directly or indirectly, or which are under common control with the Company and its subsidiaries.

They also include associated companies and individuals which have significant influence over the Company and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the Company and its subsidiaries' operations.

5.22 Impairment of assets

At the balance sheet date, the Company and its subsidiaries assess whether there are indications that an asset may be impaired. If any such indication exists, the Company and its subsidiaries make an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, with the impairment loss recognised in the income statements. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

5.23 Employee benefits

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

5.24 Foreign currencies

Foreign currency transactions occurring during the year have been translated into Baht at the rates ruling on the transaction dates. Outstanding balances of assets and liabilities in foreign currencies and off-balance sheet transactions, at the balance sheet date, are translated into Baht at the rates ruling at the balance sheet date.

Exchange gains and losses arising from translation of foreign currencies are included in determining income.

5.25 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.26 Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

5.27 Financial derivatives

The Company and subsidiaries have entered into off-balance sheet transactions involving derivative financial instruments in order to manage foreign exchange and interest rate risk. A subsidiary company also executes financial derivative transactions on behalf of its customers.

Forward exchange contracts which are originated for trading purposes are recorded as off-balance sheet items, and presented at fair value. Gains or losses arising from changes in the fair value of the contracts are recognised in the income statements.

Forward exchange contracts, interest rate swap contracts, cross currency and interest rate swap contracts which are originated not for trading purposes are recorded as off-balance sheet items, and presented on an accrual basis. Foreign currency components are translated at the year-end exchange rate, in the same manner as the hedged items, with unrealised gains or losses on translation recognised in the income statements. Interest rate components are presented on an accrual basis, in the same manner as the hedged assets and liabilities, with gains or losses recorded to income and expense over the terms of the contracts. Receivables and payables under cross currency and interest rate swap contracts are presented at the net amount in balance sheet.

5.28 Use of accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

6. INTERBANK AND MONEY MARKET ITEMS (ASSETS)

(Unit : Million Baht)

	Consolidated financial statements					
	2007			2006		
	At call	Term	Total	At call	Term	Total
Domestic :						
Bank of Thailand and Financial						
Institution Development Fund	2,571	-	2,571	2,331	-	2,331
Commercial banks	1,218	453	1,671	1,044	2,001	3,045
Other banks	107	200	307	39	70	109
Other financial institutions	42	113	155	42	40	82
Total	3,938	766	4,704	3,456	2,111	5,567
Add : Accrued interest receivable	1	17	18	1	15	16
Less : Allowance for doubtful						
accounts	(42)	-	(42)	(42)	(1)	(43)
Total interbank and money						
market items - domestic	3,897	783	4,680	3,415	2,125	5,540
Foreign :						
US Dollar	34	35,447	35,481	101	21,230	21,331
Euro	73	-	73	25	-	25
Others	74	-	74	32	-	32
Total	181	35,447	35,628	158	21,230	21,388
Add : Accrued interest receivable	-	157	157	-	136	136
Less : Allowance for doubtful						
accounts	-	(3)	(3)	-	-	-
Total interbank and money						
market items - foreign	181	35,601	35,782	158	21,366	21,524
Total interbank and money						
market items - net	4,078	36,384	40,462	3,573	23,491	27,064

(Unit : Million Baht)

	Separate financial statements					
	2007			2006		
	At call	Term	Total	At call	Term	Total
Domestic :						
Commercial banks	236	-	236	241	-	241
Other banks	15	-	15	15	-	15
Other financial institutions	-	20	20	-	20	20
Total	251	20	271	256	20	276
Less : Allowance for doubtful accounts	-	-	-	-	(1)	(1)
Total interbank and money market items - domestic - net	251	20	271	256	19	275

As at 31 December 2007 and 2006, a subsidiary company had loans to defunct financial institutions amounting to approximately Baht 42 million for which interest recognition has been ceased and full allowance for doubtful accounts has been provided.

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(Unit : Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Government bonds and Bank of Thailand bonds	2,500	3,000	-	-
Financial Institutions Development Fund bonds	-	3,300	-	-
Total securities purchased under resale agreements	2,500	6,300	-	-

8. INVESTMENTS

8.1 Classified by type of investments

(Unit : Million Baht)

	Consolidated financial statements				Separate financial statements			
	2007		2006		2007		2006	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Current investments :								
Trading securities								
Government and state enterprise securities	480	480	396	396	-	-	-	-
Private debt securities	11	11	2	2	-	-	-	-
Domestic marketable equity securities	-	-	15	15	-	-	-	-
	491	491	413	413	-	-	-	-
Available-for-sale securities								
Government and state enterprise securities	2,882	2,881	2,318	2,318	-	-	-	-
Private debt securities	133	134	459	457	-	-	-	-
Domestic marketable equity securities	10	10	17	18	-	-	7	8
	3,025	3,025	2,794	2,793	-	-	7	8
Add (less) : Allowance for change in value	-		(1)		-		1	
	3,025		2,793		-		8	
Held-to-maturity debt securities								
- due within 1 year								
Government and state enterprise securities	966		3,641		-		-	
Private debt securities	75		63		800		-	
Foreign debt securities	675		429		-		-	
	1,716		4,133		800		-	
Other investments								
Investments in property fund	65		-		-		-	
	65		-		-		-	
Total current investments – net	5,297		7,339		800		8	

(Unit : Million Baht)

	Consolidated financial statements				Separate financial statements			
	2007		2006		2007		2006	
	Cost/ Amortised		Cost/ Amortised		Cost/ Amortised		Cost/ Amortised	
	cost	Fair value	cost	Fair value	cost	Fair value	cost	Fair value
Long-term investments :								
Available-for-sale securities								
Government and state								
enterprise securities	486	478	5,018	5,003	-	-	-	-
Private debt securities	1,582	1,585	905	899	-	-	-	-
Domestic marketable equity								
securities	3,647	4,010	2,842	2,659	1,217	1,518	894	826
	5,715	6,073	8,765	8,561	1,217	1,518	894	826
Add (less) : Allowance for								
change in value	358		(204)		301		(68)	
	6,073		8,561		1,518		826	
Held-to-maturity debt securities								
Government and state								
enterprise securities	12,220		12,736		480		504	
Private debt securities	786		236		3,000		3,000	
Foreign debt securities	675		1,441		-		-	
	13,681		14,413		3,480		3,504	
Less : Allowance for								
impairment	(557)		(443)		(183)		(137)	
	13,124		13,970		3,297		3,367	
Other investments								
Investments in receivables								
purchased	2,278		2,642		1,284		1,576	
Investments in property fund	884		1,106		-		-	
Domestic non-marketable								
equity securities	331		356		229		242	
	3,493		4,104		1,513		1,818	
Less : Allowance for								
impairment	(421)		(434)		(172)		(175)	
	3,072		3,670		1,341		1,643	
Total long-term investments -								
net	22,269		26,201		6,156		5,836	

8.2 Classified by due date of debt securities

(Unit : Million Baht)

Consolidated financial statements								
	2007				2006			
	Maturity				Maturity			
	Not over	Over	Over	Total	Not over	Over	Over	Total
	1 year	1-5 years	5 years		1 year	1-5 years	5 years	
Trading securities								
Government and state								
enterprise securities	430	50	-	480	396	-	-	396
Private debt securities	11	-	-	11	2	-	-	2
Total	441	50	-	491	398	-	-	398
Available-for-sale securities								
Government and state								
enterprise securities	2,882	13	473	3,368	2,298	5,038	-	7,336
Private debt securities	133	1,582	-	1,715	459	905	-	1,364
Total	3,015	1,595	473	5,083	2,757	5,943	-	8,700
Add (less) : Allowance for								
change in value	-	4	(9)	(5)	(3)	(20)	-	(23)
Total	3,015	1,599	464	5,078	2,754	5,923	-	8,677
Held-to-maturity debt securities								
Government and state								
enterprise securities	966	10,043	2,177	13,186	3,641	7,230	5,506	16,377
Private debt securities	75	167	619	861	63	209	27	299
Foreign debt securities	675	675	-	1,350	429	1,441	-	1,870
Total	1,716	10,885	2,796	15,397	4,133	8,880	5,533	18,546
Less : Allowance for								
impairment	-	(557)	-	(557)	-	(443)	-	(443)
Total	1,716	10,328	2,796	14,840	4,133	8,437	5,533	18,103
Total debt securities	5,172	11,977	3,260	20,409	7,285	14,360	5,533	27,178

	Separate financial statements							
	2007				2006			
	Maturity				Maturity			
	Not over	Over	Over	Total	Not over	Over	Over	Total
	1 year	1-5 years	5 years		1 year	1-5 years	5 years	
Held-to-maturity debt securities								
Government and state enterprise securities	-	480	-	480	-	504	-	504
Private debt securities	800	-	3,000	3,800	-	-	3,000	3,000
Total	800	480	3,000	4,280	-	504	3,000	3,504
Less : Allowance for impairment	-	(183)	-	(183)	-	(137)	-	(137)
Total debt securities	800	297	3,000	4,097	-	367	3,000	3,367

- 8.3 During the year 2007, a subsidiary company transferred investments in debt securities with fair values at the transfer date amounting to approximately Baht 322 million from long-term available-for-sale securities to held to maturity debt securities. Of the differences between the book value of these securities and their fair values at the transfer date of Baht 13 million was presented as revaluation deficit in shareholder's equity, and thus is being amortised over the residual period to maturity of the debt securities. The transfer of these securities is in accordance with liquidity risk management policy of the subsidiary.

As at 31 December 2007, subsidiaries have a revaluation surplus and a revaluation deficit amounting to Baht 36 million and Baht 426 million, respectively, as a result of the recategorisation of debt securities, and these are presented in the consolidated shareholders' equity (2006 : outstanding revaluation surplus amounting to Baht 45 million and outstanding revaluation deficit amounting to Baht 616 million in the consolidated financial statements).

- 8.4 As at 31 December 2007, long-term investments in held-to-maturity debt securities include Baht 1,465 million of non-transferable, 10-year promissory notes received from Thai Asset Management Corporation ("TAMC") in relation to the transfer of non-performing loans to TAMC (separate financial statements : Baht 480 million) (2006 : Baht 1,769 million in the consolidated financial statements and Baht 504 million in the separate financial statements). However, the transfer price settled in the form of promissory notes may still be increased or reduced after TAMC reviews the prices, appraises the collateral values, or adjusts the prices.

As at 31 December 2007, the Company and its subsidiaries are still unable to assess the exact amount of such losses. However, the Company and its subsidiaries have estimated their share of losses which may arise from the management of non-performing assets at approximately Baht 557 million. Such losses have been shown as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified by the type of promissory note (separate financial statements : Baht 183 million) (2006 : Baht 443 million in the consolidated financial statements and Baht 137 million in the separate financial statements).

During the year 2007, the Company and its subsidiaries have recognised interest on TAMC's promissory notes amounting to Baht 31 million and have received payment under promissory notes and interest amounting to Baht 346 million (separate financial statements : Baht 10 million and Baht 36 million, respectively).

- 8.5 As at 31 December 2007 and 2006, the Company has investments of Baht 3,000 million in 7 years subordinated debentures of Thanachart Bank (a subsidiary company), bearing interest at a rate of 6.18 percent per annum.

- 8.6 As at 31 December 2007, investments in government and state enterprise bonds in the consolidated financial statement amounting to Baht 949 million, at cost after amortisation, have been placed as collateral for loans from commercial banks and as security with the Insurance Registrar (2006 : Baht 788 million).
- 8.7 As at 31 December 2007 and 2006, investments in securities in which the Company and its subsidiaries hold not less than 10 percent of the equity of the investees are as follow :-

Name	Nature of business	Consolidated financial statements			
		2007		2006	
		Net	Percentage	Net	Percentage
		book value	of holding	book value	of holding
		Million Baht	%	Million Baht	%
<u>Manufacturing and commercial industries</u>					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	335	19.59	294	19.59
V.M.C. Safety Glass (Thailand) Co., Ltd.	Production and distribution of safety glass	-	9.99	-	10.21
<u>Public utilities and services</u>					
Maxwin Property Co., Ltd.	Service apartment	-	-	-	10.00
<u>Property development and construction</u>					
HTR Corporation Limited	Office building for rent and property development	20	19.10	20	19.10
Prosperity Industrial Estate Co., Ltd.	Property development	11	9.12	17	18.49
Preecha Group Plc.	Property development	26	10.00	28	10.00
<u>Others</u>					
The Thai Business Fund 3 ⁽ⁱ⁾	Unit trusts - property fund	423	26.67	502	26.67
Sub Thawee Property Fund ⁽ⁱ⁾	Unit trusts - property fund	196	56.00	237	56.00
Thai Pattana Fund 1 ⁽ⁱ⁾	Unit trusts - property fund	184	20.00	202	20.00
Thanasarn Open-Ended Fund ⁽ⁱ⁾	Unit trusts - debt securities	268	29.14	260	36.59
Thanachart Tuntawee 1 ⁽ⁱ⁾	Unit trusts - equity and debt securities	200	21.94	371	43.21
Thanachart Tuntawee 3 ⁽ⁱ⁾	Unit trusts - debt securities	-	-	160	99.68
Thanachart Tuntawee 4 ⁽ⁱ⁾	Unit trusts - debt securities	-	-	73	99.63
Nasset Big Cap Long Term Equity Fund	Unit trusts - equity securities	82	8.75	59	10.91
Nasset Long Term Equity Dividend Fund	Unit trusts - equity securities	42	12.26	32	12.54
Thanachart Infrastructure and Natural Resource Fund of Fund ⁽ⁱ⁾	Unit trusts - equity securities in foreign	123	11.26	279	27.05
1 A.M. Global Emerging Market Equity Fund	Unit trusts - equity securities in foreign	52	15.93	-	-
Tri Ra Sombat Open End Fund ⁽ⁱ⁾	Unit trusts - debt securities	31	23.55	-	-
The Krung Thai Dividend Fixed-Income Fund	Unit trusts - debt securities	130	14.81	-	-
Thanachart Premium Brand Fund	Unit trusts - equity securities in foreign	114	18.96	-	-
Thanachart Value X.U.S Fund	Unit trusts - equity securities in foreign	172	13.37	-	-
Saturn Inc.	Joint venture	-	12.49	-	12.49

⁽ⁱ⁾ The Company and its subsidiaries do not consider the investments in funds to be investments in subsidiaries or associates as the Company and its subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund manager and are under supervision of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand. Therefore, the Company and its subsidiaries account for their investment in these funds as long-term available-for-sale or other investments subject to the investment objectives.

Name	Nature of business	Separate financial statements			
		2007		2006	
		Net	Percentage	Net	Percentage
		book value	of holding	book value	of holding
		Million Baht	%	Million Baht	%
<u>Manufacturing and commercial industries</u>					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	167	9.79	147	9.79
<u>Property development and construction</u>					
HTR Corporation Limited	Office building and property development	20	10.00	20	10.00
Prosperity Industrial Estate Co., Ltd.	Property development	10	8.44	10	8.44
Preecha Group Plc.	Property development	26	10.00	28	10.00
<u>Others</u>					
Thanachart Tuntawee 1	Unit trusts - equity and debt securities	-	-	107	12.43
Nasset Big Cap Long Term Equity Fund	Unit trusts - equity securities	74	7.95	54	9.92
Nasset Long Term Equity Dividend Fund	Unit trusts - equity securities	35	10.22	26	10.45

8.8 Investments in receivables purchased

Investments in receivables purchased are loans receivable purchased through bidding from local financial institutions. The outstanding balances of loans receivable as at 31 December 2007 and 2006 can be summarised as follows :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Investments in receivables	2,278	2,642	1,284	1,576
Less : Allowance for impairment	(301)	(336)	(74)	(97)
Investments in receivables - net	1,977	2,306	1,210	1,479

	2007				2006			
	Balance				Balance			
	Number of	per	Purchase		Number of	per	Purchase	
	debtors	agreement	price	Yield	debtors	agreement	price	Yield
		Million	Million	Percent		Million	Million	Percent
		Baht	Baht			Baht	Baht	
<u>Consolidated financial statements</u>								
Total accumulated investments								
in receivables	1,653	33,265	7,621	6.50 - 18.97	1,647	33,035	7,526	6.50 - 18.97
Outstanding investments in								
receivables as at the								
balance sheet date	966	14,797	2,278		1,009	15,292	2,642	
<u>Separate financial statements</u>								
Total accumulated investments								
in receivables	691	8,190	1,937	11.94 - 18.97	691	8,190	1,937	11.94 - 18.97
Outstanding investments in								
receivables as at the								
balance sheet date	522	7,073	1,284		549	7,587	1,576	

During the year 2007, a subsidiary company additionally purchased investments in receivable of Baht 95 million. Additionally, the Company and its subsidiaries have restructured loans with a total of 49 troubled receivables, with book balances before restructuring totaling approximately Baht 172 million (separate financial statements : 28 debtors with book balances of Baht 145 million), by means of various types of restructuring and without any loss on debt restructuring, as summarised below :-

Pattern of restructuring	Number of receivables	Outstanding loan balance before restructuring Million Baht	Outstanding loan balance after restructuring Million Baht	Type of assets to be transferred	Value of assets to be transferred per agreements Million Baht
<u>Consolidated financial statements</u>					
Modification of terms	42	116	116		
Transfer of assets and/or equity securities and/or modification of terms	7	56	56	Land and Condominium	43
Total	49	172	172		
<u>Separate financial statements</u>					
Modification of terms	22	99	99		
Transfer of assets and/or equity securities and/or modification of terms	6	46	46	Land and Condominium	30
Total	28	145	145		

The remaining periods to maturity of the restructured debts of the Company and its subsidiaries, counting from the balance sheet date are as follow :-

Periods	Consolidated financial statements		Separate financial statements	
	Number of receivables	Outstanding loan	Number of receivables	Outstanding loan
		balances		balances
		after restructuring		after restructuring
		Million Baht		Million Baht
Defaulted the repayment of debts	10	96	10	96
Due within 2007	27	30	15	13
Less than 5 years	12	46	3	36
Total	49	172	28	145

Restructured investments in receivables are transferred to the loans account on the debt restructuring agreement date, in accordance with the BOT's regulations. They are transferred at their book value, which is held to be fair value. Therefore, as at 31 December 2007, there were no restructured receivables outstanding in the balance of investments in receivables.

- 8.9 As at 31 December 2007 and 2006, investments in securities of the Company and its subsidiaries, include investments in securities of companies with weak financial positions and poor operating results, are summarised as below :-

	Consolidated financial statements						Allowance for possible loss/impairment provided in the accounts	
	Number of transactions		Cost		Fair value/collateral value			
	2007	2006	2007	2006	2007	2006	2007	2006
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Equity securities - common shares</u>								
1. Listed companies vulnerable to delisting from the SET	1	1	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	4	5	-	-	-	-	-	-
3. Companies which have loan settlement problems or have defaulted the repayment of debts	2	2	1	1	1	1	-	-
4. Companies whose auditors' reports cited going concern issues	14	14	134	139	36	42	98	97

Consolidated financial statements

	Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts	
	2007	2006	2007	2006	2007	2006	2007	2006
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Investments in receivables</u>								
1. Closed financial institutions	10	10	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	1	1	-	-	-	-	-	-
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	3	7	-	7	3	3
4. Companies which have loan settlement problems or have defaulted the repayment of debts	356	352	1,622	1,566	2,593	2,226	203	220
5. Companies whose auditors' reports cited going concern issues	-	19	-	290	-	543	-	9

Separate financial statements

	Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts	
	2007	2006	2007	2006	2007	2006	2007	2006
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Equity securities - common shares</u>								
1. Companies which have loans settlement problems or have defaulted the repayment of debts	1	1	1	1	1	1	-	-
2. Companies whose auditors' reports cited going concern issues	5	6	113	113	35	35	77	78
<u>Investments in receivables</u>								
1. Closed financial institutions	7	7	-	-	-	-	-	-
2. Companies which have loan settlement problems or have defaulted the repayment of debts	165	170	948	873	1,502	1,207	39	61
3. Companies whose auditors' reports cited going concern issues	-	6	-	286	-	487	-	-

9. INVESTMENTS IN SUBSIDIARIES

9.1 As at 31 December 2007 and 2006, investments in subsidiaries in the separate financial statements which were recorded under the cost method comprise of investments in ordinary shares in the following subsidiaries :-

(Unit : Million Baht)

		Separate financial statements							
Company's name	Nature of business	Paid-up share capital		Percentage of holding (%)		Value of investment under the cost method		Dividend income for the years ended 31 December	
		2007	2006	2007	2006	2007	2006	2007	2006
<u>Subsidiaries – include in consolidation</u>									
Thanachart Bank Plc.	Bank business	17,346	14,584	74.92	99.36	14,406	16,019	215	200
N.F.S. Asset Management Co., Ltd.	Non-performing assets management	1,000	1,000	100.00	100.00	1,000	1,000	-	-
Max Asset Management Co., Ltd.	Non-performing assets management	572	572	58.45	58.45	334	334	-	-
NASSET Property Fund 6	Investment in non-performing assets and collection rights	900	900	99.80	99.80	898	898	-	-
Pasara Co., Ltd.	Liquidating	30	30	100.00	100.00	181	181	-	-
Thiravanit Co., Ltd.	Liquidating	6	6	99.90	99.90	34	34	-	-
Bangkok Home Co., Ltd.	Liquidating	15	15	99.87	99.87	46	46	-	-
Sinkahakarn Co., Ltd.	Liquidating	25	25	95.12	95.12	20	20	-	-
Thanachart SPV 01 Co., Ltd.	Not yet operation	2	2	100.00	100.00	2	2	-	-
Thanachart Securities Plc.	Securities business	-	1,500	-	100.00	-	1,500	-	555
Thanachart Life Assurance Co., Ltd.	Life - insurance	-	500	-	100.00	-	500	-	-
Thanachart Insurance Co., Ltd.	Non-life insurance	-	500	-	78.00	-	422	-	110
Thanachart Fund Management Co., Ltd.	Fund management	-	100	-	75.00	-	113	-	75
Thanachart Group Leasing Co., Ltd.	Leasing and hire-purchase	-	360	-	100.00	-	360	-	72
Thanachart Broker Co., Ltd.	Non-life insurance broker	-	100	-	100.00	-	100	-	-
Thanachart Legal and Appraisal Co., Ltd.	Legal services	-	10	-	100.00	-	10	-	-
Thanachart Management and Services Co., Ltd.	Services	-	6	-	100.00	-	8	-	-
<u>Subsidiaries - exclude from consolidation</u>									
Glas Haus Building Co., Ltd.	Office building rental	-	195	-	100.00	-	-	-	-
						16,921	21,547	215	1,012
Less : Allowance for impairment						(81)	(81)		
Investments in subsidiaries - net						16,840	21,466		

- 9.2 The consolidated balance sheet as at 31 December 2007 and the consolidated income statements for the year then ended included assets of a subsidiary company (Thanachart Life Assurance Co., Ltd.) amounting to Baht 5,665 million, income of Baht 3,473 million and net income of Baht 223 million (2006 : total assets of Baht 3,974 million, total income of Baht 1,372 million and net income of Baht 97 million). The auditor of the subsidiary company issued a qualified report on its financial statements with regard to the effect to the financial statements of any adjustments which might be required as a result of a scope limitation imposed on the audit of insurance income and related expenses. However, the Company's management believes that there is no material impact to consolidated financial statements.
- 9.3 The consolidated balance sheet as at 31 December 2007 included Baht 220 million of assets, Baht 1 million of liability and 0.3 million of net income of 4 subsidiaries (Thiravanit Co., Ltd., Sinkahakarn Co., Ltd., Pasara Co., Ltd., and Bangkok Home Co., Ltd.). Such subsidiaries registered their dissolution in December 2006 and are currently liquidating process. The financial statements of these subsidiaries were prepared by their management and were not audited by their auditors.
- 9.4 The consolidated financial statements as at 31 December 2006 did not include the financial statements of Glas Haus Building Co., Ltd., as the Company intends to hold such subsidiary company as a temporary investment. The Company has no outstanding guarantees or commitments to give financial support to such company and the investment is therefore recorded at cost, with a full provision (of approximately Baht 0.2 million). As at 31 December 2006, based on financial statements prepared by management of such subsidiary, such subsidiary company has total assets of approximately Baht 142 million, total liabilities of Baht 449 million and a capital deficit of Baht 307 million.

During the year 2007, the Company sold its investment in such company to a group of an associated companies, with a loss from the sale of Baht 0.2 million.

9.5 Cash flow information of asset management companies which are subsidiaries

Cash flow information of asset management companies which are subsidiaries for the year ended 31 December 2007 and 2006 are as follows :-

	(Unit : Million Baht)			
	N.F.S. Asset		Max Asset	
	Management Co., Ltd.		Management Co., Ltd.	
	2007	2006	2007	2006
Cash flows from operating activities :				
Net income	76	82	102	310
Adjustments to reconcile net income to net cash provided				
by (paid for) operating activities :-				
Gain on assets transferred from receivables	(40)	(77)	(51)	(19)
Loss on impairment of investments in receivables (reversal)	(1)	5	(21)	(34)
Reversal of allowance for impairment of investments in securities	33	68	-	-
Bad debts and doubtful accounts (reversal of bad debts and doubtful accounts)	80	133	(9)	(94)
Loss on debt restructuring	-	121	-	-
Loss on diminution of property foreclosed (reversal)	(25)	-	(5)	1
Loss(gain) on disposal of investments	(12)	23	(7)	(9)
Increase (decrease) in corporate income tax payable	29	(39)	(39)	48
Others	(64)	(184)	(5)	(17)
Income (loss) from operating activities before changes in operating assets and liabilities	76	132	(35)	186
Operating assets (increase) decrease				
Current investments	2,760	806	-	-
Investments in receivables	(88)	25	87	205
Loans	669	448	69	160
Property foreclosed	457	353	92	(214)
Other assets	(32)	5	(27)	(10)
Operating liabilities increase (decrease)				
Other liabilities	(200)	187	(51)	87
Net cash flows from operating activities	3,642	1,956	135	414
Cash flows from investing activities :				
Decrease in loans to financial institutions	-	-	-	226
Proceeds from sales of investments	292	748	11	10
Net cash flows from investing activities	292	748	11	236

(Unit : Million Baht)

	N.F.S. Asset Management Co., Ltd.		Max Asset Management Co., Ltd.	
	2007	2006	2007	2006
Cash flows from financing activities :				
Repayment of borrowings	(3,957)	(2,700)	(160)	(420)
Net cash flows used in financing activities	(3,957)	(2,700)	(160)	(420)
Net increase (decrease) in cash and cash equivalents	(23)	4	(14)	230
Cash and cash equivalents at beginning of the year	98	94	336	106
Cash and cash equivalents at end of the year	75	98	322	336

10. INVESTMENTS IN ASSOCIATED COMPANIES

10.1 As at 31 December 2007 and 2006, the Company and its subsidiaries have the following investments in associated companies which are registered under Thai laws :-

(Unit : Million Baht)												Consolidated	
												financial statements	
Company's name	Nature of business	Paid-up		Percentage of		Investment value				Dividend income		Share of income for	
		share capital		holding (%)		Cost method		Equity method		for the years ended		the years ended	
		2007	2006	2007	2006	2007	2006	2007	2006	31 December	2006	31 December	2006
<u>Consolidated financial statements</u>													
MBK Plc.	Property rental, hotel and services	1,886	1,886	18.06	20.54	992	992	1,308	1,225	147	137	271	223
Puen Pob Paet Co., Ltd.	Clinic	1	1	17.49	28.58	-	-	-	1	-	-	-	-
						992	992	1,308	1,226	147	137	271	223
<u>Separate financial statements in which the cost method is applied</u>													
MBK Plc.	Property rental, hotel and services	1,886	1,886	10.00	6.57	658	311			59	43		
Puen Pob Paet Co., Ltd.	Clinic	1	1	10.00	10.00	-	-			-	-		
						658	311			59	43		

The consolidated financial statements as at 31 December 2007 included investments in ordinary shares of MBK Public Company Limited and classified as investments in associated company, even though the Company and its subsidiaries hold 18.06 percent of the paid-up share capital (determined under the effective rates). That is because the BOT considers that the Company and its subsidiaries have significant influence over the management of that company.

10.2 Summarised financial information of associates

(Unit : Million Baht)										
Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for		Net income for	
	as at		as at		as at		the years ended		the years ended	
	31 December		31 December		31 December		31 December		31 December	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
MBK Plc.	1,886	1,886	19,027	17,045	8,951	7,622	5,868	5,580	1,408	1,119
Puen Pob Paet Co., Ltd.	1	1	4	3	2	-	4	6	-	-

Financial information of an associated company (MBK Plc.) and the share of income recognised in the current year are determined based on financial statements of that associated company prepared for a different period, as a result of a limitation on the availability of information. The financial information used was that as at 30 September 2007 and 2006 and for the years then ended, prepared by the Company's management, with reference to the financial statements as reviewed by its auditor and adjusted for the effect of the differences in accounting policy. The Company's management believes that income for the year ended 30 September 2007 is not materially different from that income for the year ended 31 December 2007.

- 10.3 As at 31 December 2007 and 2006, the fair values of the investment in an associated company (MBK Plc.) which is a listed company on the Stock Exchange of Thailand, is Baht 2,385 million and Baht 2,228 million, respectively (separate financial statements : Baht 1,320 million and Baht 713 million, respectively).

11. LOANS AND ACCRUED INTEREST RECEIVABLE

11.1 Classified by loan types

	(Unit : Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
<u>Finance business loans</u>				
Overdrafts	1,468	988	-	-
Loans	35,026	36,280	509	695
Notes receivable	8,549	4,950	1,216	1,103
Hire-purchases receivables	191,025	164,325	23,069	48,295
Financial leases receivables	1,239	929	-	-
Total loans	237,307	207,472	24,794	50,093
Add : Accrued interest receivable	252	276	14	17
Less : Allowance for doubtful accounts	(8,066)	(7,789)	(1,652)	(3,110)
Less : Revaluation allowance for debt restructuring	(84)	(150)	-	-
Finance business loans and accrued interest receivable - net	229,409	199,809	23,156	47,000
<u>Securities business receivables</u>				
Customers' accounts	770	955	-	-
Credit balances receivables	853	552	-	-
Other receivables	307	309	-	-
Total securities business receivables	1,930	1,816	-	-
Add : Accrued interest receivable	1	1	-	-
Less : Allowance for doubtful accounts	(306)	(307)	-	-
Securities business receivables and accrued interest receivable - net	1,625	1,510	-	-
Loans and accrued interest receivable - net	231,034	201,319	23,156	47,000

During the year ended 31 December 2007, the Company and its subsidiaries transferred 49 investments in purchased receivables that had been restructured, totaling Baht 172 million (separate financial statements : transferred 28 investments in purchased receivables amounting to Baht 145 million), and the subsidiary company transferred 1 investment in a purchased receivable that is negotiating to extend the repayment schedule, totaling Baht 4 million, to loans and receivable, in accordance with the BOT's guidelines.

11.2 Classified by remaining period of contract

	(Unit : Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
At call *	7,215	7,275	1,808	1,948
Not over 1 year	17,164	15,410	4,331	4,672
Over 1 year	215,366	187,154	18,669	43,490
Total loans and accrued interest receivable	239,745	209,839	24,808	50,110
Less : Intercompany profits from loans transferred	(255)	(274)	-	-
Total loans and accrued interest receivable	239,490	209,565	24,808	50,110

* Includes expired contracts

11.3 Classified by currency and country

	(Unit : Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Baht				
- Domestic	239,016	209,435	24,808	50,110
- Foreign	330	400	-	-
US Dollar - Domestic	399	4	-	-
Total loans and accrued interest receivable	239,745	209,839	24,808	50,110
Less : Intercompany profits from loans transferred	(255)	(274)	-	-
Total loans and accrued interest receivable	239,490	209,565	24,808	50,110

11.4 Classified by type of business and loan classification

(Unit : Million Baht)

Consolidated financial statements						
2007						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,289	5	4	-	33	1,331
Manufacturing and commercial	6,448	99	50	464	656	7,717
Real estate and construction	5,258	77	106	257	1,560	7,258
Public utilities and services	7,873	111	902	3	240	9,129
Personal consuming						
Housing loans	6,896	562	122	128	435	8,143
Securities	1,623	-	7	-	301	1,931
Hire-purchase	165,674	21,552	1,055	717	2,027	191,025
Others	6,833	685	348	281	372	8,519
Others	3,404	75	9	428	776	4,692
Total loans and accrued interest receivable	205,298	23,166	2,603	2,278	6,400	239,745
Less : Intercompany profits from loans transferred						(255)
Total loans and accrued interest receivable						239,490

(Unit : Million Baht)

Consolidated financial statements						
2006						
	Normal	Special- Mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,313	-	11	-	27	1,351
Manufacturing and commercial	4,525	60	113	473	743	5,914
Real estate and construction	5,479	41	196	405	1,437	7,558
Public utilities and services	6,457	158	372	300	709	7,996
Hire-purchase business	67	-	-	-	-	67
Personal consuming						
Housing loans	8,541	561	143	106	442	9,793
Securities	1,774	-	6	-	302	2,082
Hire-purchase	145,247	15,845	738	556	1,939	164,325
Others	6,796	398	189	126	283	7,792
Others	1,711	3	789	2	456	2,961
Total loans and accrued interest receivable	181,910	17,066	2,557	1,968	6,338	209,839
Less : Intercompany profits from loans transferred						(274)
Total loans and accrued interest receivable						209,565

(Unit : Million Baht)

Separate financial statements					
2007					
	Normal	Special- mention	Sub- standard	Doubtful of loss	Total
Subsidiaries	1,446	-	-	-	1,446
Manufacturing and commercial	1	-	-	4	5
Public utilities and services	-	-	1	2	3
Personal consuming					
Housing loans	12	2	2	30	47
Hire-purchase	18,731	3,027	180	968	23,069
Others	17	10	91	103	238
Total loans and accrued interest receivable	20,207	3,039	274	1,107	24,808

(Unit : Million Baht)

Separate financial statements					
2006					
	Normal	Special- mention	Sub- standard	Doubtful of loss	Total
Subsidiaries	1,468	-	-	-	1,468
Manufacturing and commercial	1	-	-	4	5
Real estate and construction	1	-	-	-	1
Public utilities and services	1	1	1	9	13
Personal consuming					
Housing loans	12	-	1	34	54
Hire-purchase	40,010	6,378	285	1,380	48,295
Others	113	32	21	74	274
Total loans and accrued interest receivable	41,606	6,411	308	1,501	50,110

11.5 Non-performing loans

As at 31 December 2007 and 2006, the Company and its financial institution subsidiaries (banking, asset management and securities business) have non-performing loans, classified in accordance with the BOT's and SEC's regulations (debtors classified as substandard, doubtful, doubtful of loss and loss) as follows :-

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Non-performing loans (excluding accrued interest receivable)				
The Company	1,562	2,093	1,562	2,093
Banking business	5,213	3,753	-	-
Asset management business	3,947	4,553	-	-
Securities business	307	307	-	-

The above non-performing loans do not include loans that the Company and its subsidiaries have already restructured and which are now qualified for classification as normal debts or special mentioned debts.

Additionally, the Company and its subsidiaries which are financial institutions (banking and securities business) have the following loans for which income recognition under an accrual basis has been discontinued :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
The Company	1,665	2,481	1,665	2,481
Banking business	4,927	3,129	-	-
Securities business	307	307	-	-

For subsidiaries engaged in the asset management business, income from loans is recognised under a cash basis.

11.6 Unearned income

As at 31 December 2007 and 2006, unearned income is summarised as follows :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Unearned interest income	86	119	-	-
Unearned income from hire-purchase/ financial lease	28,650	24,202	1,378	3,810

11.7 Troubled debt restructuring

During the year 2007, the Company and its subsidiaries entered into debt restructuring agreements with a total of 164 debtors, with total outstanding balances before restructuring amounting to approximately Baht 1,249 million, with a loss on debt restructuring of Baht 1 million (of these, 71 debtors, representing a total outstanding balances before restructuring amounting to approximately Baht 196 million, had previously entered into debt restructuring agreements but were unable to make repayment, and therefore entered into new debt restructuring agreements during the year) (separate financial statements : 6 debtors with total outstanding balances before debt restructuring of Baht 12 million, without any loss on debt restructuring). The details are as follows :-

Type of restructuring	Number of receivables	Outstanding loan balance before restructuring ⁽¹⁾ Million Baht	Outstanding loan balance after restructuring ⁽¹⁾ Million Baht	Type of assets to be transferred	Value of assets to be transferred per agreements Million Baht
Consolidated financial statements					
Transfer of assets	1	1	1	Land	1
Modification of terms	148	679	678		
Transfer of assets and/or equity securities and/or modification of terms	15	569	569	Equity securities, land and premises thereon	513
Total	164	1,249	1,248		
Separate financial statements					
Modification of terms	4	8	8		
Transfer of assets and/or equity securities and/or modification of terms	2	4	4	Land and premises thereon	5
Total	6	12	12		

(1) Outstanding balance includes both principal and interest receivable

The remaining period to maturity of the restructured receivables of the Company and its subsidiaries, counting from the balance sheet date are as follow :-

Periods	Consolidated financial statements		Separate financial statements	
	Number of receivables	Outstanding loan balances after restructuring	Number of Receivables	Outstanding loan balances after restructuring
		Million Baht		Million Baht
Past due after				
debt restructuring	57	148	-	-
Due within 2007	57	406	2	4
Less than 5 years	21	127	-	-
5 - 10 years	14	535	-	-
10 - 15 years	7	16	2	6
More than 15 years	8	16	2	2
Total	164	1,248	6	12

Supplemental information for the current year relating to restructured receivables are as follows :-

	(Unit : Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
Interest income recognised in income statements	368	27
Gain on debt repayment/loss on disposals recognised in income statements	208	39
Gain on transfers of assets for debt repayment recognised in income statements	37	7
Cash proceeds from collection of debts	1,585	112
Assets transferred from debtors	119	35

The Company and its subsidiaries cannot estimate the contingent losses on loans which are in the process of being restructured.

As at 31 December 2007, the subsidiaries have an outstanding balance of assets that are to be transferred under debt restructuring agreements totaling Baht 474 million.

As at 31 December 2007, the Company and its subsidiaries have the following restructured receivables balances (principal and interest receivable), including restructured receivables who were transferred from investments in receivables :-

	Restructured receivables			
	Total number	Outstanding loans		
	of outstanding	Number of	Outstanding loans	balance, net of
	receivables	receivables	balance	collateral
			Million Baht	Million Baht
Thanachart Capital Plc.	175,880	37	156	32
Thanachart Bank Plc.	537,951	292	2,698	777
N.F.S. Asset Management Co., Ltd.	1,419	310	1,984	492
Max Asset Management Co., Ltd.	76	76	368	83
NASSET Property Fund 6	32	32	36	-

11.8 As at 31 December 2007 and 2006, the Company has the following loans to the subsidiary companies :-

Company	Type of credit	Contract period	Interest rate	Outstanding balance	
				2007	2006
				Million Baht	Million Baht
Max Asset Management Co., Ltd.	Long-term loan	5 years (maturing August 2010)	Fixed at 11.51% per annum	224	358
National Leasing Co., Ltd.	Promissory note	At call	Fixed at 4.88% per annum	259	529
Thanachart Group Leasing Co., Ltd.	Promissory note	At call	Fixed at 5.25% per annum	846	565
N.F.S. Asset Management Co., Ltd.	Promissory note	At call	Fixed at 4.38 % per annum	93	-
Thanachart Legal and Appraisal Co., Ltd.	Promissory note	At call	Floating rate of 1 year fixed deposit plus fix rate per annum	10	-
Total				1,432	1,452

11.9 Classification of loans under the Bank of Thailand's guidelines

As at 31 December 2007 and 2006, the Company and its financial institution subsidiaries (banking and asset management business), classified and made allowances against their loans (including loans to financial institutions which are presented as part of interbank and money market items) in accordance with the BOT's guidelines, are summarised below :-

(Unit : Million Baht)

	Consolidated financial statements ⁽¹⁾					
	Debt balance/ book value		Debt balance after collateral ⁽³⁾		Minimum percentage	Allowance for doubtful accounts
	2007	2006	2007	2006		2007 2006
Loans and accrued interest receivable						
(including interbank and money market items) ⁽²⁾						
Normal	198,753	176,918	44,809	66,527	1	448 1,468
Special mention	22,059	16,649	7,053	9,364	2	141 187
Substandard						
- New BOT's guidelines not adopted	-	307	-	306	20	- 61
- Adopted the new BOT's guidelines	1,485	864	1,149	518	100	1,149 518
Doubtful						
- New BOT's guidelines not adopted	-	266	-	258	50	- 129
- Adopted the new BOT's guidelines	1,794	1,185	1,081	615	100	1,081 615
Doubtful of loss						
- New BOT's guidelines not adopted	-	856	-	827	100	- 827
- Adopted the new BOT's guidelines	3,441	2,394	2,640	1,623	100	2,640 1,623
Total	227,532	199,439	56,732	80,038		5,459 5,428
Additional allowance for possible uncollectible debts	-	-	-	-		490 453
	227,532	199,439	56,732	80,038		5,949 5,881

⁽¹⁾ Only the Company and those subsidiaries overseen by the BOT.

⁽²⁾ Debt balance/book value of normal and special mention loans excluding accrued interest receivable.

⁽³⁾ For the provision for substandard, doubtful and doubtful of loss loans, which is set up in accordance with the new BOT's guidelines, the debt balance after collateral is the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, as the case may be.

	Consolidated financial statements ⁽¹⁾						
	Debt balance/ book value		Debt balance after collateral ⁽³⁾		Minimum percentage	Allowance for doubtful accounts	
	2007	2006	2007	2006		2007	2006
<u>Loans of N.F.S. Asset Management Co., Ltd.,</u>							
<u>which transferred from Thanachart Group</u>							
Normal	294	350	206	221	1	78	86
Special mention	40	47	-	7	2	-	-
Substandard							
- New BOT's guidelines not adopted	-	352	-	119	20	-	120
- Adopted the new BOT's guidelines	903	968	172	204	100	524	241
Doubtful							
- New BOT's guidelines not adopted	-	4	-	-	50	-	-
- Adopted the new BOT's guidelines	443	483	3	30	100	3	30
Doubtful of loss							
- New BOT's guidelines not adopted	-	11	-	-	100	-	-
- Adopted the new BOT's guidelines	2,258	2,396	1,073	806	100	1,157	1,206
Total	3,938	4,611	1,454	1,387		1,762	1,683
Additional allowance for possible uncollectible debts	-	-	-	-		33	33
	3,938	4,611	1,454	1,387		1,795	1,716
Total	231,470	204,050					
Revaluation allowance for debt restructuring	(84)	(150)					
Less : Intercompany gain	(255)	(274)					
Total	231,131	203,626					
<u>Investment in receivables transferred to loans</u>							
Normal	19	14	8	6	1	2	2
Special mention	1	66	-	-	2	-	-
Substandard							
- New BOT's guidelines not adopted	-	3	-	-	20	-	-
- Adopted the new BOT's guidelines	104	31	12	13	100	12	13
Doubtful							
- New BOT's guidelines not adopted	-	3	-	2	50	-	1
- Adopted the new BOT's guidelines	7	2	1	1	100	1	1
Doubtful of loss							
- New BOT's guidelines not adopted	-	259	-	71	100	-	71
- Adopted the new BOT's guidelines	348	77	73	5	100	73	5
Total	479	455	94	98		88	93
Total loans and accrued interest receivable	231,610	204,081	58,280	81,523		7,832	7,690

⁽¹⁾ Only the Company and those subsidiaries overseen by the BOT.

⁽²⁾ Debt balance/book value of normal and special mention loans excluding accrued interest receivable.

⁽³⁾ For the provision for substandard, doubtful and doubtful of loss loans, which is set up in accordance with the new BOT's guidelines, the debt balance after collateral is the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, as the case may be.

(Unit : Million Baht)

	Separate financial statements						
	Debt balance/ book value		Debt balance after collateral ⁽²⁾		Minimum percentage	Allowance for doubtful accounts	
	2007	2006	2007	2006		2007	2006
<u>Loans and accrued interest receivable</u>							
<u>(including interbank and money market items) ⁽¹⁾</u>							
Normal	20,212	41,609	4,407	41,605	1	44	1,249
Special mention	3,039	6,411	904	6,406	2	18	128
Substandard							
- New BOT's guidelines not adopted	-	307	-	305	20	-	61
- Adopted the new BOT's guidelines	186	1	185	1	100	185	1
Doubtful							
- New BOT's guidelines not adopted	-	265	-	258	50	-	129
- Adopted the new BOT's guidelines	181	19	180	19	100	180	19
Doubtful of loss							
- New BOT's guidelines not adopted	-	856	-	827	100	-	827
- Adopted the new BOT's guidelines	1,106	636	1,082	631	100	1,082	631
Total	24,724	50,104	6,758	50,052		1,509	3,045
Additional allowance for possible uncollectible debts	-	-	-	-		140	66
Total	24,724	50,104	6,758	50,052		1,649	3,111
<u>Investment in receivables transferred to loans</u>							
Normal	1	-	-	-	1	-	-
Substandard							
- New BOT's guidelines not adopted	-	-	-	-	20	-	-
- Adopted the new BOT's guidelines	88	-	3	-	100	3	-
Doubtful of loss							
- New BOT's guidelines not adopted	-	-	-	-	100	-	-
- Adopted the new BOT's guidelines	1	9	-	-	100	-	-
Total	90	9	3	-		3	-
Total loans and accrued interest receivable	24,814	50,113	6,761	50,052		1,652	3,111

⁽¹⁾ Debt balance/book value of normal and special mention loans excluding accrued interest receivable.

⁽²⁾ For the provision for substandard, doubtful and doubtful of loss loans, which is set up in accordance with the new BOT's guidelines, the debt balance after collateral is the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, as the case may be.

As at 31 December 2007, the Company and its subsidiaries set full provision for non-performing debts in accordance with the new BOT's guidelines.

As at 31 December 2006, the Company and its subsidiaries set provision at 100% on receivables for which a court judgment has already been issued, for which a court order is being executed, and against which legal actions have been brought, in accordance with the new guidelines of the BOT. For the remaining non-performing debts classified as doubtful of loss, doubtful and substandard, the Company and its subsidiaries still apply provisioning rates of 100%, at least 50% and at least 20%, respectively, in accordance with the prior guidelines (except for Thanachart Bank which set full provisions for non-performing loans in accordance with the new BOT's guidelines).

11.10 Loan in companies which have settlement problems

As at 31 December 2007 and 2006, the Company and its subsidiaries' loans (including loans to financial institutions) in the consolidated and the separate financial statements included the following debtors with weak financial positions and operating results :-

Consolidated financial statements							
	Number		Debt balance		Collateral value		Allowance for doubtful
	of debtors						accounts provided
	2007	2006	2007	2006	2007	2006	in the accounts
			Million	Million	Million	Million	Million
			Baht	Baht	Baht	Baht	Baht
1. Closed financial institutions	5	5	42	42	-	-	42
2. Listed companies vulnerable to delisting from the SET	2	4	32	45	47	52	-
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	16	24	958	1,232	1,533	1,375	324
4. Companies which have loan settlement problems or have defaulted of the repayment of debts	788	656	2,854	3,132	2,429	3,349	1,157
5. Companies whose auditors' reports cited going concern issues	3	23	51	106	-	31	51
Separate financial statements							
	Number		Debt balance		Collateral value		Allowance for doubtful
	of debtors						accounts provided
	2007	2006	2007	2006	2007	2006	in the accounts
			Million	Million	Million	Million	Million
			Baht	Baht	Baht	Baht	Baht
1. Companies which have loan settlement problems or have defaulted of the repayment of debts	320	414	193	140	89	-	118

11.11 Classification of securities business receivable in accordance with the Notification of the Office of the Securities and Exchange Commission

As at 31 December 2007 and 2006, a subsidiary company operating in the securities business classified its securities business receivables and accrued interest receivable and provided related allowance for doubtful accounts in accordance with the Notification of the Office of the Securities and Exchange Commission (SEC) as follows :-

(Unit : Million Baht)					
	Receivable and accrued interest receivable		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts
	2007	2006	2007	2006	2007 2006
Doubtful	301	299	301	299	301 299
Substandard	7	9	-	-	- -
Total	308	308	301	299	301 299
General reserve					5 8
Allowance for doubtful accounts					306 307

The above substandard receivables represent receivable balances with a value equivalent to that of their collateral.

11.12 Hire-purchase receivable/financial lease receivable of subsidiaries separate by aging

As at 31 December 2007 and 2006, hire-purchase and financial lease receivables of three subsidiaries engaged in hire-purchase and financial lease businesses are classified by the due date of the contracts as follows :-

(Unit : Million Baht)		
	2007	2006
Current or overdue less than 90 days	5,795	3,220
Overdue 91 – 365 days	137	51
Overdue more than 1 year	19	12
Debtors under legal actions	31	22
Total	5,982	3,305
Allowance for doubtful accounts	237	100

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

(Unit : Million Baht)

Consolidated financial statements							
For the year ended 31 December 2007							
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of the year	1,584	193	958	803	4,072	486	8,096
Add : Increase (decrease) during the year	(1,025)	(36)	830	316	1,989	(13)	2,061
Reversal from revaluation							
allowance for debt restructuring	-	-	-	-	-	50	50
Bad debt recovery	-	-	-	-	8	-	8
Less : Bad debt written-off	-	-	-	-	(1,490)	-	(1,490)
Reversal from the disposals	-	-	-	-	(353)	-	(353)
Balance - end of the year	559	157	1,788	1,119	4,226	523	8,372

(Unit : Million Baht)

Consolidated financial statements							
For the year ended 31 December 2006							
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of the year	2,880	199	645	218	2,754	726	7,422
Add : Increase (decrease) during the year	(1,296)	(6)	343	585	1,392	(240)	778
Less : Bad debt written-off	-	-	-	-	(74)	-	(74)
Reversal from disposals	-	-	(30)	-	-	-	(30)
Balance - end of the year	1,584	193	958	803	4,072	486	8,096

(Unit : Million Baht)

Separate financial statements							
For the year ended 31 December 2007							
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of the year	1,248	128	62	148	1,458	66	3,110
Add : Increase (decrease) during the year	(1,204)	(110)	126	32	230	74	(852)
Bad debt recovery	-	-	-	-	3	-	3
Less : Bad debt written-off	-	-	-	-	(256)	-	(256)
Reversal from disposals	-	-	-	-	(353)	-	(353)
Balance - end of the year	44	18	188	180	1,082	140	1,652

(Unit : Million Baht)

Separate financial statements							
For the year ended 31 December 2006							
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of the year	2,164	173	91	179	1,069	66	3,742
Add : Increase (decrease) during the year	(916)	(45)	(29)	(31)	463	-	(558)
Less : Bad debt written-off	-	-	-	-	(74)	-	(74)
Balance - end of the year	1,248	128	62	148	1,458	66	3,110

13. REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December		For the year ended 31 December	
	2007	2006	2007	2006
Balance - beginning of the year	150	136	-	-
Add : Increase during the year	-	40	-	-
Less : Amortised during the year	(12)	(20)	-	-
Transfer to allowance for doubtful accounts	(50)	-	-	-
Reversal from hair cut	(4)	(6)	-	-
Balance - end of the year	84	150	-	-

14. CLASSIFICATION OF ASSETS

The quality of assets of the Company and its financial business subsidiaries is classified in accordance with the announcements of the Bank of Thailand. These are as follows :-

(Unit : Million Baht)

Consolidated financial statements									
	Loans and accrued interest receivable		Investments		Property foreclosed		Other assets		Total
	2007	2006	2007	2006	2007	2006	2007	2006	2007 2006
Normal	199,066	177,282	-	-	-	-	90	78	199,156 177,360
Special mention	22,100	16,762	-	-	-	-	95	69	22,195 16,831
Substandard	2,492	2,525	-	-	-	-	9	7	2,501 2,532
Doubtful	2,244	1,943	-	-	-	-	7	10	2,251 1,953
Doubtful of loss	6,047	5,993	948	1,029	723	692	214	176	7,932 7,890
Total	231,949	204,505	948	1,029	723	692	415	340	234,035 206,566
Less: Revaluation allowance for debt restructuring	(84)	(150)							
Intercompany gain from loans transferred	(255)	(274)							
	231,610	204,081							

(Unit : Million Baht)

Separate financial statements									
	Loans and accrued interest receivable		Investments		Property foreclosed		Other assets		Total
	2007	2006	2007	2006	2007	2006	2007	2006	2007 2006
Normal	20,213	41,609	-	-	-	-	22	35	20,235 41,644
Special mention	3,039	6,411	-	-	-	-	28	43	3,067 6,454
Substandard	274	308	-	-	-	-	5	3	279 311
Doubtful	181	284	-	-	-	-	2	4	183 288
Doubtful of loss	1,107	1,501	491	523	379	350	138	141	2,115 2,515
Total	24,814	50,113	491	523	379	350	195	226	25,879 51,212

15. PROPERTY FORECLOSED

(Unit : Million Baht)

	Consolidated financial statements				Separate financial statements			
	For the year ended 31 December 2007				For the year ended 31 December 2007			
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year	Balance - beginning of the period	Additions	Disposals	Balance - end of the period
Assets transferred in settlement of debts								
Immovable assets	6,630	122	(772)	5,980	3,132	54	(439)	2,747
Movable assets	490	4,823	(4,483)	830	142	603	(677)	68
Assets foreclosed from purchase by								
bid on the open market								
Immovable assets	1,998	421	(424)	1,995	275	177	(21)	431
Total property foreclosed	9,118	5,366	(5,679)	8,805	3,549	834	(1,137)	3,246
Less : Allowance for impairment	(698)	(220)	187	(731)	(350)	(110)	81	(379)
Property foreclosed - net	8,420	5,146	(5,492)	8,074	3,199	724	(1,056)	2,867

As at 31 December 2007, subsidiaries have obligations with regard to property foreclosed received in settlement of debts. For Baht 14 million, the debtors have to buy back the properties at prices and within periods specified in the agreements. For a further Baht 8 million, the debtors have first right of purchase.

In addition, as at 31 December 2007, for a further approximately Baht 450 million (at cost) of the property foreclosed of the Company and its subsidiaries (separate financial statements : Baht 389 million), sales agreements have been made with customers, but the payment of installments or the transfer of ownership rights is still in progress. The Company and its subsidiaries have not recognised any gains in these cases and the assets are still recorded as property foreclosed.

16. LAND, PREMISES AND EQUIPMENT

(Unit : Million Baht)

Consolidated financial statements						
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Motor vehicles	Work in process	Total
<u>Cost :</u>						
31 December 2006	241	216	2,073	179	12	2,721
Additions	220	161	454	56	63	954
Transfers	-	12	36	-	(48)	-
Disposals	-	-	(69)	(26)	-	(95)
31 December 2007	461	389	2,494	209	27	3,580
<u>Accumulated depreciation :</u>						
31 December 2006	-	30	832	101	-	963
Disposals	-	-	(47)	(18)	-	(65)
Depreciation during the year	-	15	333	26	-	374
31 December 2007	-	45	1,118	109	-	1,272
<u>Net book value :</u>						
31 December 2006	241	186	1,241	78	12	1,758
31 December 2007	461	344	1,376	100	27	2,308
Depreciation charge included in the income statements						
for the years ended 31 December						
2006						308
2007						374

(Unit : Million Baht)

Separate financial statements						
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Motor vehicles	Work in process	Total
<u>Cost :</u>						
31 December 2006	63	147	358	54	5	627
Additions	-	-	14	8	14	36
Transfers	-	-	14	-	(14)	-
Disposals	-	-	(299)	(25)	-	(324)
31 December 2007	63	147	87	37	5	339
<u>Accumulated depreciation :</u>						
31 December 2006	-	24	221	38	-	283
Disposals	-	-	(173)	(15)	-	(188)
Depreciation during the year	-	7	13	4	-	24
31 December 2007	-	31	61	27	-	119
<u>Net book value :</u>						
31 December 2006	63	123	137	16	5	344
31 December 2007	63	116	26	10	5	220
Depreciation charge included in the income statements						
for the years ended 31 December						
2006						76
2007						24

As at 31 December 2007, the Company and its subsidiaries have motor vehicles acquired under financial leases with net book values amounting to approximately Baht 94 million. In addition, the Company and its subsidiaries have office equipment and motor vehicles which have been fully depreciated but are still in use with original costs, before deducting accumulated depreciation, amounting to approximately Baht 271 million (separate financial statements : Baht 11 million and Baht 58 million, respectively).

17. INTANGIBLE ASSETS - SOFTWARES

(Unit : Million Baht)

		Consolidated financial statements			
		For the year ended 31 December 2007			
	Remaining	Balance –			Balance -
	useful life	beginning of			end of
		the year	Additions	Disposals	the year
Computer software	0 - 9 years	258	81	-	339
Less : Amortisation		(97)	(26)	-	(123)
Allowance for impairment		(5)	5	-	-
Intangible assets – net		156	60	-	216
Amortised expenses and impairment loss included in the income statements for the year					17

(Unit : Million Baht)

		Separate financial statements			
		For the year ended 31 December 2007			
	Remaining	Balance –			Balance -
	useful life	beginning of			end of
		the year	Additions	Disposals	the year
Computer software	0 - 5 years	133	4	(129)	8
Less : Amortisation		(37)	(2)	35	(4)
Intangible assets – net		96	2	(94)	4
Amortised expenses included in the income statements for the year					2

As at 31 December 2007, the Company and its subsidiaries have computer software which have been fully amortised but are still in use with original costs, before deducting accumulated amortisation, amounting to approximately Baht 47 Million (separate financial statements : Baht 0.2 million.)

18. OTHER ASSETS

(Unit : Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Premium receivable from direct insurance	752	467	-	-
Accrued interest	221	264	22	24
Accrued income	183	174	13	51
Unrealised gain on derivative contracts	364	476	-	-
Other receivable - VAT paid in advance for customers	211	153	53	74
Other receivables	774	343	146	163
Deposits	120	106	8	12
Others	327	342	34	39
Total	2,952	2,325	276	363
Less : Allowance for impairment	(252)	(194)	(146)	(147)
Total other assets - net	2,700	2,131	130	216

19. DEPOSITS

19.1 Classified by type of deposits

(Unit : Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
At call	419	366	-	-
Saving	57,727	30,700	-	-
Promissory notes	3,440	8,792	-	-
Fixed				
- Less than 6 months	48,574	38,092	-	-
- 6 months and up to 1 year	39,720	92,470	-	-
- Over 1 year	40,746	28,107	-	-
Total deposits	190,626	198,527	-	-

19.2 Classified by the remaining period of contract

	Consolidated		(Unit : Million Baht)	
	financial statements		Separate	
	2007	2006	2007	2006
Not over 1 year*	187,249	187,625	-	-
Over 1 year	3,377	10,902	-	-
Total deposits	190,626	198,527	-	-

*Include matured contracts

19.3 Classified by currency and location

	Consolidated		(Unit : Million Baht)	
	financial statements		Separate	
	2007	2006	2007	2006
Baht - Domestic	189,998	198,527	-	-
Foreign currency - Domestic	628	-	-	-
Total deposits	190,626	198,527	-	-

20. INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

	(Unit : Million Baht)					
	Consolidated financial statements					
	2007			2006		
	At call	Term	Total	At call	Term	Total
Domestic :						
Bank of Thailand and Financial Institutions Development Fund	-	108	108	-	108	108
Commercial banks	4	-	4	1	-	1
Other banks	-	-	-	1,300	-	1,300
Finance and securities companies	1,903	505	2,408	212	56	268
Other financial institutions	816	1,426	2,242	520	2,310	2,830
Total	2,723	2,039	4,762	2,033	2,474	4,507
Foreign :						
Baht	7	-	7	-	-	-
Total	2,730	2,039	4,769	2,033	2,474	4,507

	(Unit : Million Baht)					
	Separate financial statements					
	2007			2006		
	At call	Term	Total	At call	Term	Total
Domestic :						
Commercial banks - subsidiary	12,500	-	12,500	39,600	-	39,600
Total	12,500	-	12,500	39,600	-	39,600

As at 31 December 2007, Baht 12,500 million of borrowings in the separate financial statements are from a subsidiary company (Thanachart Bank). The interest rate charged is in accordance with the Bank's cost of funds plus a fixed percentage per annum. Principal is payable at call but not later than May 2008 (2006 : Baht 39,600 million). However, the BOT approved Thanachart Bank's extension of the term of the loans to the Company to be not later than December 2008.

21. BORROWINGS

Type of borrowing	Interest rate per annum (As at 31 December 2007)	Maturity date	(Unit : Million Baht)			
			Consolidated		Separate	
			financial statements		financial statements	
			2007	2006	2007	2006
<u>Short-term borrowings</u>						
Subordinated debenture issued in accordance with the plan to establish the Restricted Bank	Fixed rate of 9.00 percent	2008	1,943	-	-	-
Bills of exchange	Fixed rate of 2.50 - 4.875 percent	2008	54,225	10,366	-	-
Bill of exchange	Floating rate of the average MLR of 4 commercial banks minus 3.60 percent	2008	1,000	-	-	-
Promissory notes	Fixed rate of 3.90 - 4.10 percent	2007	-	2,777	-	2,777
Promissory notes	Floating rate based on the six-month Thai Baht Swap offer rate but not over 5.00 percent	2007	-	158	-	158
Promissory notes	Three-months fixed deposit rate plus 1.25 percent	2007	-	5,000	-	-
Promissory notes	Floating rate of the average MLR of 4 commercial banks minus 3.35 - 3.60 percent	2008	7,080	-	7,080	-
Promissory note	4.40 percent minus six-month Thai Baht Swap offer rate	2008	150	-	150	-
Unsubordinated, unsecured and unconvertible debentures	Fixed rate of 5.00 percent	2007	-	159	-	-
Unsubordinated and unsecured debentures	Fixed rate of 2.95 percent	2008	1,000	-	1,000	-
Total short-term borrowings			65,398	18,460	8,230	2,935

(Unit : Million Baht)						
Type of borrowing	Interest rate per annum (As at 31 December 2007)	Maturity date	Consolidated financial statements		Separate financial statements	
			2007	2006	2007	2006
<u>Long-term borrowings</u>						
Subordinated debenture issued in accordance with the plan to establish the Restricted Bank	Fixed rate of 9.00 percent	2008	-	1,943	-	-
Unsubordinated and unsecured debentures	Fixed rate of 2.95 percent	2008	-	1,000	-	1,000
Unsubordinated and unsecured debentures	Floating rate of the average MLR of 4 commercial banks minus 3.45 percent	2010	3,902	3,985	4,000	4,000
Long-term loan agreement	Fixed rate of 11.51 percent	2010	45	72	-	-
Bill of exchange	Fixed rate of 4.25-4.80 percent	2009 – 2010	4,200	8,445	-	-
Bill of exchange	Floating rate of the average MLR of 4 commercial banks minus 3.55 percent	2009	1,650	2,650	-	-
Bills of exchange	Floating rate of THB-THBFIX-REUTERS plus the fixed rate 0.45-0.47 percent	2010	750	750	-	-
Promissory note	4.40 percent minus six -month Thai Baht Swap offer rate	2008	-	150	-	150
Promissory note	Floating rate of the average MLR of 4 commercial banks minus 3.60 percent	2009	500	7,580	500	7,580
Total long-term borrowings			11,047	26,575	4,500	12,730
Total borrowings			76,445	45,035	12,730	15,665

22. OTHER LIABILITIES

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Insurance premium payable	631	620	6	11
Value added tax payable	148	198	123	181
Deferred gain on disposal of property foreclosed	219	292	1	1
Loss reserves and outstanding claims from insurance/life assurance	617	493	-	-
Unearned income from hire-purchase	231	213	45	81
Accrued personnel expenses	400	270	9	36
Suspense account receivable	1,166	1,673	283	292
Payables for property foreclosed	201	282	62	47
Other expenses payable	364	276	27	87
Other payables	137	82	59	81
Others	1,230	883	96	72
Total	5,344	5,282	711	889

23. SHARE CAPITAL/DIVIDENDS

During the year 2007, preference shareholders converted 210 preference shares to the Company's ordinary shares. Therefore, as at 31 December 2007, 19,336 preference shares, with each preference share convertible to 1 ordinary share, remain unconverted. The conversion rights are unconditional and do not expire.

On 30 April 2007, the Annual General Meeting of the Company's shareholders approved the payment of a dividend of Baht 0.50 per share to the ordinary shareholders and preference shareholders in respect of the operating results for the second half-year of 2006, a total of Baht 667 million.

On 4 October 2007, the Board of Directors of the Company approved payment of an interim dividend of Baht 0.30 per share to ordinary shareholders and preference shareholders, a total of Baht 400 million.

24. REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS

	(Unit : Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Revaluation surplus on investments :-				
Available-for-sale investments				
Debt instruments	32	22	-	-
Equity instruments	430	77	356	64
Held-to-maturity debt securities	36	45	-	-
Surplus recognised for associated companies				
- under equity method	13	15	-	-
Total	511	159	356	64
Revaluation deficit on investments :-				
Available-for-sale investments				
Debt instruments	(19)	(55)	-	-
Equity instruments	(83)	(254)	(55)	(130)
Held-to-maturity debt securities	(426)	(616)	-	-
Total	(528)	(925)	(55)	(130)
Revaluation surplus (deficit) on investments	(17)	(766)	301	(66)

25. STATUTORY RESERVE

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. The statutory reserve can not used for dividend payment.

As at 31 December 2007, the Company allocated Baht 137,509,148 of net income for the year 2007 to the statutory reserve.

26. BAD DEBTS AND DOUBTFUL ACCOUNTS

Bad debts and doubtful accounts in the income statements for the years ended 31 December 2007 and 2006 consists of :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Bad debts and doubtful accounts (reversal of bad debt and doubtful accounts) from loans and interbank and money market items	2,063	779	(853)	(558)
Amortisation of revaluation allowance for debt restructuring during the year	(12)	(20)	-	-
Total bad debts and doubtful accounts (reversal)	2,051	759	(853)	(558)

27. LOSS FROM DEBT RESTRUCTURING

Loss from debt restructuring in the income statements for years ended 31 December 2007 and 2006 consists of :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Losses from hair-cuts	-	125	-	-
Increase in revaluation allowance for debt restructuring	-	40	-	-
Total	-	165	-	-

28. GAIN (LOSS) ON INVESTMENTS

Gain (loss) on investments for years ended 31 December 2007 and 2006 consists of the following :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Unrealised loss on valuation adjustment	-	(2)	-	-
Loss from conversion of investment	-	(2)	-	-
Reversal of allowance for impairment of investments (allowance for impairment)	(22)	18	(20)	13
Reversal of allowance for impairment of investment in receivables (allowance for impairment)	35	(97)	23	(77)
Increase in provision for impairment of TAMC's notes	(113)	(99)	(46)	(18)
Gain on debt settlement/assets transferred from investments in receivables	133	122	41	36
Realised gains (losses) on sales of investments				
Trading securities	5	5	-	-
Available-for-sale securities	(113)	414	(215)	123
Held-to-maturity securities	-	(51)	-	-
Subsidiaries/associated companies	885	-	1,981	-
Other securities	9	50	2	53
Total	819	358	1,766	130

During the year 2006, subsidiary companies disposed of held-to-maturity debt securities with an amortised cost of Baht 1,091 million, with loss on disposal of Baht 51 million. This was mainly due to liquidity management and the modification of investment strategy in line with economic circumstances.

29. GAIN ON PROPERTY FORECLOSED AND OTHER ASSETS

Gain on property foreclosed and other assets for the years ended 31 December 2007 and 2006 consists of the following :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Realised gains on disposals of property foreclosed	294	597	72	37
Allowance for impairment	(33)	(18)	(29)	(35)
Gain (loss) on other assets	(10)	11	6	10
Total	251	590	49	12

30. NUMBER OF EMPLOYEES AND RELATED COSTS

	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Number of employees as at 31 December (persons)	7,181	6,988	96	643
Personnel expenses for the year ended				
31 December (Million Baht)	2,895	2,572	87	357

31. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company and a public subsidiary company's directors in accordance with Section 90 of the Public Company Limited Act, exclusive of salaries and related benefits payable to directors who hold executive positions.

In addition, on 30 April 2007, the Annual General Meeting of shareholders of the Company and a subsidiary company approved the payment of director's remuneration amounting to approximately Baht 13 million to the directors of the Company and the subsidiary company (separate financial statements : Baht 11 million).

32. CORPORATE INCOME TAX

Corporate income tax was calculated on net income for the year, after adding back and deducting with income or expenses which are disallowable for tax computation purposes.

33. PROVIDENT FUND

The Company, certain of its subsidiaries and their employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees, at the rate of 5 percent of their basic salaries, and by the companies at the same rate, and will be paid to employees upon termination in accordance with the rules of the funds. During the year 2007, Baht 70 million has been contributed to the funds by the Company and its subsidiaries (separate financial statements : Baht 3 million).

34. RECONCILIATION OF DILUTED EARNINGS PER SHARE

Earnings per share as presented in the income statement is basic earnings per share, which is calculated by dividing net income for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing net income for the year by the total sum of the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be required to be issued to convert all potential ordinary shares to ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

Consolidated financial statements						
For the years ended 31 December						
Net income		Weighted average		Earnings per share		
		number of ordinary shares				
2007	2006	2007	2006	2007	2006	
Thousand	Thousand	Thousand	Thousand	Baht	Baht	
Baht	Baht	shares	shares			
Basic earnings per share						
Net income	2,817,749	1,467,867	1,333,135	1,333,134	2.11	1.10
Effect of dilutive securities						
Preference shares convertible to						
ordinary shares	-	-	19	20		
Diluted earnings per share						
Net income of ordinary						
shareholders assuming						
conversion of dilutive securities	2,817,749	1,467,867	1,333,154	1,333,154	2.11	1.10
Separate financial statements						
For the years ended 31 December						
Net income		Weighted average		Earnings per share		
		number of ordinary shares				
2007	2006	2007	2006	2007	2006	
Thousand	Thousand	Thousand	Thousand	Baht	Baht	
Baht	Baht	shares	shares			
	(Restated)				(Restated)	
Basic earnings per share						
Net income	2,750,183	1,185,891	1,333,135	1,333,134	2.06	0.89
Effect of dilutive securities						
Preference shares convertible to						
ordinary shares	-	-	19	20		
Diluted earnings per share						
Net income of ordinary						
shareholders assuming						
conversion of dilutive securities	2,750,183	1,185,891	1,333,154	1,333,154	2.06	0.89

35. RELATED PARTY TRANSACTIONS

During the years 2007 and 2006, the Company and its subsidiaries had significant business transactions with their related parties. These transactions, which have been concluded on the commercial terms and bases specified in the agreements between the Company, its subsidiaries and those companies, are summarised below :-

(Unit : Million Baht)

	For the years ended 31 December				Pricing Policies (For the year 2007)
	Consolidated		Separate		
	financial statements		financial statements		
	2007	2006	2007	2006	
Subsidiaries :-					
Sales of investments in subsidiaries (Gain of Baht 1,146 million)	-	-	4,158	-	At book value of subsidiaries
Sales of investments in debt securities	-	-	-	2,416	
Purchases of investments in subsidiaries	-	-	-	211	
Purchase of investment in an associated company	-	-	347	-	At market price
Purchases of investments in debt securities	-	-	5,685	10,473	At market price
Purchase of assets	-	11	-	-	
Sales of assets	-	-	221	229	At the rate agreed by each party with reference to appraisal and book value
Sales of loans	-	-	-	888	
Sales of property foreclosed	-	-	4	11	At market price
Interest income from loans	-	-	128	87	At interest rates of 3.50 - 7.00 and 11.51 percent per annum
Interest income from deposit at banks	-	-	13	13	At interest rates of 2.00 - 4.00 percent per annum
Interest income from investments in debt securities	-	-	186	12	At interest rates of 3.25 - 4.125 and 6.18 percent per annum
Rental and other service income	-	-	47	61	At the contracted rates mutually agreed by related parties
Fees and other income	6	33	143	175	At the contracted rates mutually agreed by related parties

(Unit : Million Baht)

	For the years ended 31 December				
	Consolidated		Separate		
	financial statements		financial statements		Pricing Policies
	2007	2006	2007	2006	(For the year 2007)
Dividend income	-	-	215	1,012	As declared
Interest expense	-	1	1,280	3,552	At interest rates of 4.125 - 6.25 percent per annum
Rental and other service expense	14	27	205	257	At the contracted rates mutually agreed by related parties
Insurance expense	-	-	2	5	As insurance policy
Associated companies :-					
Dividend income	-	-	59	43	As declared
Interest income	5	-	-	-	At interest rates of 3.00 - 4.30 percent per annum
Other income	5	1	-	-	
Interest expense	11	13	-	-	At interest rates of 2.50 - 5.25 and 11.51 percent per annum
Other expense	48	42	31	35	
Related companies:-					
Transfer of loans	824	-	-	-	At the contract price with reference to book value
Transfer of deposits	53	-	-	-	At the contract price with reference to book value
Purchase of fixed assets	4	-	-	-	At the contract price with reference to book value
Dividend income	38	60	18	19	As declared
Interest income	116	97	-	3	At interest rates of 0.50 - 1.00 and 2.65 - 8.50 percent per annum
Gain on disposals	168	-	-	-	At the price stipulated in the agreement
Other income	26	5	1	2	
Interest expense	76	48	-	-	At interest rates of 2.00 - 5.81 and 9.00 percent per annum
Project management expenses	57	60	30	29	At the contract price, calculated by reference to estimated usage time
Other expense	67	63	7	14	

In addition to the transactions mentioned above, during the year ended 31 December 2007, N.F.S. Asset Management Co., Ltd. disposed of property foreclosed valued at Baht 258 million, with reference to the appraisal value determined by an independent appraiser, to Thanachart Bank Plc. and Thanachart Life Assurance Co., Ltd., subsidiaries in Thanachart Group (2006 : Thanachart Bank Plc. transferred non-performing loans amounting to Baht 773 million to N.F.S. Asset Management Co., Ltd).

The outstanding balances of the above transactions during the years ended 31 December 2007 and 2006 are below shown at the average month end balance :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
<u>Subsidiaries</u>				
Interbank and money market items (Assets)	-	-	568	390
Investments in debt securities	-	-	3,000	3,000
Loans	-	-	2,008	1,257
Deposits	30	22	-	-
Interbank and money market items (Liabilities)	-	-	25,095	54,086
Borrowings and debentures	-	-	88	15
<u>Associated companies</u>				
Investments in debt securities	108	15	-	-
Loans	183	2	-	-
Deposits	35	31	-	-
Borrowings and debentures	64	108	-	-
<u>Related companies</u>				
Interbank and money market items (Assets)	410	428	60	57
Investments in debt securities	787	344	-	-
Loans	1,377	1,347	2	78
Deposits	845	904	-	-
Interbank and money market items (Liabilities)	24	70	1	3
Borrowings and debentures	874	862	-	-

As at 31 December 2007 and 2006, the outstanding balances with subsidiary, associated companies and related parties (which amount over than Baht 500 million) are separately shown in balance sheets as follows :-

(Unit : Million Baht)

Consolidated financial statements												
2007												
Assets						Liabilities				Contingencies		
Interbank and money market items	Investments in debt securities	Loans	Accrued interest receivable	Other assets	Deposits	Interbank and money market items	Borrowings and debentures	Accrued interest payable	Other liabilities	Guarantees of loans	Other commitments	
Associated companies												
MBK Plc.	-	271	-	5	9	14	-	45	2	-	26	30
Related companies												
Advanced Info Service Plc.	-	700	31	11	24	987	-	-	-	4	-	-
Siam Commercial Bank Plc.	601	169	-	1	-	-	-	-	-	-	-	8,952
Siam City Bank Plc.	61	-	-	-	-	-	-	750	3	-	-	-
Others	20	35	777	3	15	652	14	148	5	30	56	56
Total	682	1,175	808	20	48	1,653	14	943	10	34	82	9,038

(Unit : Million Baht)

Consolidated financial statements												
2006												
Assets						Liabilities				Contingencies		
Interbank and money market items	Investments in debt securities	Loans	Accrued interest receivable	Other assets	Deposits	Interbank and money market items	Borrowings and debentures	Accrued interest payable	Other liabilities	Guarantees of loans	Other commitments	
Subsidiary company												
Glas Haus Building Co., Ltd.	-	-	-	-	7	27	-	-	-	-	-	-
Associated companies												
MBK Plc.	-	15	-	-	9	14	-	71	3	-	23	-
Puen Pob Paet Co., Ltd.	-	-	-	-	-	2	-	-	-	-	-	-
Related companies												
Advanced Info Service Plc.	-	537	27	4	10	10	-	-	-	34	-	-
Siam Commercial Bank Plc.	598	180	-	2	-	-	-	-	-	-	-	16,974
Others	55	103	1,231	12	12	749	22	112	19	67	32	-
Total	653	835	1,258	18	38	802	22	183	22	101	55	16,974

(Unit : Million Baht)

Separate financial statements											
2007											
Assets						Liabilities				Contingencies	
Interbank and money market items	Investments in debt securities	Loans	Accrued interest receivable	Other assets	Interbank and money market items	Borrowings and debentures	Accrued interest payable	Other liabilities	Guarantees of loans	Other commitments	
Subsidiaries											
Thanachart Bank Plc.	131	3,800	-	13	6	12,500	-	-	15	-	-
Thanachart Securities Plc.	-	-	-	-	-	-	-	-	32	-	-
Thanachart Group Leasing Co., Ltd.	-	-	846	3	-	-	-	-	-	-	-
National Leasing Co., Ltd.	-	-	259	-	-	-	-	-	13	-	-
Max Asset Management Co., Ltd.	-	-	224	10	1	-	-	-	-	-	-
N.F.S Asset Management Co., Ltd.	-	-	93	-	-	-	-	-	1	-	-
Thanachart Legal and Appraisal Co., Ltd.	-	-	10	-	-	-	-	-	1	-	-
Thanachart Insurance Co., Ltd.	-	-	-	-	1	-	98	1	2	-	-
Associated companies											
MBK Plc.	-	-	-	-	3	-	-	-	-	-	-
Related companies											
Siam Commercial Bank Plc.	29	-	-	-	-	-	-	-	-	-	8,000
Others	29	-	-	-	1	-	-	-	1	10	-
	189	3,800	1,432	26	12	12,500	98	1	65	10	8,000

(Unit : Million Baht)

Separate financial statements											
2006											
Assets						Liabilities				Contingencies	
Interbank and money market items	Investments in debt securities	Loans	Accrued interest receivable	Other assets	Interbank and money market items	Borrowings and debentures	Accrued interest payable	Other liabilities	Guarantees of loans	Other commitments	
Subsidiaries											
Thanachart Bank Plc.	74	3,000	-	12	48	39,600	-	-	6	-	-
Thanachart Group Leasing Co., Ltd.	-	-	565	-	-	-	-	-	20	-	-
National Leasing Co., Ltd.	-	-	529	-	-	-	-	-	22	-	-
Max Asset Management Co., Ltd.	-	-	358	16	-	-	-	-	-	-	-
Thanachart Insurance Co., Ltd.	-	-	-	-	1	-	15	-	4	-	-
Others	-	-	-	-	2	-	-	-	6	-	-
Associated companies											
MBK Plc.	-	-	-	-	4	-	-	-	-	-	-
Related companies											
Siam Commercial Bank Plc.	45	-	-	-	-	-	-	-	-	-	8,316
Others	29	-	11	-	1	-	-	-	2	10	-
Total	148	3,000	1,463	28	56	39,600	15	-	60	10	8,316

As at 31 December 2007, the Company and its subsidiaries have investments amounting to approximately Baht 1,285 million (separate financial statements : Baht 1,085 million) in companies to which they are related by means of members of their management being shareholders and/or directors of those companies.

As at 31 December 2007 and 2006, the Company and its subsidiaries had the following related party transactions with executive employees from department manager level up :-

(Unit : Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Loans	52	54	4	6
Deposits	399	572	-	-

Remunerations to key management personnel

During the year 2007, the Company and its subsidiaries paid salaries, meeting allowance and gratuities to their key management personnel, including directors totaling Baht 240 million (separate financial statements : Baht 44 million).

36. FINANCIAL INFORMATION BY SEGMENT

Financial information presented in the consolidated financial statements as at 31 December 2007 and 2006 and for the years then ended, is presented below by segment.

	For the year ended 31 December											(Unit : Million Baht)		
	Asset management													
	The Company		business		Banking business		Securities business		Other business		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,989	2,182	(160)	(253)	5,132	4,742	126	149	454	409	(494)	(1,244)	7,047	5,985
Share of income from investments accounted for under equity method	-	-	-	-	-	-	-	-	-	-	271	223	271	223
Non-interest income	2,666	926	736	1,131	1,941	1,358	1,304	1,126	5,994	3,246	(2,236)	(367)	10,405	7,420
Non-interest expenses	(845)	(1,617)	(177)	(156)	(6,041)	(5,770)	(926)	(909)	(5,875)	(3,294)	1,015	703	(12,849)	(11,043)
Corporate income tax	(1,060)	(305)	(221)	(330)	(41)	(105)	(144)	(104)	(239)	(121)	-	-	(1,705)	(965)
Minority interest in net income in subsidiaries	-	-	-	-	-	-	-	-	-	-	(351)	(152)	(351)	(152)
Net income	2,750	1,186	178	392	991	225	360	262	334	240	(1,795)	(837)	2,818	1,468

	As at 31 December										(Unit : Million Baht)			
	Asset management													
	The Company		business		Banking business		Securities business		Other business		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Investments - Net	24,454	27,621	1,621	4,619	19,968	21,895	1,020	1,018	7,685	4,810	(25,874)	(25,197)	28,874	34,766
Loans and accrued interest receivable - Net (including interbank and money market items)	23,427	47,275	2,846	3,678	259,286	221,634	2,493	2,393	8,245	6,083	(24,801)	(52,680)	271,496	228,383
Land, premises and equipment - Net	220	344	1	2	1,783	1,198	131	153	173	61	-	-	2,308	1,758
Other assets	3,151	3,683	3,615	3,992	10,061	12,709	357	105	1,628	978	(234)	(145)	18,578	21,322
Total assets	51,252	78,923	8,083	12,291	291,098	257,436	4,001	3,669	17,731	11,932	(50,909)	(78,022)	321,256	286,229

37.COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2007 and 2006, the significant commitments and contingent liabilities consisted of the following :-

37.1

(Unit : Million Baht)

	Consolidated financial statements					
	2007			2006		
	Foreign			Foreign		
	Baht	currencies	Total	Baht	currencies	Total
Avals to bills	24	-	24	54	-	54
Guarantees of loans	10	-	10	10	-	10
Liabilities under unmatured import bills	-	25	25	-	19	19
Letters of credit	-	399	399	2	92	94
Other commitments						
Obligations under interest rate swap agreements	38,930	-	38,930	46,636	-	46,636
Obligations under forward exchange contracts						
Bought contracts	-	1,555	1,555	-	82	82
Sold contracts	-	37,776	37,776	-	21,929	21,929
Obligations under cross currency and interest rate swap contracts - sold contracts	-	1,350	1,350	-	1,868	1,868
Committed (but not drawn) overdraft	2,673	-	2,673	1,663	-	1,663
Other guarantees	2,468	495	2,963	1,385	4	1,389
Total contingencies and commitments	44,105	41,600	85,705	49,750	23,994	73,744

(Unit : Million Baht)

	Separate financial statements					
	2007			2006		
	Foreign			Foreign		
	Baht	currencies	Total	Baht	currencies	Total
Guarantees of loans	10	-	10	10	-	10
Other commitments						
Obligation under interest rate swap agreements	10,600	-	10,600	19,986	-	19,986
Other guarantees	1	-	1	1	-	1
Total contingencies and commitments	10,611	-	10,611	19,997	-	19,997

- 37.2 During the years 2001 to 2003, the Company and its subsidiaries entered into agreements to sell loans with transfer prices totaling approximately Baht 3,414 million to the Thai Asset Management Corporation (“TAMC”). The Company and its subsidiaries are still jointly entitled to/liable for a share of the gains or losses arising from TAMC’s management of these non-performing assets, which is to be calculated at the end of fifth and tenth years, counting from 1 July 2001. In case of losses, the Company and its subsidiaries are liable for all initial losses up to 20 percent of the transfer price, with the next 20 percent of such losses are to be shared equally between the Company or its subsidiaries and TAMC. TAMC is liable for all remaining losses. Such gains or losses will be determined based on the cumulative value of the collections made on the assets as at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the receivables. The gain or loss cannot be reliably estimated by the Company and its subsidiaries at this stage. However, as at 31 December 2007, the Company and its subsidiaries have estimated their share of the losses which may arise from the management of non-performing assets at approximately Baht 557 million (separate financial statements : Baht 183 million). This is presented as a part of the allowance for impairment of investment in TAMC’s notes (2006 : Baht 443 million and Baht 137 million, respectively).
- 37.3 The Company and a subsidiary company have entered into agreements to sell housing loans/transfer rights of claim in housing debts to the Secondary Mortgage Corporation, under which they are committed to compensate the Corporation for losses from uncollected debts up to a maximum of 20 percent of the selling price of the said receivables, or approximately Baht 5 million in the consolidated financial statements and Baht 2 million in separate financial statements.
- 37.4 Thanachart Bank Plc., a subsidiary company, is obliged to make contributions to the Financial Institutions Development Fund, at a rate of 0.2 percent of the total outstanding balance of the Bank’s deposits and accrued interest arising from borrowings, as of the last day of the previous six-month period before the contributions are to be made, every 30 June and 31 December of the year.
- 37.5 As at 31 December 2007, the Company and its subsidiaries have obligations to pay service fees related to property foreclosed and other services including long-term rental and office services agreements, which can be presented as follows :-

(Unit : Million Baht)

Year	Consolidated	Separate	
	financial statements	financial statements	
	Other companies	Other companies	Subsidiaries
2008	442	30	4
2009	227	19	4
2010 onward	384	34	7

In addition, the Company has an obligation to pay an administrative service fee to a subsidiary company at actual cost plus a margin according to period in agreement.

- 37.6 As at 31 December 2007, a subsidiary company has commitments under a research support and distribution services agreement made with an overseas company, whereby it must pay service charges on quarterly basis at the rate specified in the agreement. The agreement will expire on 30 September 2008.

- 37.7 Under the agreements among the Company, the Bank and BNSAL, the Company and the Bank have to disclose information relating to business, business performance, operations and legal compliance of the Bank and the Bank's subsidiaries, and certify the correctness of the disclosed information, to assist BNSAL in deciding whether to purchase shares in the Bank. In the event that the Bank or its subsidiaries have to pay any damages, compensation or penalties to any other parties as a result of events or information which the Company and the Bank failed to disclose to BNSAL before it purchases shares in the Bank, the Company and the Bank will jointly compensate BNSAL for its losses in accordance with the principles stipulated in the agreements, but not beyond the prescription period stipulated by Thai laws for each damages claim.

In addition, under the Shareholders' Agreement between the Company and BNSAL there are mutual agreements whereby the Company and its subsidiaries have certain stipulated rights and obligations per the conditions therein, with no expiry date on such obligations. However, the management of the Company and the Bank believe that the Company, the Bank and the Bank's subsidiaries operate their businesses under adequate supervision and therefore no material losses will result which would significantly affect the Company, the Bank and its subsidiaries financial positions.

38. LITIGATION

As at 31 December 2007, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 1,340 million as a result of litigation (separate financial statements : Baht 832 million). The cases are not yet finalised. However, the Company and its subsidiaries' management expect that no losses will result and therefore no liabilities are currently recorded.

39. BANK GUARANTEE

As at 31 December 2007, there were outstanding bank guarantees of approximately Baht 6 million (separate financial statements : Baht 5 million) issued by banks on behalf of the Company and its subsidiaries as guarantees for the use of electricity and the rental of land.

40. FINANCIAL INSTRUMENTS

Financial instruments are any contracts which give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

As at 31 December 2007, the Company has no policy to speculate or trade in any off-balance sheet derivative financial instruments.

40.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Company and its subsidiaries. The maximum exposure to credit risk is the carrying amount of financial assets less provision for losses as stated in the balance sheet and off-balance sheet aval, guarantees of loans and other guarantees.

The Company and its subsidiaries manage credit risk by means of careful consideration during the credit approval process, with analysis of risk factors and of the customer's ability to service debt, and a credit review process which examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future.

40.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Company and its subsidiaries' foreign currency position and investment status. As such, market risk consists of interest rate risk, foreign exchange risk and equity position risk.

a) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate as a result of changes in market interest rates.

The Company and its subsidiaries manage the changes in interest rate risk by means of an appropriate structuring of holdings in assets and liabilities with different repricing dates, taking into account the direction of market interest rates, in order to generate a suitable yield while maintaining risk at acceptable levels. Such management is under the supervision of the Asset and Liability Management Committee.

As at 31 December 2007, financial assets and liabilities classified by types of interest rate are as follows :-

(Unit : Million Baht)

	Consolidated financial statements				Separate financial statements			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>								
Cash	-	-	3,275	3,275	-	-	-	-
Interbank and money market items	606	36,192	3,534	40,332	22	-	249	271
Securities purchased under resale agreements	-	2,500	-	2,500	-	-	-	-
Investments	2,278	21,903	5,313	29,494	1,284	4,280	19,025	24,589
Receivables from clearing house	-	-	244	244	-	-	-	-
Loans (include intercompany gain on loan transferred)	33,154	204,966	1,415	239,535	154	24,543	97	24,794
<u>Financial liabilities</u>								
Deposits	60,200	130,007	419	190,626	-	-	-	-
Interbank and money market items	984	3,189	596	4,769	-	12,500	-	12,500
Securities business payable	-	-	1,244	1,244	-	-	-	-
Borrowings	-	76,445	-	76,445	-	12,730	-	12,730
Liabilities payable on demand	-	-	1,329	1,329	-	-	-	-

The outstanding balances of loans which have floating interest rates or fixed interest rates include loans on which interest recognition has been ceased, and are presented before deducting provisions.

With respect to financial instruments that carry fixed interest rates, the periods from the balance sheet date to the repricing or maturity date (whichever is the earlier) are presented below :-

(Unit : Million Baht)

Consolidated financial statements

Transactions	Repricing or maturity date					Total	Weighted
	At call	0-3	3-12	1 – 5	Over 5		Average
		months	months	years	years		interest rates
Percentage							
<u>Financial assets</u>							
Interbank and money market items	87	34,447	1,658	-	-	36,192	4.22 - 5.14
Securities purchased under							
resale agreements	-	2,500	-	-	-	2,500	3.22
Investments	-	4,860	2,705	11,607	2,731	21,903	3.83 - 4.03
Loans (include intercompany gain	1,239	4,752	8,799	157,484	32,692	204,966	6.65 - 10.36
on loan transferred)							
<u>Financial liabilities</u>							
Deposits	8	65,579	61,829	2,591	-	130,007	3.13
Interbank and money market items	1,150	787	242	1,010	-	3,189	3.54
Borrowings	-	49,860	18,888	7,697	-	76,445	3.32 - 4.17

(Unit : Million Baht)

Separate financial statements

Transactions	Repricing or maturity date					Total	Weighted average interest rates Percentage
	At call	0-3	3-12	1 - 5	Over 5		
		months	months	years	years		
<u>Financial assets</u>							
Investments	-	1,280	-	-	3,000	4,280	5.24
Loans	2,010	343	3,774	18,416	-	24,543	6.65
<u>Financial liabilities</u>							
Interbank and money market items	12,500	-	-	-	-	12,500	4.38
Borrowings	-	1,650	7,080	4,000	-	12,730	3.32

In addition, the Company and its subsidiaries have interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Company and its subsidiaries for the year ended 31 December 2007, and the average rate of interest income and expense, can be summarised as follows :-

(Unit : Million Baht)						
	Consolidated financial statements			Separate financial statements		
	Average balance	Interest and dividend	Average rate	Average balance	Interest and dividend	Average rate
<u>Interest bearings financial assets</u>						
Interbank and money market items	22,972	828	3.61	506	13	2.57
Securities purchased under resale agreements	11,415	446	3.91	-	-	-
Investments	34,376	1,343	3.91	25,676	528	2.06
Loans/hire-purchase and finance lease	212,448	16,182	7.62	35,487	2,443	6.88
<u>Interest bearings financial liabilities</u>						
Deposits	199,532	7,228	3.62	-	-	-
Interbank and money market items	6,138	169	2.75	25,099	1,275	5.08
Borrowings	55,190	2,304	4.18	15,091	572	3.79

b) Foreign exchange risk

Foreign exchange risk is the risk that changes in exchange rate will result in changes in the values of financial instruments or fluctuations in revenues or in the values of financial assets or financial liabilities.

Because the subsidiary company has transactions in foreign currency, it is exposed to foreign exchange risk. The subsidiary company has a policy to hedge its foreign currency risk by means of managing net foreign currency under the risk management approved by the board of directors of the subsidiary company with strictly comply with the Bank of Thailand's regulation.

The status of the Company and its subsidiaries' foreign currency balances as at 31 December 2007 can be summarised as follows :-

(Unit : Million Baht)

	Consolidated financial statements				Separate financial statements			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	US				US			
	dollar	Euro	Yen	Others	dollar	Euro	Yen	Others
<u>Foreign currency - in balance</u>								
Cash	107	60	3	44	-	-	-	-
Interbank and money market items	35,635	73	18	56	-	-	-	-
Investments	1,350	-	-	-	-	-	-	-
Loans	399	-	-	-	-	-	-	-
Other assets - accrued interest receivable	14	-	-	-	-	-	-	-
Total assets	37,505	133	21	100	-	-	-	-
Liability-deposits	628	-	-	-	-	-	-	-
Net foreign currency in balance	36,877	133	21	100	-	-	-	-
<u>Foreign currency - off balance</u>								
Liabilities under unmatured import bills	16	9	-	-	-	-	-	-
Letters of credit	379	2	2	16	-	-	-	-
Foreign currency forward and spot contracts								
- Bought contracts	1,337	-	10	208	-	-	-	-
- Sold contracts	37,084	260	61	371	-	-	-	-
Cross currency and interest rate swap contracts - sold contracts	1,350	-	-	-	-	-	-	-
Others	297	-	-	198	-	-	-	-

c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities will result in fluctuations in revenues and in the values of financial assets.

40.3 Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries will be unable to liquidate their financial assets and/or procure sufficient funds to discharge their obligations in a timely manner, resulting in the incurrence of a financial loss.

The Company and its subsidiaries manage liquidity risk by mean of appropriate structuring of short-term and long-term sources of capital, under the supervision of an Assets and Liabilities Management Committee.

Counting from the balance sheet date, the periods to maturity of financial instruments held as at 31 December 2007 are as follows :-

(Unit : Million Baht)

Transactions	Consolidated financial statements					Separate financial statements				
		Less than	Over				Less than	Over		
	At call	1 year	1 year	Unspecified	Total	At call	1 year	1 year	Unspecified	Total
<u>Financial assets</u>										
Cash	3,275	-	-	-	3,275	-	-	-	-	-
Interbank and money market items	4,176	36,136	20	-	40,332	251	-	20	-	271
Securities purchased under resale										
agreements	-	2,500	-	-	2,500	-	-	-	-	-
Investments	2,278	5,237	16,701	5,278	29,494	1,284	800	3,480	19,025	24,589
Receivables from clearing house	-	244	-	-	244	-	-	-	-	-
Loans ⁽¹⁾	13,104	16,641	209,790	-	239,535	3,009	3,937	17,848	-	24,794
<u>Financial liabilities</u>										
Deposits	58,216	129,033	3,377	-	190,626	-	-	-	-	-
Interbank and money market items	2,730	979	1,060	-	4,769	12,500	-	-	-	12,500
Securities business payable	-	1,244	-	-	1,244	-	-	-	-	-
Borrowings	-	65,398	11,047	-	76,445	-	8,230	4,500	-	12,730
Liabilities payable on demand	1,329	-	-	-	1,329	-	-	-	-	-
<u>Off-balance sheet items :-</u>										
Avals to bills and guarantee of loans	10	24	-	-	34	10	-	-	-	10
Liability under unmatured import bills	-	25	-	-	25	-	-	-	-	-
Letters of credit	8	391	-	-	399	-	-	-	-	-
Other commitments	2,768	49,342	31,841	1,296	85,247	1	2,600	8,000	-	10,601

(1) The outstanding balance of loans includes intercompany gain on loan transfers. Call loans include loans on which interest recognition has been ceased.

40.4 Fair value

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Company and its subsidiaries have estimated the fair value of financial instruments as follows :-

a) Financial assets

The method used for determining the fair value depends upon the characteristics of the financial instruments. The fair values of most financial assets, including cash, interbank and money market items, securities purchased under resale agreements, receivables from clearing house, loans and investments in receivables are considered to approximate their respective carrying values since the financial instruments are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions and which are traded on an active and liquid market, such as investments, have their fair values determined based on the quoted market price.

b) Financial liabilities

The fair values of financial liabilities, including deposits, interbank and money market items, payable to clearing house, securities business payable, borrowings and liabilities payable on demand, are considered to approximate their respective carrying values for the same reason as described above.

As at 31 December 2007, there are no material differences between the book values of financial instruments and their fair values. However, the fair value of held-to-maturity debt securities are Baht 299 million lower than their book value and fair value of investment in associated companies are Baht 1,077 million over than their book value (separate financial statements : the fair value of held-to-maturity debt securities and investment in associated companies are Baht 90 million and Baht 622 million, respectively, over than their book value).

40.5 Financial derivatives

The Company and its subsidiary company engage in financial derivatives activities as required in the normal course of their business to manage risk. The subsidiary company engages in other financial derivatives activities to meet its clients' needs. These financial derivatives include forward foreign currency contracts, cross currency contracts and interest rate swap contracts.

The Company and its subsidiary company have a policy to hedge the risk limits by which they require risk reporting and control procedures for the various types of risk, as a control over financial derivative activities. The Company and its subsidiary company manage the credit risk associated with financial derivatives on the basis of the credit limits granted to customers in general. The same credit approval process that is used when granting loans to a customer is adopted for financial derivative customers, so that the Company and its subsidiary company are able to maintain risk at acceptable levels.

As at 31 December 2007, financial derivatives to which the Company and its subsidiary company are a party can be classified by period to maturity as follows:

	(Unit : Million Baht)					
	Consolidated financial statements			Separate financial statements		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign currency forward and spot contracts						
- Bought	1,555	-	1,555	-	-	-
- Sold	37,776	-	37,776	-	-	-
Cross currency swap contracts						
- Sold	675	675	1,350	-	-	-
Interest rate swap contracts						
- Fixed interest rate payment	600	14,020	14,620	150	4,000	4,150
- Floating interest rate payment	3,395	1,450	4,845	1,150	-	1,150
- Fixed interest rate receipt	3,395	1,450	4,845	1,150	-	1,150
- Floating interest rate receipt	600	14,020	14,620	150	4,000	4,150

41. RECLASSIFICATION

In addition to the change in accounting policy mentioned in Note 4, which affects the previously reported net income and shareholders' equity, certain other amounts in the financial statements as at 31 December 2006 and for the year then ended have been reclassified to conform to the current year's classification, with no effect on previously reported net income and shareholders' equity other than from the change in accounting policies.

42. SUBSEQUENT EVENT

On 28 February 2008, the Board of Directors of the Company passed a resolution to propose the payment of a dividend of Baht 0.60 per share to the ordinary shareholders and preference shareholders in respect of the operating results for the second half-year of 2007, a total of Baht 800 million.

43. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2008.

AUDITOR'S FEES

(1) Audit Fees

Thanachart Capital Public Company Limited paid audit fees to Ernst & Young Office Limited with details as follows:

- Audit fee worth 1,850,000 baht for auditing the financial statements for the past year, which were signed by Ms. Ratana Jala, Certified Public Accountant. Other expenses worth 87,543 baht which were related to the auditing of the financial statements for the past year were paid to the audit house, to which the Certified Public Accountant belonged.

The Company's subsidiaries paid audit fees to Ernst & Young Office Limited with details as follows:

- Audit fee worth 11,370,000 baht for auditing the financial statements for the past year, which were signed by Ms. Ratana Jala, Certified Public Accountant. Other expenses worth 464,756 baht which were related to the auditing of the financial statements for the past year were paid to the audit house, to which the Certified Public Accountant belonged.
- Audit fees worth 2,214,559 baht were paid to the audit house, to which the Certified Public Accountant belonged, persons or businesses related to the Certified Public Accountant and the audit house, to which the Certified Public Accountant belonged, for the past year.
- In addition, audit fees worth Baht 40,000 were paid to DSI Audit Company Limited by The Company's 4 subsidiaries which were under due diligence process during the year 2007.

(2) Non - Audit Fees

The Company and its subsidiaries made payments for other services including special audits in line with the requirements of the Bank of Thailand, as well as for the audit of annual financial statements submitted to the Insurance Department, and for the Insurance Department's review of the internal control system, with details as follows:

- Fees worth 724,130 baht to Ms. Ratana Jala, Certified Public Accountant of Thanachart Capital Public Company Limited, for the past year. There was also no other fee to be paid in the future for the agreed services not yet rendered in the past fiscal year.
- Fees worth 350,000 baht to Ms. Ratana Jala, Certified Public Accountant of the Company's subsidiaries, for the past year. There was no other fee to be paid in the future for the agreed services not yet rendered in the past fiscal year.
- A total fee worth 410,000 baht was paid to the audit house, to which the Certified Public Accountant belonged, persons or businesses related to the Certified Public Accountant and the audit house, to which the Certified Public Accountant belonged, for the past year. There was no other fee to be paid in the future for the agreed services not yet rendered in the past fiscal year.

(3) Apart from the fees mentioned in (1) and (2) above

There were no other fees that the Company and its subsidiaries had to pay to the Certified Public Accountant of the Company and its subsidiaries, the audit house to which the Certified Public Accountant belonged, persons or businesses which were related to the Certified Public Accountant and the audit house, to which the Certified Public Accountant belonged, in the past fiscal year.

CORPORATE GOVERNANCE

The Company fully recognizes the importance of putting in place a process to bring about good corporate governance since it is a basic factor which helps enhance the efficiency of the Company's business operations. Importantly, it enables the Company to achieve a sustainable growth which is widely acceptable both locally and globally. As a result, it will enable the Company to achieve an important goal which brings about the maximum benefits for all parties concerned. These include shareholders, investors, other stakeholders and society as a whole.

In 2007, the Stock Exchange of Thailand made amendments to its 15 principles of good corporate government by incorporating more principles to be comprehensive and comparable to the Principles of Corporate Governance (2004) of the Organization for Economic Co-operation and Development (OECD). The amendments gave rise to the Stock Exchange of Thailand's Principles of Good Corporate Government for List Companies 2006. The updated version also includes the recommendations made by the World Bank in its Report on the Observance of Standards and Codes related to Thailand corporate governance (CG-ROSC). Based on the updated version, the principles and the recommended best practices are presented in five categories namely: rights of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency and responsibilities of the Board.

The Company has adopted into full practice the Stock Exchange of Thailand's principles and the recommended best practices under the five categories and the guidelines established by state agencies as well as those of the regulators which govern the Company as a listed company on the Stock Exchange of Thailand and as a public company. The actions undertaken by the Company can be summarized as follows:

1. Rights and Equitable Treatment of Shareholders

The Company respects and pays great attention to the rights of the shareholders. As a result, it has specified the rights of the shareholders and the practice of equitable treatment of the shareholders in Thanachart Group's good corporate governance policy. The policy is based on the good corporate governance principles and the best practices. It covers the right to attend the shareholders' meetings, the right to appoint proxies to attend the meetings and vote on their behalf, the right to propose a list of person to work as director, the right to cast

votes on the Company's various businesses, the right to receipt of dividend, the right to express opinions and ask questions at the shareholders' meetings, and the right to receive adequate information in a timely manner.

In holding the meeting of the shareholders, the Company will send the shareholders information about the date, time and venue of the meeting as well as information supporting the meeting agenda as well as the related opinions of the Board of Directors, specifying clearly which agenda item is for information only or for consideration. The information will be sent to the shareholders fourteen days before the meeting date, together with details about the various agenda items as well as adequate supporting documents for decision making on various agenda items. As well, the information will be made available through the Company's website. In addition, in the notification to the shareholders, details will be given about the documentation and evidence which need to be brought by them on the date of the meeting. The objective is to protect their right to attend the meeting. The proxy statement is also sent with the notification in case the shareholders wish to appoint a proxy to attend the meeting on their behalf. To facilitate this, the Company makes an arrangement that the Chairman of the Company's Audit Committee is one of the persons whom the shareholders may appoint as their proxy to attend the meeting on their behalf. It is also possible for the shareholders to appoint as their proxy any person other than those on the list proposed by the Company.

The Company also made an arrangement, through its website before the meeting date, for the shareholders to exercise their right to propose names of persons to be appointed as directors or to propose agenda items or any matters related to the Company's business operations to be discussed at the shareholders' meeting. The Company continues to pay attention to disclosure of accurate and adequate information in a timely and transparent manner, both in Thai and English, to the shareholders. The timeframe set by the Company for making the proposal of the persons to be appointed as directors or the proposal of additional agenda items for the shareholders' meeting of 2007 was about one month in January. However, there is no timeframe specified for making proposals for other matters. This represents another channel for facilitating communication between the Company and the shareholders. The shareholders' opinions and suggestions would be forwarded to the unit concerned.

Annual General Meeting of the Shareholders

The Board of Directors always pays great attention to the meetings of shareholders. Apart from informing all the shareholders of details related to the meeting well in advance, it makes arrangements to provide the shareholders with convenience in terms of easily accessible venue for the meeting, adequate supporting staff at the reception area, registration of attendance using a barcode reader, use of device and equipment to support the meeting, printing of ballot papers for each agenda item, and etc. Importantly, the shareholders can make registration for attending the meeting over two hours in advance. They are also given ample opportunities to express their opinion and ask questions during the meeting. The minutes of their important questions and opinions will be taken.

The Company organized the Annual General Meeting of Shareholders for 2007 on 30 April 2007 at the Royal Orchid Sheraton Hotel. The meeting was called to order at 10:00 am. The shareholders could make registration for attending the meeting as from 08:00 am. There were 783 shareholders and proxies, accounting for 474,164,699 shares or 35.57 percent of the issued and paid-up share capital, attending the meeting.

To provide the shareholders with greater convenience, the Company used video presentations at the meeting, in addition to supporting documents. Before commencing the shareholders' meeting, the Company also gave the shareholders clear clarifications on vote casting and counting procedures. During the course of the meeting, all the shareholders were given equitable and appropriate opportunities to express their opinions and ask questions. Votes were cast and counted in a transparent and efficient manner. The Company counted one share as one vote. Resolutions were adopted by a majority vote, with the exception of those resolutions which required at least two-thirds or three-fourths of the total votes of the shareholders who attended the meeting and were entitled to vote. In casting votes, the shareholders were required to use the ballot papers only when they wished to cast their votes against the resolution or wished to abstain from voting. These ballot papers would be kept later for verification. The Chairman and the management provided the shareholders with any information requested by the shareholders. As well, the Company took minutes of the meeting and recorded the verbal discussions for each agenda item in detail. The minutes of the meeting were sent to the Stock Exchange of Thailand fourteen days after the meeting. They were also made available to shareholders through the Company's website.

At the Annual General Meeting of Shareholders for 2007, the Chairman of the Board of Directors chaired the meeting. All the following 12 members of the Board of Directors were able to attend the meeting to answer the questions raised by the meeting.

- | | |
|------------------------------------|--|
| 1. Mr. Banterng Tantivit | Chairman/
Non-executive Director |
| 2. Mr. Suphadej Poonpipat | Chairman of the
Executive Committee
President and
Chief Executive Officer |
| 3. Mr. Sommart Poonpakdee | Independent Director
Chairman of the Audit
Committee |
| 4. Mr. Phimol Rattapat | Director and
Legal Advisor |
| 5. Rear Admiral Vitura Sangsingkeo | Independent
Director |
| 6. Mr. Somkiat Sukdheva | Independent Director/
Member of the
Remuneration
Committee/Member of
the Nomination
Committee |
| 7. Mrs. Siripen Sitasuwan | Independent Director/
Member of the Audit
Committee/ Chairman
of the Remuneration
Committee/Chairman
of the Nomination
Committee |
| 8. Mrs. Chantima Chaturaphat | Independent Director/
Member of the Audit
Committee/Member of
the Remuneration
Committee/Member of
the Nomination
Committee |
| 9. Ms. Suvarnapha Suvarnaprathip | Director/Executive
Director |
| 10. Ms. Suchada Pavananunt | Director/Executive
Director |
| 11. Mr. Piyaphong Artmangkorn | Director/Executive
Director |
| 12. Mrs. Noossara Roonsamrarn | Director/Executive
Director |

The Thai Investors Association, the Listed Companies and the Securities and Exchange Commission jointly organized and launched the Annual General Shareholders Meeting (AGM) Assessment Project for the second year with improvements and clearer clarifications made to each part. The assessment was carried out with scores given to four parts including the period before AGM, the period during AGM, the period after AGM and bonus points. The total scores were 110 points. There were altogether 460 companies participating in the assessment project. The Company received a combined score of 97.99 points, which was considered a “good” rating. In comparison, the average score of the companies listed on the Stock Exchange of Thailand was 74 points.

Conflicts of Interest

To prevent conflicts of interest, the Board of Directors acts prudently when there are any transactions which may have conflicts of interest. The Board has established a policy and approval procedures related to conflicts of interest. The policy and approval procedures are put in writing with all details disclosed to all the parties concerned. The Board has also established a policy and measures aimed at preventing executives and related parties from making use of inside information for personal advantage.

- When there is a transaction which may have a conflict of interest, a connected transaction or an affiliated transaction of any parties that are related, the matter will be sent to the compliance unit for evaluation in line with the rules and regulations established by the Stock Exchange of Thailand, the Securities and Exchange Commission, and the Bank of Thailand. After receiving the comments, the matter will be submitted to the authority which has the power to consider the matter.

- In its announcements made to various committees, the Company requires that, in any transaction from which the director, executive or related party gets some advantage, the information on the vested interest in connection with the transaction has to be disclosed. The director or the executive with the vested interest is prohibited from attending the meeting which considers the agenda item related to the transaction.

- In approving a loan application or an investment project from which the Company's director or high-level executive gains some advantage, or in approving a loan application of the Company's major shareholder or high-level executive, the related transaction can be executed only after it receives

unanimous approval from the Board of Directors, with neither the director nor the high-level executive with the vested interest participating in the consideration and approval of the loan application or the investment project.

- When the Board of Directors is aware of any transaction which may have a conflict of interest or of any connected transaction, the Board will consider the transaction in a prudent manner and comply with the rules and regulations established by the Stock Exchange of Thailand, the Securities and Exchange Commission and the Bank of Thailand.

- Information disclosure of the transactions which may have conflicts of interest or connected transactions or affiliated transactions has to comply with the rules and regulations established by the authorities concerned.

- All related transactions will be verified in line with the annual audit plan, the report of which will be presented to the Audit Committee.

- The Board requires that information about business relationships or businesses in which members of the Board or the top management are involved has to be disclosed quarterly. This information will be used to control transactions which may have conflicts of interest. It will also serve as a database of names, from which the company can obtain lists of transactions with the related businesses, which will be disclosed in the notes to the financial statements.

Supervision of Use of Insider Information

- The Company requires all its work units to organize an appropriate system for keeping insider information in compliance with good corporate governance principles.

- In compliance with Section 59 of the Securities and Exchange Act B.E. 2535, executives at the level of department manager or higher as well as members of the Board of Directors are required to make a report showing changes in their securities holdings to the Office of the Securities and Exchange Commission.

- The Company's Board of Directors, executives and employees are prohibited from disclosing insider information to any third party or from seeking any benefit for their own interest or for the interest of the related party by taking advantage of their position or using the Company's inside information. As indicated in Thanachart Group's code of conduct, employees are required to be cautious in disclosing information and in any act that may cause misunderstandings to the general public or the shareholders.

- In preventing use of insider information, the parties concerned are prohibited from trading shares of the Company during the period of 45 days, starting from the last day of each quarter, and during the period of 60 days, starting from the end of June and December. In 2008, the related rules and requirements will be improved, after which they would be announced and be complied with.

- In an event when there is use of insider information for one's own interest, it will be considered as violation of the established policy on the use of insider information, the party concerned will be subject to the judgment of the Disciplinary Committee.

2. Roles of Different Groups of Stakeholders

The Company respects the rights of every group of stakeholders, regardless of whether they are internal stakeholders or not. The stakeholders include shareholders, executives, director, staff of the Company and its subsidiaries, or whether they are external stakeholders including customers, trading partners, lenders, the public sector, and other related agencies. The Company also places emphasis on corporate responsibility towards the community, the society and the environment. To ensure that the stakeholders will receive appropriate rights, the Company has established practice guidelines in writing in the Company's Business Ethics and the staff's Code of Conduct. The information is publicized through the Company's website and corporate media, so that the Board of Directors, executives, and staff at every level will strictly adhere to the guidelines in carrying out their duties, and that the stakeholders are confident their rights are always taken care of. The stakeholders include the following:

Shareholders

The Company is determined to manage its business operations, with an aim to achieve a strong performance and a sustainable growth as well as being competitive. The objective is to give an appropriate return to shareholders on a regular basis. In managing the business operations, the Company takes into consideration risks, efficient internal control systems, and disclosure of information in an accurate, complete, timely and transparent manner. Importantly, the Company makes arrangements to provide the shareholders with convenience in exercising any of the rights they are entitled to.

Employees

The Company treats their employees equitably and fairly, ensuring that they will be compensated appropriately. In

adjusting staff salaries, the Company conducts surveys and takes into consideration the inflation rates as well as the consumer price index. As well, the Company has established Key Performance Indicators (KPIs) which are in accordance with Thanachart Group's key business strategies (or CEO's Six-point Agenda). The KPIs will be used to measure staff efficiency and to award compensation. The Indicators will also be used to enhance staff performance and to promote staff to higher level positions in a fair and timely manner. The Company also provides its staff with other welfare benefits including medical expenses, vacation, provident fund, savings cooperatives for Thanachart Group's staff, fire drills, upkeep of workplace environment, security for life and belongings. The Company also organizes activities with an aim to promote good relationship among staff of Thanachart Group by publishing and circulating monthly magazines entitled "Tor Saiyai". Moreover, the Company also circulates news and information about rules and regulations, products and services, as well as Thanachart Group's activities through its Intranet system.

As regards human resource development, the Company accelerated the development of Thanachart Group's staff with an aim to provide the staff with knowledge, ability and skills necessary for successfully carrying out their duties and responsibilities as well as giving customers the highest satisfaction. The Company also changed its human resource development strategy in line with the Company's business strategy, with focus given to enhancing professionalism of staff in their respective field of work, e.g. selling skills, service delivery, credit consideration, risk management, leadership, and effective management. Focus is also given to ensuring that staff is able to adhere to the principles of good corporate governance and the Company's code of conduct. Standard tests would be given to participants of the training courses. The Company encouraged its staff to acquire investor contact licenses from the Office of the Securities and Exchange Commission and the Association of Investment Management Companies. They are also encouraged to acquire other professional licenses in some specialized fields so that their standards of work will be well acceptable.

Customers

The Company is determined to develop products and services that cater to all financial needs of the customers. It's the Company's policy to charge appropriate fees to the customers and to provide the customers with complete information about the products and services before the customers make their decision. The Company receives suggestions and complaints about its products and services through various channels such

as the Company's website (www.thanachart.co.th), marketing staff, and Thanachart Contact Center (1770). The Company has also established a special unit responsible for following up the customers' complaints and giving feedback to every customer who lodges the complaint. In this connection, a monthly report will be sent to the Board of Directors for information. The customers' suggestions and complaints will be used for improving the Company's services so that the Company will be able to satisfy the customers' needs when they use the Company's services next time.

Trading Partners and Lenders

The Company maintains the positive reputation of Thanachart Group in its business dealings with its trading partners and lenders. This starts from the selection process to the fulfillment of obligations as well as the observation of the conditions which are mutually agreed upon. This includes fostering of good relationship with an aim of building confidence for long-term cooperation.

Competitors

The Company conducts its business affairs within rules and regulations under fair competition. It does not slander its competitor. Nor does it hit its competitor when it is down. It does not seek confidential information of the competitor in a dishonest or inappropriate manner.

Society and Environment

The Company recognizes the importance of good custom and tradition as well as laws and rules for the purpose of maintaining and rehabilitating the society and the environment. It operates its business responsibly. It also participates in and organizes activities which benefit the society and the environment.

The Public Sector

In its conduct of business affairs, the Company considers it very important to observe the laws and to comply with the rules and regulations established by the authorities. The Company will not join or do business with organizations or persons violating those laws.

3. Information Disclosure and Transparency

Corporate Governance Policy, Business Ethics and Code of Conduct for Directors, Staff and Executives

The Company has established a policy on corporate governance, which covers key principles about the structure, roles and responsibilities of the Board of Directors, and the

determination to manage business in a transparent, open and accountable manner. They are distributed through the Company's website (www.Thanachart.co.th) and Thanachart Group's Intranet system. This will enable all staff of Thanachart Group at every level to have easy access to the information and study the related details. The key objective is to send a message to the Company's staff, shareholders and other stakeholders about the Board of Directors' strong determination to comply with the key components of the good corporate governance process, which including the following :

1.1 Honesty

1.2 Transparency

1.3 Independence

1.4 Fairness

1.5 Accountability

1.6 Social Responsibility

The above key components of the good corporate governance process are included in the Company's corporate governance policy which is communicated to the staff at all levels. It integrates missions, the values it expects to have, vision and business ethics, as well as the code of conduct of the Board of Directors and executives. The policy reflects the value systems, guidelines and direction of internal practice, which ensure the Company's compliance with the principles of good corporate governance for listed companies. Every member of the Board of Directors recognizes the importance of their responsibility in managing the business for the maximum benefits. The Board of Directors also places strong emphasis on disclosure of information, both financial and non-financial, in an accurate, complete, timely and transparent manner through channels which are easily accessible, equitable and reliable to all groups of the stakeholders. Moreover, the Company is also committed to managing its business in a manner that shows its responsibility to the society as a whole and the environment. The Company and its staff are committed to behaving themselves as a good citizen by using financial capital, human resources and energy wisely. The Board of Directors and its staff regularly participate in organizing activities which promote environmental protection as well as social and community development. The Company recognizes the importance of its responsibility towards community development and support for local wisdom. It encourages its staff to participate in various social activities related to education, arts, culture and environment to a certain extent as deemed appropriate. The principles of good corporate governance also encompass

the structure of the Board of Directors, the composition of the Board of Directors, roles and responsibilities of the Board of Directors and various committees, risk management and internal control, staff's code of conduct, the policy governing the use of insider information, guidelines on course of action in the event of conflict of interest, and relationship with shareholders. The policy is made available through Thanachart Group's Intranet system to enable all staff of Thanachart Group at all levels to have easy access to the information and study the related details.

In addition to the distribution and the implementation of its policy on good corporate governance which was communicated to the staff at all levels since 2003, the Company has included the topic on Thanachart Group's corporate governance as part of the orientation course organized for new staff. The purpose is to let the staff know about the corporate governance from the beginning when they become the staff of Thanachart Group. Moreover, since 2004, the Company has regularly encouraged its staff to acquire more knowledge about corporate governance by preparing publications and materials about the corporate governance and distributing them to the staff. The purpose is to inculcate the staff with the good corporate governance and encourage them to practice it as part of corporate culture. In 2007, the Company also organized a training course on Good Corporate Governance for executives and staff of Thanachart Group, in which 1,635 people participated. Furthermore, Thanachart Group moved towards the development and improvement of its business operations as well as the development of its human resources under the framework of good corporate governance. The Group plans to improve its good corporate governance policy. The policy itself is also subject to review annually. As well, the Group plans to improve the business ethics and the code of conduct for directors, staff and executives. They serve as a practice framework which Thanachart Group's personnel are required to adhere to. The Group also plans to organize a campaign aimed at encouraging its personnel to recognize the importance of doing business by observing the fairness principles, ethical standards, and good corporate governance. As well, the Group plans to organize activities with an aim to make contributions to the communities and the environment in areas where the branch network is located.

Reports of the Board of Directors

The Board of Directors is directly responsible for the financial statements of the Company. In this regard, it has assigned the Audit Committee be responsible for making sure

that the financial statements and internal audit reports are reliable and accurately reflect actual performances and that they meet accepted accounting standards in Thailand. The Board of Directors decides on the appropriate accounting policy to be used, and ensures that it is implemented regularly. As well, it ensures disclosure of adequate information in the notes to the Company's financial statements. In addition to the quarterly and yearly financial statements, the Board of Directors submitted the management discussion and analysis (MD&A) of the business performance, a practice of which started from the accounting period for the first half of the year ending 30 June 2003. It also disclosed the Report of the Audit Committee which was under the topic on the Internal Control in this annual report.

Role and Responsibilities of the Board of Directors

The Board of Directors is responsible for looking after and managing all the Company's business affairs, ensuring the compliance with the laws, the Company's objectives, the Company's Articles of Association, as well as the resolutions adopted at the meetings of the Company's shareholders. In this regard, the Board of Directors has appointed a number of committees responsible for management of the business operations in different areas with the aim of protecting the benefits of all the Company's stakeholders concerned. The details about the roles of the Board of Directors and each committee, the number of meetings held by each committee as well as the number of meetings attended by each director in 2007 were given in this annual report.

Control Systems and Internal Audit

As the Company places emphasis on efficient internal control systems both at the management and frontline levels, it has defined duties and responsibilities as well as the scope of authority of the operating staff concerned and the executives clearly in writing. The Company attempts to ensure that its assets are properly controlled and used. Moreover, in order to have a system of checks and balances, the Company separates the duties of staff who work at the frontline level, staff responsible for controlling and staff responsible for appraising the performance. As well, the Company puts in place the internal control mechanism for financial systems by establishing a system of sending financial reports to heads of the units concerned. It has also established a unit responsible for monitoring the business operations, ensuring the compliance with legal requirements.

The Company's Internal Audit Group is responsible for auditing work, ensuring that the Company's key business operations and the key financial activities are efficient and in

line with the established direction. The Internal Audit Group is also responsible for ensuring that the Company's conduct of business affairs comply with the laws and requirements related to the Company. To make the Internal Audit Group independent and enable it to fully carry out the auditing duties as well as serving as part of the checks and balances system, the Board of Directors requires that the Internal Audit Group directly submit its audit reports to the Audit Committee, after which an audit summary will be presented regularly to the Board of Directors for information. Written reports in the form of the Minutes of the Internal Audit Group's meetings are also prepared. The purpose is to obtain the assessment appraisal from the Audit Committee.

Risk Management

The Board of Directors pays great attention to risk management, particularly the key risks of member companies of Thanachart Group, which have a direct impact on the target achievements. These risks include strategic risk, credit risk, market risk, interest rate and exchange rate risks, liquidity risk, and operations risk. As a result, the Board of Directors has established a special work unit responsible for overseeing the risks, giving guidelines on risk management, as well as controlling and monitoring the risks. As well, the Board requires that reports on these risks be made regularly. The related details are given under Risk Management and Risk Factors in this annual report.

Investor Relations

The Company officially established the Investor Relations Unit under the Strategy and Planning Group in the middle of 2003. The Investor Relations Unit is mainly responsible for giving accurate information and news about the Company to shareholders, investors, securities analysts, and credit rating agencies, both local and overseas. The objective is to enhance its positive image and organizational credibility as well as providing the shareholders with efficient services. The investors may contact the Company's Investor Relations Unit by phoning 02-613-6107 and 02-217-8199 Extensions 3027 or through the Unit's email address ir.nf@thanachart.co.th.

As the Company recognizes the importance of information disclosure, it has established a clear policy regarding communication with stakeholders. The objective is to equitably disclose correct and complete information (including the Company's financial and general information) to shareholders, investors, and the general public in a transparent and timely manner. The information disclosure has to be in compliance with legal requirements as well as the related rules and regulations. The information and news are publicized through the various channels as follows:

1. The Stock Exchange of Thailand
 - Form giving company information annually (Form 56-1).
 - The Company's financial statements and annual reports.
 - Resolutions adopted at the Board of Directors' meetings and at the shareholders' meetings;
2. The Office of the Securities and Exchange Commission;
3. Business Development Department, the Ministry of Commerce;
4. The Company's website (www.thanachart.co.th);
5. Mass media, publications, and other media;
6. Analyst meetings;
7. Company visits/one-on-one meetings;
8. Local and overseas non-dealing road shows; and
9. Notifications by mail.

The Company has stipulated that disclosure of the Company's information to investors and answering of questions raised by the investors including those who are the Company's shareholders and those who are interested in holding the Company's shares in the future, are under the authority of the Chairman, the President and Chief Executive Officer, as well as the high-ranking executive who has been appointed as Head of Investor Relations Officer.

In 2007, the Company's high-ranking executives as well as staff of the Investor Relations Unit met with the parties concerned on a number of occasions for the purpose of disclosing the Company's information. These included one-on-one interviews, conference calls, and group analyst meetings.

4. Responsibilities of the Board of Directors

The Company is determined to add value to the business to enhance its competitiveness. It also develops Thanachart Group's businesses, aiming to be able to offer a diverse range of financial products which cater to the needs of customers in an integrated manner. Members of the Board of Directors who are well qualified with extensive knowledge and experiences in various fields that support the business operations have jointly established a vision, missions, strategies, business targets as well as the Company's budget in a prudent manner. The Board of Directors holds its meeting at least twice a year to

review the established plans and budget, ensuring that the management has conducted the businesses in line with the established business plans and budget in an efficient manner by taking into consideration the maximum benefits of the Company and all the stakeholders concerned.

The Board of Directors has put in place a control system as well as an adequate internal audit in compliance with the rules and regulations of the authorities concerned. It has also put in place appropriate risk management measures which are in accordance with the vision, missions, business ethics as well as the principles of good corporate governance. As well, it closely monitors the implementation of these measures on a regular basis. It holds at least 12 meetings annually.

The Board of Directors is responsible for determining and dividing duties and responsibilities among the Board of Directors, various committees, and the management by putting them in writing. As well, the Board of Directors determines the level of authority for approving and making decisions, the details of which are also put in writing. In this connection, copies of the power of attorney are circulated to the parties concerned, both inside and outside the organization, for information. As well, the Board of Directors regularly reviews the scope of assigned authority, ensuring that they are appropriate and that it achieves maximum efficiency in actual practice. The parties concerned can also check the above information through the Intranet system any time they need.

The Chairman of the Board of Directors shall not be the same person as the President and Chief Executive Officer. The objective is to separate the duties of developing policies from the duties of managing the day-to-day business operations.

The Board of Directors

The Company's Board of Directors, in accordance with the certification issued by the Ministry of Commerce on 21 November 2007, consists of eleven members who are well qualified with knowledge and experiences beneficial to the Company. Their names are as follows :

1. Mr. Banterng Tantivit Chairman
2. Mr. Suphadej Poonpipat President and Chief Executive Officer
3. Mr. Sommart Poonpakdee Independent Director
4. Mr. Phimol Rattapat Director and Legal Advisor
5. Rear Admiral Vitura Sangsingkeo Independent Director

6. Mr. Somkiat Sukdheva Independent Director
7. Mrs. Siripen Sitasuwan Independent Director
8. Mrs. Chantima Chaturaphat Independent Director
9. Ms. Suvarnapha Suvarnaprathip Director
10. Mr. Taweesak Saksirilarp* Director
11. Mr. Anuwat Luengtawekul* Director
- Mr. Panupan Tuangthong Company Secretary

Note: * Mr. Taweesak Saksirilarp and Mr. Anuwat Luengtawekul were appointed as members of the Board of Directors and members of the Executive Committee, effective as from 24 July 2007.

The Board of Directors has the structure which complies with the principles of good corporate governance. Currently, the Board of Directors consist of:

- 4 executive directors,
- 2 non-executive directors, and
- 5 independent directors.

Each member of the Company's Board of Directors attended at least one of the training courses organized by the Thai Institute of Directors (IOD). In 2007, four directors who attended an additional course organized by IOD were:

1. Mrs. Siripen Sitasuwan Independent Director, Member of the Audit Committee, Chairman of the Remuneration Committee and Chairman of the Nomination Committee Certificate, Role of the Compensation Committee, Class 4/2007
2. Mrs. Chantima Chaturaphat Independent Director, Member of the Audit Committee, Member of the Remuneration Committee and Member of the Nomination Committee Certificate, Role of the Compensation Committee, Class 4/2007 Certificate, Audit Committee Program Class 16/2007

3. Mr. Somkiat Sukdheva	Member of the Audit Committee/Member of the Nominating Committee Certificate, Role of the Compensation Committee, Class 4/2007	4. Mr. Taweesak Saksirilarp	Member of the Board of Director/Member of Executive Committee Certificate, Directors Certification Program Class 94/2007
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Appointments Approved by the Board of Directors or Shareholders at Their Meetings

List of Names	Date on which approved by the Board of Directors at its meeting	Date on which approved by the shareholders at their meeting
Mr. Banterng Tantivit	-	30 April 2007
Mr. Suphadej Poonpipat	-	28 April 2005
Mr. Sommart Poonpakdee	-	27 April 2006
Mr. Phimol Rattapat	-	30 April 2007
Rear Admiral Vitura Sangsingkeo	-	27 April 2006
Mr. Somkiat Sukdheva	-	30 April 2007
Mrs. Siripen Sitasuwan	-	28 April 2005
Mrs. Chantima Chaturaphat	-	27 April 2006
Ms. Suvarnapha Suvarnaprathip	-	27 April 2006
Mr. Taweesak Saksirilarp	24 July 2007	-
Mr. Anuwat Luengtawekul	24 July 2007	-

Note : Mr. Taweesak Saksirilarp was appointed as member of the Board of Directors to replace Ms. Suchada Pavanantun whose tenure expired in 2010 and Mr. Anuwat Luengtawekul were appointed as member of the Board of Directors to replace Mr. Piyaphong Artmangkorn whose tenure expired in 2008.

The Company's Articles of Association requires that one third of the total number of directors of the Board of Directors shall retire at each annual general meeting of the shareholders. If the number of the retiring directors cannot be divided into exactly one third, the number closest to the one third shall apply. The directors with the longest tenure shall retire first. If there are several directors who have the same tenure and their number exceeds the number of directors who have to retire, a decision shall be made by drawing lots. In the event that the directorship becomes vacant before the tenure expires, the Board of Directors is authorized to appoint a candidate qualified for the position and not possessing any prohibitive traits prescribed by laws to fill the vacancy and participate in the Board of Directors' meetings.

The Board of Directors consists of independent directors, executive directors and non-executive directors who are well

qualified with knowledge, expertise, skills and experiences in finance business, accounting, management and other fields. As a result, the Board of Directors is able to manage the business effectively in such a way that gives the best benefits.

The Company's authorized signatories include Mr. Suphadej Poonpipat, Miss Suvarnapha Suvarnaprathip, Mr. Taweesak Saksirilarp and Mr. Anuwat Luengtawekul. To act for the Company, any two of four signatories can jointly sign with the Company's seal affixed.

Duties and Responsibilities of the Board of Directors

The Board of Directors is accountable to all the Company's shareholders and participates in the governance of the Company's business affairs in an independent and neutral manner, taking into consideration the interests of the shareholders and other stakeholders. The duties and responsibilities have been clearly defined, a summary of which is as follows :

1. The Board is responsible for managing the Company in line with legal requirements, the Company's objectives and by-laws, as well as the resolutions adopted at the shareholders' meetings.
2. The Board may assign or authorize one or more directors or other persons to take any action on behalf of the Board. The Board is also authorized to appoint a number of directors, as deemed appropriate, as members of the Executive Committee, one of whom will serve as the Executive Committee Chairman. The Executive Committee is responsible for overseeing and managing the Company's business affairs as assigned by the Board of Directors. The President and Chief Executive Officer shall be an ex officio chairman of the Executive Committee. The Board is authorized to appoint other committees to manage things in accordance with the Board's instructions.
3. The Board delegates its authority to the Chairman of the Executive Committee and the President and Chief Executive Officer to manage the Company's business affairs within the framework of the capital expenditure budget and the expense budget approved by the Board in implementing various projects.
4. The Board gives its approval to visions, missions, and the value which the Company will pursue as well as the ethics in operating the businesses.
5. The Board considers and discusses the strategies proposed by the management and gives approval to the key points in relation to the Company's directions and policies. As well, the Board considers and approves business plans, budgets, and operations goals proposed by the management.
6. The Board monitors the performance of the Company's operations and the progress made in relation to the established objectives as well as the compliance with the related laws, regulations and policies.
7. The Board ensures that the Company has put in place effective internal control systems and appropriate risk management systems.
8. The Board ensures that both the internal auditor and the external auditor carry out their duties in an effective manner.

9. The Board approves quarterly and annual financial statements and ensures that the financial statements have been prepared in line with generally accepted accounting principles.
10. The Board ensures that the information about various matters is communicated to the Company's stakeholders and members of the general public.

Meetings of the Board of Directors

The Company establishes in advance the schedules of the meetings of the Board of Directors throughout the year. The meeting will take place every month - on Thursday of the last week of each month. In addition, the Board may hold special meetings as it deems necessary. The agenda for the meeting will be clearly determined in advance. The list will consist of subjects for information, consideration or approval as well as the subject of risk management that needs to be considered at the monthly meeting of the Board of Directors. The secretary of the Board of Directors will be responsible for sending members of the Board notices of the meetings together with supporting documents well in advance of the meeting dates so that the directors will have adequate time to study the information before they attend the meetings. Each meeting takes about three hours. In 2007, the Board of Directors had 13 meetings.

At each meeting, every director independently expresses their opinions and adopts resolutions. The Chairman of the Board of Directors shall give opportunities to all directors to express their opinions before request for the adoption of the resolution. The observations and the opinions of the directors at all the meetings are recorded in writing. The minutes of the meetings adopted by the Board of Directors are properly kept and ready for examination by the Board and all parties concerned.

Executive Committee

The Board of Directors is responsible for appointing the Executive Committee. The Executive Committee consists of executive directors of the Company and executive directors of the member companies of Thanachart Group.

Members of the Executive Committee

- | | |
|---------------------------------|--|
| 1. Mr. Suphadej Poonpipat | Chairman of the Executive Committee |
| 2. Ms. Suvarnapa Suvarnaprathip | Executive Director |
| 3. Mr. Taweesak Saksirilarp | Executive Director |
| 4. Mr. Anuwat Luengtawekul | Executive Director/the Committee's Secretary |

Duties and Responsibilities of the Executive Committee

1. The Executive Committee is responsible for managing the Company in line with policies, targets, budgets, and plans approved by the Board of Directors, subject to legal requirements, regulations and announcements made by the authorities concerned.
2. The Executive Committee is responsible for managing risks.
3. The Executive Committee is responsible for managing liquidity and interest rates.
4. The Executive Committee is responsible for managing the Company's business affairs, such as credit extension, investments, and selling of foreclosed assets.
5. The Executive Committee is responsible for managing the internal organization, such as organizational restructuring, human resource management and administration.
6. The Executive Committee may delegate its duties and management-related authority which is within its power.
7. The Executive Committee is responsible for screening matters before forwarding them to the Board of Directors.

Other Committees

The Board of Directors appoints directors with appropriate education background and experience as members of various committees to be responsible for assisting in studying and screening important matters that need to be looked after closely in each field of work and giving their opinions to the Board of Directors. These committees include Audit Committee, Remuneration Committee and Nomination Committee etc. In this connection, the Board of Directors appoints a group of executives as the Executive Committee to manage and conduct the Company's business affairs in line with the Board of Directors' directions and guidance.

Members of every committee will have the same tenure as that of the Board of Directors. When the term as member of the Board of Directors expires, his or her term as a member of the committee will also expire. In this connection,

if the retiring director whose term has expired is re-elected at the meeting of the shareholders to serve another term, the Board of Directors at its meeting may consider re-electing him or her as member of the committee.

Audit Committee

Recognizing the importance of good corporate governance, the Board of Directors appoints an Audit Committee with qualifications in line with the requirements established by the Stock Exchange of Thailand. The Audit Committee serves as an important mechanism in facilitating good corporate governance by the Board and ensuring appropriate management standards and transparency, appropriate internal controls, credibility and objectivity of reporting systems which are of benefit to investors and all parties concerned. The Audit Committee works and fulfils its duties independently and reports directly to the Board of Directors. The establishment of the scope of duties and responsibilities of the Audit Committee is in line with the guidelines and standards established by the Stock Exchange of Thailand. Details of the Audit Committee's duties and responsibilities are put in writing and receive the approval of the Board of Directors. The key tool used by the Audit Committee is the Internal Audit Group which is responsible for conducting the audit of the Company's business operations and ensuring that they comply with the Company's regulations, laws and other related requirements. The objective is to prevent damages to the shareholders as well as all the stakeholders who are related to the Company.

The Board of Directors approved the establishment of the Audit Committee on 25 June 1998 with the tenure being the same as that of the Board of Directors. The Audit Committee consists of three independent directors with at least one director who has knowledge, understanding, or experience in the field of accounting or finance. The names of the members of the Audit Committee are as follows:

- | | | |
|----|---------------------------|----------------------------------|
| 1. | Mr. Sommart Poonpakdee | Chairman of the Audit Committee |
| 2. | Mrs. Siripen Sitasuwan | Member |
| 3. | Mrs. Chantima Chaturaphat | Member |
| | Mr. Pawat Metheechutikul | Secretary of the Audit Committee |
| | Ms. Sirintorn Payaphrom | Assistant Secretary |

Duties and Responsibilities of the Audit Committee

The Audit Committee is responsible for carrying out the assignments given by the Board of Directors in the following areas:

1. To review the objectivity, sufficiency, and credibility of the financial reporting process by coordinating with the external auditor and the executives responsible for preparing the quarterly, mid-year and yearly financial reports.
2. To review the appropriateness and efficiency of internal control systems and internal audit functions by coordinating with the external auditor and internal auditor, ensuring the adequacy of the Company's internal control systems and internal audit functions.
3. To review the adequacy of the Company's risk management and to ensure that the risk management complies with the guidelines established by the Bank of Thailand as well as the Company's policies.
4. To review evidences from internal investigations when there is an observation or an inference that there might be fraud, irregularities or substantial loopholes in the Company's internal control systems and to report them to the Board of Directors for further consideration.
5. To review the Company's business operations and ensure that there is no conflict of interest, taking into consideration transactions between the Company and its subsidiaries or related parties.
6. To review the Company's business operations, ensuring that they comply with the Securities and Exchange Act and the requirements of the Stock Exchange of Thailand as well as other laws or requirements which are related to the business.
7. To consider audit reports and recommendations presented by the external auditor and internal auditor and to monitor the implementation of the recommendations.
8. To consider and advise the appointment of the external auditor including the auditing fee, taking into account the auditor's creditability, the adequacy of its resources, audit engagements and experience of its staff assigned to audit the Company's accounts.

9. To approve the appointment, removal, transfer or dismissal of the Head of the Internal Audit Group.
10. To take care of any other matters assigned to it by the Board of Directors or any other matters required by the Stock Exchange of Thailand or the state agencies concerned.

Nomination Committee

The Board of Directors approved the establishment of the Nomination Committee on 10 August 2002. Currently, the Committee consists of the following three independent members as follows:

1. Mrs. Siripen Sitasuwan Chairman of the Nomination Committee
 2. Mrs. Chantima Chaturaphat Member
 3. Mr. Somkiat Sukdheva Member
- Mr. Panupan Tuangthong Secretary of the Nomination Committee

Duties and Responsibilities of the Nomination Committee

It is the Company's policy to occasionally appoint the Nomination Committee responsible for selecting and screening candidates with appropriate qualifications to become members of the Board of Directors and/or members of the committees whenever there is a vacancy and it is necessary to appoint a new person as a replacement.

The Nomination Committee consists of three independent members whose duties and responsibilities are as followings:

1. Establishing guidelines and procedures for selecting candidates when there is a vacancy.
2. Selecting the candidates and proposing those with appropriate qualifications to fill the vacancy to the Board of Directors for consideration.

Remuneration Committee

The Remuneration Committee consists of three independent members appointed by the Board of Directors. The Board of Directors approved the establishment of the Remuneration Committee on 28 March 2002 with the tenure being the same as that of the Board of Directors.

Members of the Remuneration Committee

- | | | |
|----|---------------------------|--|
| 1. | Mrs. Siripen Sitasuwan | Chairman of the
Remuneration
Committee |
| 2. | Mrs. Chantima Chaturaphat | Member |
| 3. | Mr. Somkiat Sukdheva | Member |
| | Mrs. Yuwapa Ngernsawat | Secretary of the
Remuneration Committee |

Duties and Responsibilities of the Remuneration Committee

The Remuneration Committee is responsible for determining the meeting stipends and other benefits of the Board of Directors as well as those of members of various committees appointed by the Board of Directors, which will be submitted to the Board of Directors for approval and/or presentation to the meeting of the shareholders for approval (depending on the case), such as the remuneration rates of the Board of Directors which have to be approved at the meeting of the shareholders. The Remuneration Committee is also responsible for determining the remuneration of the President and Chief Executive Officer.

Corporate Governance Committee

The Company places strong emphasis on maintaining good corporate governance for its business operations in line with the principles of good corporate governance for the listed companies. It also recognizes the importance of disclosing in its Annual Report the information about its activities undertaken in line with the Stock Exchange of Thailand's principles of good corporate governance. As a result, the Company deems it appropriate to appoint the Corporate Governance Committee with the following responsibilities.

The Board of Directors as a whole serves as the Corporate Governance Committee responsible for establishing good corporate governance policies in line with the principles and guidelines established by the Stock Exchange of Thailand, the Securities and Exchange Commission and the Bank of Thailand. The Board of Directors has assigned two committees to carry out the following duties:

1. The Executive Committee is responsible for ensuring that the Company's business affairs are conducted in line with

the good corporate governance policies approved by the Company's Board of Directors.

2. The Audit Committee is responsible for monitoring, reviewing and examining the implementation of the established policies on good corporate governance. The Audit Committee ensures that the Company's business operations have good corporate governance.

Risk Management Committee

The Executive Committee is responsible for controlling, overseeing and assessing the Company's business activities. In carrying out its responsibilities, the Committee also needs to consider various risks related to the business activities. As a result, the Company has assigned the Executive Committee to also serve as the Risk Management Committee, with authority and responsibilities in the following areas:

Duties and Responsibilities of the Risk Management Committee

1. To formulate a risk management policy to be proposed to the Board of Directors for consideration and approval. The policy must establish standards for monitoring and ascertaining that the risk management policy is being strictly adhered to.
2. To establish risk management measures aimed at preventing possible damages and finding solutions to problems arising from the risk.
3. To assess both internal and external factors that may significantly affect the Company's financial positions. The results of the assessment will be used to review the Company's over risk management policy.
4. To determine areas for improvement and give instructions to the risk management unit to take necessary actions aimed at enhancing the efficiency of the risk management mechanisms.
5. To monitor and control the conduct of the Company's business affairs by the Board of Directors and/or other units concerned in different areas of risk management, making sure that they comply with the requirements stipulated in the established risk management policy.

Meeting Attendance of Meetings of Each Committee in 2007

Names of the Committee Members	Total Meetings of the Board of Directors (13)	Total Meetings of the Executive Committee (13)	Total Meetings of the Audit Committee (7 meetings + extra one)	Total Meetings of the Remuneration Committee (5)	Total Meetings of the Nomination Committee (4)
1. Mr. Banterng Tantivit	13/13	-	-	-	-
2. Mr. Suphadej Poonpipat	13/13	13/13	-	-	-
3. Mr. Sommart Poonpakdee	13/13	-	7/7 Extra One 1/1	-	-
4. Mr. Phimol Rattapat	13/13	-	-	-	-
5. Rear Admiral Vitura Sangsingkeo	13/13	-	-	-	-
6. Mr. Somkiat Sukdheva	13/13	-	-	5/5	4/4
7. Mrs. Siripen Sitasuwan	10/13	-	4/7 Extra One 1/1	5/5	4/4
8. Mrs. Chantima Chaturaphat	11/13	-	6/7 Extra One 1/1	5/5	4/4
9. Ms. Suvarnapha Suvarnaprathip	10/13	9/13	-	-	-
10. Ms. Suchada Pavanant * *	7/7	7/7	-	-	-
11. Mr. Piyaphong Artmangkorn * *	7/7	7/7	-	-	-
12. Mrs. Noossara Roonsamrarn * *	7/7	6/7	-	-	-
13. Mr. Taweesak Saksirilarp **	5/5	5/6	-	-	-
14. Mr. Anuwat Luengtawekul **	4/5	6/6	-	-	-

Notes: * Ms. Suchada Pavanant, Mr. Piyaphong Artmangkorn, and Mrs. Noossara Roonsamrarn resigned from the Board of Directors and the Executive Committee, effective as from 24 July 2007.

** Mr. Taweesak Saksirilarp and Mr. Anuwat Luengtawekul were appointed as directors of the Board of Directors and members of the Executive Committee, effective as from 24 July 2007.

Executives

As at 31 December 2007, the following were the Company's executives whose position was at the managerial level or among the first four ones below the manager, in accordance with the guidance of the Office of the Securities and Exchange Commission (SEC):

1. Mr. Suphadej Poonpipat President & Chief Executive Officer
2. Mr. Taweesak Saksirilarp Executive Vice President, Business Support Division
3. Mr. Anuwat Luengtawekul Executive Vice President, Corporate Strategy and Planning Division
4. Mr. Watchara Permphithak Senior Vice President, Business Support Division

5. Ms. Romanee Janpinit First Vice President, Management Information Planning Department

6. Ms. Darawan Boonnamsatien First Vice President, Debt Restructuring Department

7. Mrs. Thanawan Chaisithikarnkha Assistant Vice President, Accounting Department

Company Secretary

The Company has assigned the Corporate Secretariat to be responsible for looking after corporate secretarial work, ensuring more effective management and compliance with the principles of good corporate governance.

Duties and Responsibilities of Company Secretary

The Company has assigned the Secretary of the Board of Directors, who has appropriate qualifications and experience, to act as the Company Secretary. The Company Secretary is supported by the Corporate Secretariat responsible for ensuring more effective management and compliance with the principles of good corporate governance.

Duties and responsibilities of the Company Secretary are as follows:

- To provide the Board of Directors with initial advice on points of law and the Company's rules and regulations. To ensure that they are properly and constantly complied with. And to report any significant changes to the Board of Directors.
- To organize meetings of the shareholders and those of the Board of Directors, ensuring that they comply with the legal requirements, the Company's regulations, and other recommended practices.
- To take minutes of the meetings of the shareholders and those of the Board of Directors, ensuring the appropriate implementation of the resolutions adopted at their meetings.
- To ensure that the disclosure of information to the regulators supervising the Company complies with the rules and regulatory requirements of the authorities concerned.
- To contact and communicate with the shareholders, ensuring that they know their various rights and that they receive the Company's information.
- To support the Board of Directors' various activities.

Selection and Appointment of Members of Various Committees

1. Appointment of Members of the Board of Directors

The Company does not specify the maximum number of members of the Board of Directors. However, the Company's regulations require that there shall be at least five members of the Board. There are two alternative means of appointing members of the Board of Directors, i.e. the appointment of a new director to replace the director whose term expires and the appointment of a new director to replace the director who vacates his position during the period of tenure. In this regard, the Company appoints the Nomination Committee responsible for selecting and proposing candidates with appropriate qualifications to become members of the Board of Directors.

In the first case, the appointment of the new director is subject to approval at the shareholders' meeting while, in the second case, the Board of Directors is authorized to appoint the new director with appropriate qualifications to fill the vacancy. The appointment of independent directors shall also comply with the requirements stipulated by the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.

In appointing the new director at the shareholders' meeting, all shareholders have equal rights in voting for the appointment. A shareholder shall have the number of votes equal to the number of shares held by the shareholder. In the past, the Company had no director representing its major shareholders.

2. Appointment of Members of the Executive Committee

The Board of Directors shall appoint a number of directors, as deemed appropriate, as members of the Executive Committee, one of whom will serve as the Executive Committee Chairman. The Executive Committee is responsible for overseeing and managing the Company's business affairs as assigned by the Board of Directors. The President and Chief Executive Officer shall be an ex officio chairman of the Executive Committee.

3. Appointment of the Audit Committee

The Board of Directors appoints independent directors who have the qualifications as defined by the Company. As a guideline to define the qualification, the Company uses the qualifications of an independent director prescribed by the Stock Exchange of Thailand.

"An independent director is a director who possesses all the following qualifications and independence as defined by the Stock Exchange of Thailand:

- The person holds not more than five percent of paid-up capital of the Company, any affiliated company, any associated company or any related company. In this regard, the number of the shares held by the party related to the person shall be included.
- The person does not take any part in the management of or is not an employee, staff or advisor who receive regular salaries from the Company, affiliated company, associated company, related company or of a majority shareholder of the Company.

- The person has no benefit, direct or indirect, or interest, in the finance and management of the Company, affiliated company, associated company, related company or majority shareholder of the Company.

- The person is not a related person or close relative of any member of management or majority shareholder of the Company.

- The person is not appointed as a representative to safeguard the interests of any of the Company's directors, majority shareholders or shareholders who are related to the Company's majority shareholders.

In addition, every independent director can express his or her opinion independently, free of any interest concerning personal benefit or position and free from the control of any party, and is not exposed to any circumstance that may force him to obscure an independent opinion."

In addition, the Board of Directors shall appoint at least three independent directors with qualifications required by the Stock Exchange of Thailand as members of the Audit Committee. The Audit Committee shall have authority and responsibilities as stipulated by the Stock Exchange of Thailand. Reporting directly to the Board of Directors, the Audit Committee can also exercise its own judgment and fulfill its duties independently.

4. Appointment of the Remuneration Committee and the Nomination Committee

The Board of Directors shall appoint at least three independent directors of the Board as members of the Remuneration Committee and the Nomination Committee.

Minority Shareholders' Right to Appoint Directors

Appointment and Removal of Directors

1. The number of directors shall be fixed at a general meeting of shareholders but must not be less than five. The directors may hold the Company shares. At least half of the members of the Board must have their residence in Thailand. In voting for the appointment of the directors at the meeting of the shareholders, the following procedures shall be applied:

(1) A shareholder shall have one vote per share.

(2) In appointing the directors, shareholders may vote on each candidate one by one or by group of candidates each time or by any other method the shareholders' meeting deems appropriate. However, in each voting, each shareholder is required to cast all his/her votes in Item (1) in favor of only one candidate or only one group. The shareholder cannot divide his/her votes among candidates or groups.

(3) The candidate with the highest votes shall be elected as director. In the event of a tie, the chairman of the meeting shall cast the deciding vote.

2. At each annual general meeting of the shareholders, one third of the total number of directors shall retire. If the number of the directors cannot be divided into exactly one third, the number closest to the one third shall apply. The directors with the longest tenure shall retire first. If an agreement on which directors shall retire first cannot be reached, a decision shall be made by drawing lots. The director who retires may be re-elected.

3. A director shall be retired upon death or resignation before the term expires or being ordered by the Court to be removed or a resolution adopted at the shareholders' meeting for him or her to be removed.

4. In the event that the directorship becomes vacant before the term expires, the remaining members of the Board of Directors are authorized to appoint a candidate qualified for the position and not possessing any prohibitive traits prescribed by laws to fill the vacancy and participate in the Board of Directors' next meeting, except the remaining tenure of the vacant directorship is less than two months. The candidate with the support of at least two third of the remaining directors shall be appointed to fill the vacancy for the remaining tenure of the directorship only.

Appraisal of the Board of Directors' Performance

The Board of Directors had arranged for the appraisal of its performance in 2007, making use of the Stock Exchange of Thailand's appraisal form as a guideline in preparing the company's appraisal form. In this regard, the appraisal focuses on the overall performance of the Board as a group in nine areas: preparedness of the Board; strategy setting and policy making; risk management and internal control; prevention of

conflicts of interest; monitoring financial reports and operations; the Board's meetings; the Board and the Company's policies; the Board and training & development; and others.

In addition, the Board of Directors had arranged for the performance appraisal of the President and Chief Executive Officer, making use of the appraisal form which compared performance against the annual targets and plan, as well as taking into consideration the Key Performance Indicators (KPIs) which were in line with CEO's Six-point Agenda. The Nomination Committee would submit the performance appraisal results to the Board of Directors for consideration.

Remuneration Policy for the Board of Directors and Management

The Company determines the remuneration of the Board of Directors by comparing it with the remuneration of other Boards of Directors in the same industry, after which it establishes standards, taking into consideration also their duties, scope of authority, roles, as well as individual responsibilities of each member. The remuneration of the Board of Directors has to be considered and screened by the Remuneration Committee, after which it will be proposed to the Board of Directors for consideration and for gaining approval at the annual general meeting of the shareholders. The related payments will be made in the form of meeting stipends, position allowances, and performance allowances. For the members of the Board of Directors who also serve as committee members, they will be entitled to the rates of remuneration which are established by the Board of Directors, based on the recommendations made by the Remuneration Committee. In determining the remuneration rates, the Committee considers the details of their duties and responsibilities by comparing with those in the same industry. In this connection, the remuneration for members of the committees will be in form of meeting stipends and/or position allowances.

The remuneration for the management will be in line with the Company's policy and principles which are linked to the Company's performance and the individual performance of the executives, based on the Key Performance Indicators (KPIs) to be determined annually. The payments will be made in the form of salaries and allowances. Their average payments are comparable with the standards in the same industry.

Total Remuneration

In 2007, the Company made payments worth 24,693,225 baht in total to six members of the Company's executives whose

positions were First Vice President or above. The payments included salaries, allowances, contributions to provident fund, and other benefits. These payments did not include payments to executives working in Thanachart's accounting group. The payments for members of the Executive Committee were made in the form of meeting stipends, with details already given in the Table on Remuneration of Each Committee in this annual report

Remuneration which the directors and executives received from the subsidiaries:

In 2007, the Company made payments worth 3,385,704.91 baht in total to four members of the Company's directors and executives. The payments included meeting stipends, position allowances, and subsidiaries directors' performance allowances.

Remuneration for Directors

a) Financial Remuneration

The Company has established the remuneration policy for the Board of Directors in a clear and transparent manner. The Remuneration Committee is responsible for reviewing the policy, taking into account the appropriateness and consistency with the duties and responsibilities of the directors as well as the Company's financial status, and ensuring that the remuneration is at the same level as those of listed companies in the same industry. Members of the Board of Directors who have been assigned to serve as committee members will also be entitled to more remuneration in line with additional work. The following serve as remuneration guidelines:

1. Members of the Board of Directors are entitled to remuneration as approved by the shareholders.
2. Members of other committees are entitled to remuneration as approved by the Board of Directors. Such remuneration is also subject to approval by the shareholders.
3. Directors whose position is at the level of the President or higher are entitled to remuneration for the executive position, at the rate specified by the Board of Directors.

In 2007, the Company paid 19,390,232.02 baht in total to four committees as remuneration in the form of meeting stipends, position allowances for directors, and directors' performance allowances (based on the Company's performance in 2006), which could be summarized in the Table on Remuneration of Each Committee.

b) Other Remuneration

- None -

Remuneration of Each Committee

(Unit : Baht)

Names of the Committee Members	Remuneration of Each Committee						Total
	Meeting Stipends	Position Allowances	Meeting Stipends	Meeting Stipends	Meeting Stipends	2006 Annual	
	for the Board of Directors	for the Board of Directors	for Members of the Audit Committee	for Members of the Remuneration Committee	for the Nomination Committee	Performance Allowances for Directors***	
1. Mr. Banterng Tantivit	520,000.00	720,000.00	-	-	-	1,640,804.93	2,880,804.93
2. Mr. Suphadej Poonpipat	260,000.00	360,000.00	-	-	-	820,402.46	1,440,402.46
3. Mr. Sommart Poonpakdee *	260,000.00	360,000.00	600,000.00	-	-	820,402.47	2,040,402.47
4. Mr. Phimol Rattapat	260,000.00	360,000.00	-	-	-	820,402.46	1,440,402.46
5. Rear Admiral Vitura Sangsingkeo	260,000.00	360,000.00	-	-	-	820,402.46	1,440,402.46
6. Mr. Somkiat Sukdheva	260,000.00	360,000.00	-	50,000.00	40,000.00	820,402.47	1,530,402.47
7. Mrs. Siripen Sitasuwan	200,000.00	360,000.00	100,000.00	75,000.00	60,000.00	820,402.46	1,615,402.46
8. Mrs. Chantima Chaturaphat	220,000.00	360,000.00	140,000.00	50,000.00	40,000.00	820,402.46	1,630,402.46
9. Ms. Suvarnapa Suvarnaprathip	200,000.00	360,000.00	-	-	-	820,402.46	1,380,402.46
10. Ms. Suchada Pavanantunt **	140,000.00	210,000.00	-	-	-	820,402.46	1,170,402.46
11. Mr. Piyaphong Artmangkorn **	140,000.00	210,000.00	-	-	-	820,402.47	1,170,402.47
12. Mrs. Noossara Roonsamrarn **	140,000.00	210,000.00	-	-	-	820,402.46	1,170,402.46
13. Mr. Taweesak Saksirilarp ***	100,000.00	150,000.00	-	-	-	-	250,000.00
14. Mr. Anuwat Luengtawekul ***	80,000.00	150,000.00	-	-	-	-	230,000.00
Total for Each Committee	3,040,000.00	4,530,000.00	840,000.00	175,000.00	140,000.00	10,665,232.02	19,390,232.02

Notes: * Mr. Sommart Poonpakdee, Chairman of the Audit Committee, received the payments in the form of position allowances.

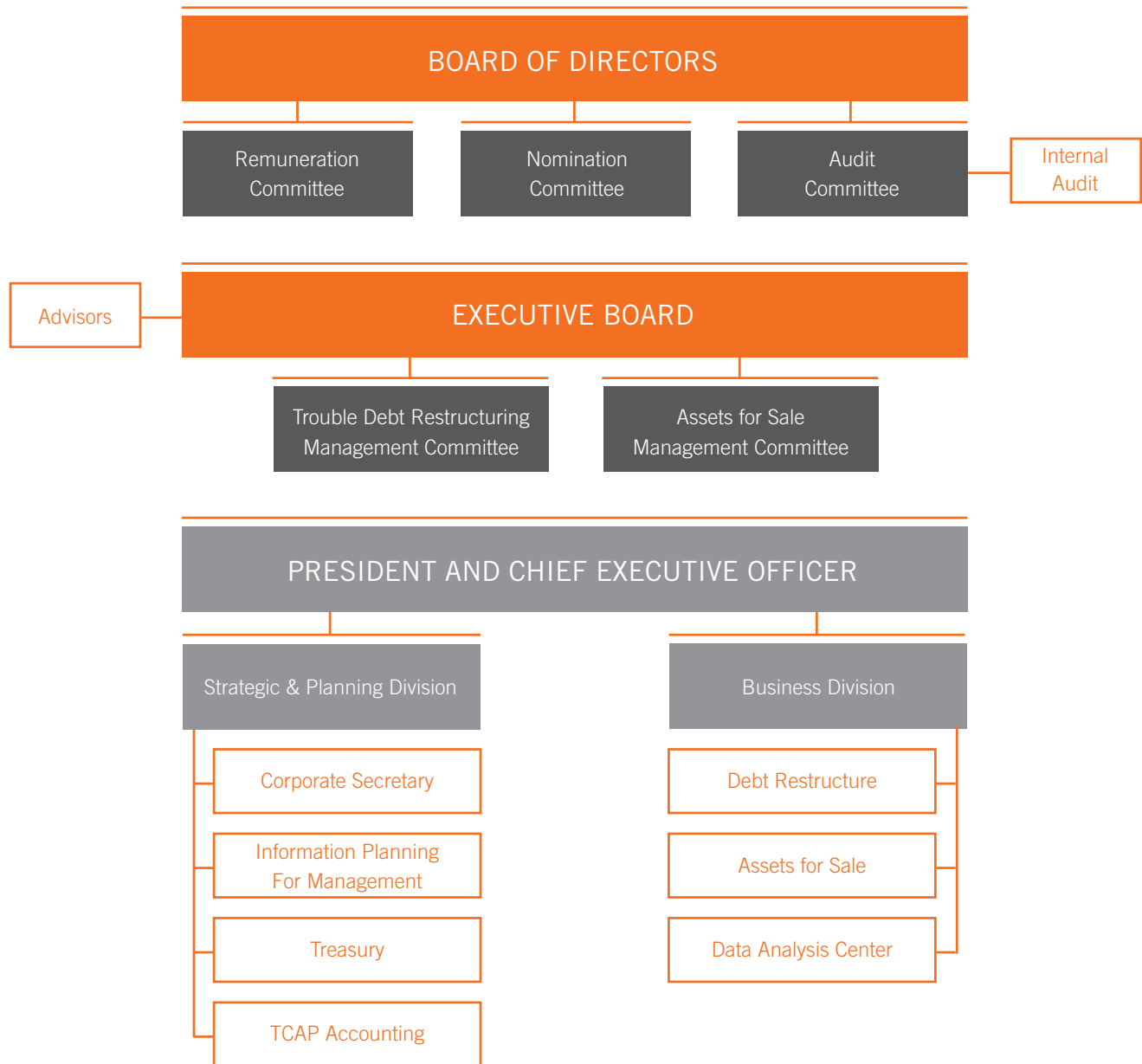
** Ms. Suchada Pavanantunt, Mr. Piyaphong Artmangkorn, and Mrs. Noossara Roonsamrarn resigned from the Company's directorship but were still entitled to the 2006 annual performance allowances, which were paid on 29 May 2007.

*** Mr. Taweesak Saksirilarp and Mr. Anuwat Luengtawekul were appointed as members of the Executive Committee as well as members of the Board of Directors, effective as from 24 July 2007.

**** The performance allowance will be paid to every director holding a directorship in the accounting year in which the allowances are allotted. The allowance will be determined based on the tenure of the directorship in the accounting year.

SUPERVISION AND MANAGEMENT STRUCTURES

THANACHART CAPITAL PUBLIC COMPANY LIMITED



Information at as 29 February 2008

BOARD OF DIRECTORS AND EXECUTIVES OF THE COMPANY

THE BOARD OF DIRECTORS

Mr. Banterng Tantivit

Age (Years)

Education (s)

Experience (s)

Position(s) in other organizations

Nov. 2006 - Present

Jun. 2006 - Present

Mar. 2006 - Present

Feb. 2006 - Present

Aug. 2005 - Present

2003 - Present

2002 - Present

2001 - Present

1987 - Present

Family relationship with management

No. of TCAP share(s) held

Chairman

64

- Master of Science (Finance), Sloan School of Management, Massachusetts Institute of Technology, U.S.A.

- Bachelor of Science (Electrical Engineering), Massachusetts Institute of Technology, U.S.A.

- Director Accreditation Program, Class 25/2004, Thai Institution of Directors Association

- Managing Director, TISCO Finance and Securities PCL.

- Chairman, MBK PCL.

- Vice - Chairman, Thanachart Insurance Co., Ltd.

- Director, Arsorn Silp Institution of the Arts Council

- Director, Siam Piwat Holding Co., Ltd.

- Chairman, Thanachart Life Assurance Co., Ltd

- Director, Siam Piwat Co., Ltd.

- Director, MBK Resort PCL.

- Director, B.V. Holding Co., Ltd.

- Director, Plan Estate Co., Ltd.

- Chairman, Thanachart Bank PCL.

- Advisor, Dusit Thani PCL.

- Advisor, Pathum Ricemill & Granary PCL.

- Director, Deebuk Co., Ltd.

- Director, Thai Farming Co., Ltd.

None

None

Remark : Mr. Banterng Tantivit resigned from the Chairman of Executive Committee, effective on 1 February 2007

Mr. Suphadej Poonpipat

Age (Years)

Education (s)

Experience (s)

Position(s) in other organizations

2007 - Present

2007 - Present

Nov. 2006 - Present

Feb. 2006 - Present

2005 - Present

2003 - Present

1992 - Present

Family relationship with management

No. of TCAP share(s) held

Vice Chairman, Chairman of the Executive Committee and President & Chief Executive Officer

58

- Master of Science (Agricultural Economics), University of Wisconsin, U.S.A.

- Bachelor of Business Administration and Accounting,

Chulalongkorn University

- Director Accreditation Program, Class 8/2004,

Thai Institution of Directors Association

- President, Thanachart Finance and Securities PCL.

- Director, Royal Orchid Hotel (Thailand) PCL.

- Director, Thai Royal Orchid Real Estate Co., Ltd.

- Vice Chairman, MBK PCL.

- Director, Siam Piwat Holding Co., Ltd.

- Vice Chairman, Chairman of the Executive Committee, and CEO,

Thanachart Bank PCL.

- Director, MBK Resort PCL.

- Chairman of the Executive Committee, Thanachart Insurance Co., Ltd.

- Director, Siam Piwat Co., Ltd.

- Chairman of the Executive Committee, Thanachart Life Assurance Co., Ltd.

- Director, Plan Estate Co., Ltd.

- Director, Advance Info Service PCL.

None

None

Remark : Mr. Suphadej Poonpipat is appointed as the Chairman of Executive Committee, effective on February 1, 2007

Mr. Sommart Poonpakdee

Age (Years)

Education (s)

Experience (s)

Position(s) in other organizations

Family relationship with management

No. of TCAP share(s) held

Independent Director and Chairman of the Audit Committee

78

- Higher Certification of Accountancy (Equivalent to Master Degree),

Thammasat University

- Audit Committee Program, Class 15/2006 and

Director Accreditation Program, Class 58/2006,

Thai Institute of Directors Association

- Executive Vice President, Siam Commercial Bank PCL.

- Vice President, Administration Department, Siam Commercial Bank PCL.

- Vice President, Audit Department, Siam Commercial Bank PCL.

- Chief, Audit Division, Siam Commercial Bank PCL.

- Chief Auditor, Internal Audit of Commercial Banks, Bank of Thailand

- Senior Bank Examiner, Bank of Thailand

- Government Official, National Audit Bureau

None

None

None

Mr. Phimol Rattapat

Age (Years)

Education (s)

Experience (s)

Position(s) in other organizations

2004 - Present

2002 - Present

Family relationship with management

No. of TCAP share(s) held

Director and Legal Advisor

73

- Barrister at Law, Barrister Association of Thailand
- Bachelor of Law, Thammasat University
- Director Accreditation Program, Class 2/2003, Finance for Non-Finance Director, Class 3/2003 and The Role of The Chairman Program, Class 9/2003, Thai Institute of Directors Association

- Chairman, Office of Public Prosecutor
- Deputy Attorney General, Office of the Attorney General
- Director General, Advisor, Office of the Attorney General
- Director General, Phra Nakorn Civil Case, Office of the Attorney General
- Director General, Tax Duties Case, Office of the Attorney General
- Director General, Thonburi Civil Case, Office of the Attorney General
- Regional Director General, Provincial Prosecutor 9, Songkhla
- Regional Director General, Provincial Prosecutor 5, Chiang Mai
- Penalty Section Chief, Office of Public Prosecutor
- Provincial Chief State Attorney, Office of Public Prosecutor
- Provincial State Attorney, Office of Public Prosecutor

- Chairman, NL Development PCL.

- Director, President Bakery PCL.

None

None

Rear Admiral Vitura Sangsingkeo Independent Director

Age (Years)	72
Education(s)	<ul style="list-style-type: none"> - Doctor of Public Health (HONS), Mahidol University - Master of Public Health, Harvard University - Doctor of Medicine, School of Medicine at Siriraj Hospital, Mahidol University - Directors Accreditation Program, Class 29/2004, Thai Institute of Directors Association
Experience(s)	<ul style="list-style-type: none"> - Permanent Secretary, Ministry of Public Health - Chairman of the Governing Board, Government Pharmaceutical Organization (GPO)
Position(s) in other organizations	
1998 - Present	- Independent Director, Thanachart Life Assurance Co., Ltd.
1997 - Present	- Member of the Board, Siriraj Hospital Foundation
1991 - Present	- Member of the Board, Prince Mother's Medical Volunteers Foundation
Family relationship with management	None
No. of TCAP share(s) held	None

Mr. Somkiat Sukdheva

Independent Director, Member of the Remuneration Committee and Member of the Nomination Committee

Age (Years)	64
Education(s)	<ul style="list-style-type: none"> - Master of Management, GIBA, Chulalongkorn University - Bachelor of Economics, Thammasat University - Senior Executive Program (SEP) Sloan School MIT (U.S.A.) - Directors Accreditation Program, Class 6/2003, Directors Certification Program, Class 40/2004, Audit Committee Program, Class 3/2004, Finance for Non-Finance Director, Class 8/2004 and The Role of The Compensation Committee, Class 4/2007, Thai Institute of Directors Association
Experience(s)	<ul style="list-style-type: none"> - Director, EDC Service Co., Ltd. - Director, GPO-Merieux Biological Co., Ltd.
Position(s) in other organizations	
Jan. 2006 - Present	- Chairman, Thai Mart Land Co., Ltd.
2003 - Present	- Chairman, Korvac (Thailand) Co., Ltd.
2002 - Present	- Director and Executive Director, Siam City Bank PCL.
2000 - Present	- Management Partner, P.T and S Car Care Partnership Ltd.
Family relationship with management	None
No. of TCAP share(s) held	None

Mrs. Siripen Sitasuwan

Age (Years)

Education(s)

Experience(s)

Position(s) in other organizations

Family relationship with management

No. of TCAP share(s) held

Independent Director, Member of the Audit Committee, Chairman of the Remuneration Committee and Chairman of the Nomination Committee

60

- Master of Administration, Wichita State University, Kansas, U.S.A.
- Bachelor of Art (Commerce), Chulalongkorn University
- Directors Certification Program, Class 33/2003 and Role of The Compensation Committee, Class 4/2007, Thai Institute of Directors Association

- Director, Capital OK Co., Ltd.
- Executive Director, Shin Corporation PCL.
- Director, Advance Info Service PCL.

None

None

None

Mrs. Chantima Chaturaphat

Age (years)

Education(s)

Experience(s)

Position(s) in other organizations

Feb. 2006 - Present

Jan. 2006 - Present

Family relationship with management

No. of TCAP share(s) held

Independent Director, Member of the Audit Committee, Member of the Remuneration Committee and Member of the Nomination Committee

58

- Master of Business Administration, Central State University, U.S.A.
- Bachelor of Art (Accounting), Chulalongkorn University
- Direct Accreditation Program, Class 4/2003, Directors Certification Program, Class 40/2004, Role of The Compensation Committee, Class 4/2007, Audit Committee Program, Class 16/2007 and Corporate Fraud : A Risk That needs to be managed Thai Institute of Directors Association

- Director, Siam Commercial New York Life Insurance PCL.
- Executive Vice President, Corporate Division 3, Siam Commercial Bank PCL.
- President and CEO, SCB Business Service Co.,Ltd.
- Executive Vice President, Product Division, Siam Commercial Bank PCL.
- Executive Vice President, Retail Marketing Division, Siam Commercial Bank PCL.
- Executive Vice President, Credit Card Division, Siam Commercial Bank PCL.

- Director, Chatuchak Assets Management Co., Ltd.

- Executive Vice President, Group Head, Special Assets Group, Siam Commercial Bank PCL.

None

None

Ms. Suvarnapha Suvarnaprathip Director and Executive Director

Age (Years)	63
Education(s)	<ul style="list-style-type: none"> - Bachelor of Economics, Monash University - Certificate, Executive Commercial Lending Training Program, Banker Trust, U.S.A. - Director Accreditation Program, Class 20/2004, Thai Institute of Directors Association
Experience(s)	<ul style="list-style-type: none"> - Vice President, TISCO Finance and Securities PCL. - Chief Volunteer, Technical and Economic Cooperation, Office of the Prime Minister
Position(s) in other organizations	
2005 - Present	- Director, Thanachart Life Assurance Co., Ltd.
Apr. 2005 - Present	- Director and Vice Chairman of the Executive Committee, Thanahcart Bank PCL.
2002 - Present	- Director, Seacon Development PCL.
Family relationship with management	None
No. of TCAP share(s) held	None

Mr. Taweesak Saksirilarp

Director, Executive Director and Executive Vice President

Age (Years)	53
Education(s)	<ul style="list-style-type: none"> - Master of Business Administration, National Institution of Development Administration - Bachelor of Economics, Thammasat University - Directors Certification Program, Class 94/2007, Thai Institute of Directors Association
Experience(s)	<ul style="list-style-type: none"> - Executive Vice President, Thanahcart Bank PCL.
Position(s) in other organizations	
Nov. 2007 - Present	- Chairman and Chairman of the Executive Committee, Max Assets Management Co., Ltd.
2003 - Present	- Chairman and Chairman of the Executive Committee, NFS Assets Management Co., Ltd.
Sep. 2003 - Present	- Investment Committee, NASSET Property Fund 6
Family relationship with management	None
No. of TCAP share(s) held	None

Mr. Anuwat Luengtawekul

Director, Executive Director and Executive Vice President

Age (Years)	45
Education(s)	<ul style="list-style-type: none"> - Master of Business Administration, Rangsit University - Bachelor of Science (Accounting), Kasetsart University - Directors Certification Program, Class 24/2002, Thai Institute of Directors Association
Experience(s)	<ul style="list-style-type: none"> - Senior Vice President, Office of Managing Director, Thanachart Bank PCL.
Position(s) in other organizations	None
Family relationship with management	None
No. of TCAP share(s) held	15,250 Shares (0.0011%)

EXECUTIVES

Mr. Watchara Permpthak

Age (Years)

Education(s)

Experience(s)

Position(s) in other organizations

Nov. 2007 - Present

Sep. 2007 - Present

Feb. 2006 - Present

Family relationship with management

No. of TCAP share(s) held

Senior Vice President, Business Division

46

- Master of Business Administration,
National Institution of Development Administration
- Bachelor of Engineering (Electrical), Kasetsart University

- Senior Vice President, Debt Restructuring Department,
Thanachart Bank PCL.

- Director, Max Assets Management Co., Ltd.
- Investment Committee, NASSET Property Fund 6
- Director and Vice Chairman of the Executive Committee,
NFS Assets Management Co., Ltd.

None

None

Ms. Rommanee Jenpinit

Age (Years)

Education(s)

Experience(s)

Position(s) in other organizations

Family relationship with management

No. of TCAP share(s) held

First Vice President, Management Information Planning Department

47

- Bachelor of Business Administration,
Sukhothai Thammathirat Open University
- First Vice President, Accounting Department, Thanachart Bank PCL.

None

None

None

Ms. Darawan Bunnunstien

Age (Years)

Education(s)

Experience(s)

Position(s) in other organizations

Nov. 2007 - Present

Nov. 2005 - Present

Sep. 2003 - Present

Family relationship with management

No. of TCAP share(s) held

First Vice President, Debt Restructuring Department

46

- Bachelor of Political Science, Thammasat University
- Senior Manager, Debt Restructuring Group,
NFS Assets Management Co., Ltd.

- Director, Max Assets Management Co., Ltd.

- Director, NFS Assets Management Co., Ltd.

- Investment Committee, NASSET Property Fund 6

None

800 Shares (0.000006%)

ADVISOR TEAM

Mr. Phimol Rattapat

Age (Years)

Education (s)

Experience (s)

Position(s) in other organizations

2004 - Present

2002 - Present

Family relationship with management

No. of TCAP share(s) held

Director and Legal Advisor

73

- Barrister at Law, Barrister Association of Thailand
- Bachelor of Law, Thammasat University
- Director Accreditation Program, Class 2/2003, Finance for Non-Finance Director, Class 3/2003 and The Role of The Chairman Program, Class 9/2003, Thai Institute of Directors Association
- Chairman, Office of Public Prosecutor
- Deputy Attorney General Prosecutor, Office of the Attorney General
- Director General, Advisor, Office of the Attorney General
- Director General, Phra Nakorn Civil Case, Office of the Attorney General
- Director General, Tax Duties Case, Office of the Attorney General
- Director General, Thonburi Civil Case, Office of the Attorney General
- Regional Director General, Provincial Prosecutor 9, Songkhla
- Regional Director General, Provincial Prosecutor 5, Chiang Mai
- Penalty Section Chief, Office of Public Prosecutor
- Provincial Chief State Attorney, Office of Public Prosecutor
- Provincial State Attorney, Office of Public Prosecutor

- Chairman, NL Development PCL.

- Director, President Bakery PCL.

None

None

Mr. Sutin Nontakaew

Age (Years)

Education(s)

Experience (s)

Position(s) in other organizations

Family relationship with management

No. of TCAP share(s) held

Legal Advisor

79

- Thai Barrister-at-Law, Barrister Association of Thailand
- Bachelor of Law, Thammasat University
- Head of Judge Panel, Supreme Court, Ministry of Justice
- None
- None
- None

Mr. Vichit Yarnamorn

Age (Years)

Education (s)

Experience (s)

Position(s) in other organizations

Sep. 2005 - Present

2003 - Present

2002 - Present

2002 - Present

2001 - Present

Family relationship with management

No. of TCAP share(s) held

Information System and Technology Advisor

61

- Master of Science (Computer Science), The University of Iowa

- Director Accreditation Program, Class 34/2005,

Thai Institute of Directors Association

- Executive Vice President, Technology and Operation Group,
Siam Commercial Bank PCL.

- Non-Executive Director, Member of the Nomination Committee and
Member of the Remuneration Committee, Thanachart Bank PCL.

- Director, ACERTS Co., Ltd.

- Independent Director and Member of Audit Committee, IT City PCL.

- Director, New Continent Co.,Ltd.

- Independent Director, Thai Feed Mills PCL.

None

None

REPORT ON CHANGE IN SHAREHOLDING OF THE COMPANY'S EXECUTIVES DURING IN PERIOD FROM 2006 AND 2007

(Information as at 31 December 2007)

No.	Name	Position	Amount of share(s) held as at 31 December 2007	Amount of share(s) held as at 31 December 2006	Increase (Decrease) For 2007	Percentage of shareholding (Percent)
1.	Mr. Banterng Tantivit	Chairman	-	-	-	-
2.	Mr. Suphadej Poonpipat	Vice Chairman	-	-	-	-
		Chairman of the Executive Committee / President and CEO				
3.	Mr. Sommart Poonpakdee	Independent Director and Chairman of the Audit Committee	-	-	-	-
4.	Mr. Phimol Rattapat	Director and Legal Advisor	-	-	-	-
5.	Rear Admiral Vitura Sangsingkeo	Independent Director,	-	-	-	-
6.	Mr. Somkiat Sukdheva	Independent Director, Member of the Remuneration Committee and Member of the Nomination Committee	-	-	-	-
7.	Mrs. Siripen Sitasuwan	Independent Director, Member of the Audit Committee, Chairman of the Remuneration Committee and Chairman of the Nomination Committee	-	-	-	-
8.	Mrs. Chantima Chaturaphat	Independent Director, Member of the Audit Committee, Member of the Remuneration Committee and Member of the Nomination Committee	-	-	-	-
9.	Ms. Suvarnapha Suvarnaprathip	Director, Executive Director	-	-	-	-
10.	Mr. Taweesak Saksirilarp	Director, Executive Director and Executive Vice President	-	-	-	-
11.	Mr. Anuwat Luengtawekul	Director, Executive Director and Executive Vice President	15,250	15,250	-	0.0011
12.	Mr. Watchara Permpthithak	Senior Vice President, Business Division	-	-	-	-
13.	Ms. Rommanee Jenpinit	First Vice President Management Information Planning Department	-	-	-	-
14.	Ms. Darawan Bunnumstien	First Vice President Debt Restructuring Department	800	-	-	0.000006

THE INFORMATION OF THE EXECUTIVES AND AUTHORIZED PERSONS' POSITIONS IN SUBSIDIARY, ASSOCIATED AND RELATED COMPANIES

(information as at 31 December 2007)

Name		Thanachart Capital	Subsidiary Companies					Associated and Related Companie																											
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28					
Mr. Banterng	Tantivit	xxx	xxx			xx	xxx	xxx	x	x	x	x	x	x	x																				
Mr. Suphadej	Poonpipat	xx /// A	xx /// C			///	///	xx	x	x	x	x					x	x	x																
Mr. Sommart	Poonpakdee	x																																	
Mr. Phimol	Rattapat	x																		xxx	x														
Real Admiral Vitura Sangsingkeo		x				x																x	x												
Mr. Somkiat	Sukdheva	x																						xxx	xxx	x /	f								
Mrs. Siripen	Sitasuwan	x																																	
Mrs. Chantima	Chaturaphat	x																										x	b						
Ms. Suvarnapha	Suvarnprathip	x /	x //			x																								x					
Mr. Taweesak	Saksirilarp	x / b		xxx ///	xxx ///																														
Mr. Anuwat	Luengtawekul	x / b																																	
Mr. Watchara	Permphithak	d		x	x //																														
Ms. Rommanee	Jenpinit	e																																	
Ms. Darawan	Bunnumstien	e		x	x																														

XXX Chairman
A Presiden and CEO

XX Vice Chairman
B Executive Vice President

X Director
C Chief Executive Officer

/// Chairman of the Executive Committee
D Senior Vice President

// Vice Chairman of the Executive Committee
E First Vice President

// Executive Director
F Management Partner

LIST OF SUBSIDIARIES AND ASSOCIATED COMPANIES

(Information as at 31 December 2007)

Subsidiary Companies

1. Thanachart Bank Public Company Limited
2. MAX Asset Managemet Company Limited
3. NFS Asset Management Company Limited
4. Thanachart Insurance Company Limited
5. Thanachart Life Assurance Company Limited

Associated and Related Companies

6. MBK Public Compay Limited
7. MBK Resort Public Company Limited
8. Siam Piwat Holding Company Limited
9. Siam Piwat Company Limited
10. Plan Estate Company Limited
11. Deebuk Company Limited
12. Thai Farming Company Limited
13. Arsom Silp Institution of the Arts Council
14. B.V. Holding Company Limited

15. Advance Info Service Public Company Limited
16. Royal Orchid Hotel (Thailand) Public Company Limited
17. Thai Royal Orchid Real Estate Company Limited
18. NL Development Public Company Limited
19. President Bakery Public Company Limited
20. Siriraj Hospital Foundation
21. Prince Mother's Medical Volunteers Foundation
22. Thai Mart Land Company Limited
23. Korvac (Thailand) Company Limited
24. Siam City Bank Public Company Limited
25. P.T. and S Car Care Partnership Limited
26. Chatuchak Assets Management Company Limited
27. Siam Commercial Bank Public Company Limited
28. Seacon Development Public Company Limited

GENERAL INFORMATION

INVESTMENT OF THE COMPANY IN SUBSIDIARY, ASSOCIATED AND RELATED COMPANIES

INFORMATION AT AS 31 DECEMBER 2007

The company had investment in other companies. The proportion of shareholding and values of shares the Company holds at least 10 percent of the paid shares are as follows :

Company / Location	Type of Business	Type of Shares	Registered capital (Baht)	Paid-up capital (Baht)	Number of Issued Shares	Number of Shares Held	Shareholding
NFS Asset Management Co., Ltd. 444 MBK Tower, 17 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2217-8199 Fax : 66-2217-8289	Asset Management	Ordinary	1,000,000,000	1,000,000,000	100,000,000	99,999,993	100.0000%
MAX Asset Management Co., Ltd. 444 MBK Tower, 17 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2611-9533-44 Fax : 66-2611-9494	Asset Management	Ordinary	572,000,000	572,000,000	57,200,000	33,433,394	58.4500%
Pasara Co., Ltd. 444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2611-9511 Fax : 66-2611-9516	Being Liquidated	Ordinary Preferred	12,000,000 18,000,000	12,000,000 18,000,000	2,400,000 3,600,000	2,400,000 3,599,993	99.9999%
Thiravanit Co., Ltd. 444 MBK Tower, 10 th (Zone 4) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2611-6606 Fax : 66-2611-9516	Being Liquidated	Ordinary	6,250,000	6,250,000	1,000,000	998,993	99.8993%
Bangkok Home Co., Ltd. 444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2217-8000 Fax : 66-2611-9486	Being Liquidated	Ordinary	15,000,000	15,000,000	1,000,000	998,679	99.8679%

Company / Location	Type of Business	Type of Shares	Registered capital (Baht)	Paid-up capital (Baht)	Number of Issued Shares	Number of Shares Held	Shareholding
Sinkahakan Co., Ltd. 444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2613-6000 Fax : 66-2611-9516	Being Liquidated	Ordinary Preferred	5,000,000 20,000,000	5,000,000 20,000,000	1,000,000 4,000,000	755,938 4,000,000	95.1188%
Thanachart Bank PCL. 900 Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand Tel. 66-2655-9000 Fax : 66-2655-9001	Banking	Ordinary	21,346,192,920	17,346,192,920	1,734,619,292	1,299,607,043	74.9217%
Preecha Group PCL. 1919 Pattanakarn Road, Suanluang, Bangkok 10250, Thailand Tel. 66-2722-8855 Fax : 66-2722-8844	Property Development	Ordinary	1,344,000,000	1,344,000,000	134,400,000	13,440,000	10.0000%
HTR Corporation Limited 32/46 Floor 18 th , Shino-Thai Tower, Soi, Sukhumvit 21 Road (Asoke), North Klongtoey, Wattana, Bangkok 10110, Thailand Tel. 66-2259-8911-6, 66-2261-0809 Fax : 66-2259-8919	Office Building & Property Development	Ordinary	500,000,000	500,000,000	50,000,000	5,000,000	10.0000%
Thanachart SPV 01 Co.,Ltd. 444 MBK Tower, 11 th (Zone D) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2217-8160	Securitization	Ordinary	1,700,000	1,700,000	170,000	169,993	99.9959%

THE COMPANY'S REFERENCES

Name : Thanachart Capital Public Company Limited "TCAP"
 Head Office : 444 MBK Tower, 10th - 11th and 15th - 20th Floor, Phayathai Road
 Wangmai, Pathumwan, Bangkok 10330, Thailand
 Registration No. : 0107536000510
 Registered Capital : 13,331,540,030 baht
 Paid-up Capital : 13,331,540,030 baht
 Website : www.thanachart.co.th
 E-mail : natfin@thanachart.co.th
 Tel. : 66-2217-8000, 66-2217-8199, 66-2217-8444
 Fax. : 66-2217-8312

Other References

Securities Registrar : Thailand Securities Depository Company Limited
 62 The Stock Exchange of Thailand Building
 Ratchadaphisek Road, Klongtoey,
 Bangkok 10110, Thailand
 Tel : 66-2229-2800, 66-2654-5599 Fax : 66-2359-1259
 Call Center 66-2229-2888
 Website : www.tsd.co.th
 E-mail : contact.tsd@set.or.th

Auditor : Miss Rattana Jala Certified auditor no. 3734
 Ernst & Young Office Limited
 193/136-137 Lake Rajada Office Complex, 33rd Floor,
 Rajadapisek Road, Klongtoey, Bangkok 10110, Thailand
 Tel : 66-2264-0777, 66-2661-9190
 Fax : 66-2264-0789-90, 66-2661-9192

Legal Advisor : Thanachart Legal and Appraisal Company Limited
 128/20-21, 23 Payathai Plaza Building, 3rd Floor,
 Phayathai Road, Thung Phayathai, Ratchathewi,
 Bangkok 10400, Thailand
 Tel : 66-2216-6677 Fax : 66-2216-9022

Representatives of
 Debenture Holders/
 Debenture Registrar : TMB Bank Public Company Limited
 3000 Phaholyothin Road, Chomphon, Chatuchak,
 Bangkok 10900, Thailand
 Tel : 66-2299-1111
 Fax : 66-2273-7121-4, 66-2273-7857
 Website : www.tmbbank.com

Financial Advisor : - None

Advisor or Management : - None

Under Management Contract

STRUCTURE OF MAJOR SHAREHOLDERS

Below is the list of the Company's first ten major ordinary shareholders or groups of ordinary shareholders, the number of their shares, and the percentage of their shareholding as at 18 October 2007 (which was the most recent closure date of the register book for share transfers for the purpose of determining the list of shareholders entitled to the dividend payments).

Name of Shareholders/Group of Shareholders	As at 18 October 2007	
	Number Of Shares	Shareholding (%)
1. Thai NVDR Company Limited	148,781,369	11.16
2. Com - Link Company Limited	138,856,600	10.42
3. MBK Public Company Limited	129,914,400	9.75
4. Chase Nominees Limited 42	62,788,400	4.71
5. Mr. Bhanapot Damapong	57,000,000	4.28
6. Morgan Stanley & Co International Limited	30,775,297	2.31
7. The Southeast Life Insurance Company Limited	27,690,200	2.08
8. Caceis Bank Luxembourg	27,551,500	2.07
9. Chase Nominees Limited	24,942,952	1.87
10. State Street Bank and Trust Company	23,272,138	1.75
11. Other Shareholders	661,181,147	49.60
Issued and Paid-up Capital	1,333,154,003	100.00
Thai Shareholders	838,199,131	62.87
Foreign Shareholders	494,954,872	37.13

Source : Report of the Company's Major Shareholders as at 18 October 2007, which was prepared by Thailand Securities Depository Company Limited.

Company's Ordinary share

As at 31 December 2007, the Company has registered capital of 1,333,154,003 shares, per value of baht 10 each, total value of baht 13,331,540,030 which were the total issued and paid - up capital of 13,331,540,030 and ordinary shares of 1,333,134,667 shares.

Company's Preferred share

Preferred shares that have equal rights to ordinary shares were 19,336 shares, per value of baht 10 each, shareholders can convert preferred shares into ordinary shares by ratio 1:1 without costs, and can subscribe conversion on 15th of February, May, August, and November of every year.

DIVIDEND POLICY

Dividend Payment Policy of the Company

In considering dividend payments, the Company takes into consideration its performance and the long - term benefits of the shareholders. The dividend payments must also receive approval at the shareholders' meeting. However, the Board of Directors may pay an interim dividend to shareholders occasionally when it considers that the Company has adequate profit to make the payment. The Board of Directors is required to report the interim dividend payment to the shareholders at their next meeting.

The details of the Company's dividend payments in 2006 are as follows :

- At the Annual General Meeting of the Shareholders for the Year 2007 which was held of 30 April 2007, the shareholders adopted a resolution approving the dividend payment of 0.50 baht per share or 666,577,001.50 baht in total on 29 May 2007 to both the ordinary and preferred shareholders holding 1,333,154,003 shares. The dividend was for the second half of the year from 1 July to 31 December 2006. Taking into consideration the interim dividend payment of 0.30 baht per share or 399,946,200.90 baht in total, which was made on 27 October 2006, for the period from 1 January to 30 June 2006, of which the resolution was adopted at the Board of Directors' Meeting No.9/2006, the total dividends paid for the performance in 2006 amounted to 1,006,523,202.40 baht or 0.80 baht per share in total.
- At the Board of Directors' Meeting No.10/2007 held on 4 October 2007, the Board adopted a resolution approving payments of an interim dividend of 0.30 baht per share to shareholders on 2 November 2007 for the performance of the first half of the year from 1 January to 30 June 2006. The payments were paid to both ordinary shareholders and preferred shareholders at the same rate. The total payments amounted to 399,946,200.90 baht with 1,333,154,003 shares receiving the dividends.

Dividend Payment Policy of the Company's Subsidiaries

The dividend payment of the subsidiaries is subject to a resolution to be adopted by shareholders or by the Board of Directors of the respective subsidiaries (depending on the case). Each time before making the dividend payment, the subsidiaries are required to appropriate at least five percent of the net profit as reserve to such an extent that the reserve amounts to ten percent of more of their capital.

Major shareholders whose behavior is to significantly control over management policy setting.

- None

COMPANIES IN THANACHART GROUP

Thanachart Capital Public Company Limited

444 MBK Tower, 10th - 11th and 15th - 20th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND
Tel: 66-2217-8444, 66-2217-8000, 66-2611-9111
Fax: 66-2613-6099
Registration No. 0107536000510
www.thanachart.co.th

Thanachart Bank Public Company Limited

900 Tonson Tower, Ploenchit Road, Lumpini,
Pathumwan, Bangkok 10330, THAILAND
Tel: 66-2655-9000
Fax: 66-2655-9001
Registration No. 0107536001401
www.thanachartbank.co.th

Thanachart Securities Public Company Limited

444 MBK Tower, 14th, 18th and 19th Floor, Phayathai Road,
Wangmai, Pathumwan, Bangkok 10330, THAILAND
Tel: 66-2217-8888, 66-2611-9222, 66-2217-9595
Fax: 66-2217-9642
Registration No. 0107547000591
www.tnsitrade.com
www.thanachartsec.co.th

Thanachart Fund Management Company Limited

898 Ploenchit Tower, 15th Floor, Ploenchit Road,
Lumpini, Pathumwan, Bangkok 10330, THAILAND
Tel: 66-2263-0800
Fax: 66-2263-0811
Registration No. 0105535049696
www.thanachartfund.com

Thanachart Insurance Company Limited

1 Glas Haus Building, 10th Floor, Sukhumvit 25 Road,
North Klongtoey, Wattana, Bangkok 10110, THAILAND
Tel: 66-2661-7999
Fax: 66-2665-7304
Registration No. 0105540060091
www.thanachartinsurance.co.th

Thanachart Life Assurance Company Limited

231 Thanachart Life Assurance Building
Ratchadamri Road, Lumpini,
Pathumwan, Bangkok 10330, THAILAND
Tel: 66-2207-4200
Fax: 66-2253-8484
Registration No. 0105540057090
www.thanachartlife.co.th

Thanachart Contact Center 1770

BRANCHES OF THANACHART BANK PUBLIC COMPANY LIMITED

Information as of 29 February 2008

HAED OFFICE

Tonson Office

Tel. 66-2655-9000
Fax. 66-2655-9585

BANGKOK AND VICINITIES

Silom Branch

Tel. 66-2266-7414
Fax. 66-2266-7416

Central Pin Klao Branch

Tel. 66-2884-9680-3
Fax. 66-2884-9684

Ratchawong Sub Branch

Tel. 66-2622-9050
Fax. 66-2622-9029

Samitivej Hospital Sukhumvit 49 Branch

Tel. 66-2712-7013-5
Fax. 66-2712-7016

Mah Boonkrong Branch

Tel. 66-2611-5710-5
Fax. 66-2611-5717

RAMA 4 Branch

Tel. 66-2661-5534-7
Fax. 66-2661-5539

Central Rama 2 Branch

Tel. 66-2872-4770
Fax. 66-2872-4769

Seacon Square Srinakarin Branch

Tel. 66-2721-9955
Fax. 66-2721-8321

Central Rama 3 Branch

Tel. 66-2211-8260
Fax. 66-2211-8190

The Mall Bang Khae Branch

Tel. 66-2803-8310
Fax. 66-2803-8305

The Mall Bangkapi Branch

Tel. 66-2375-1575
Fax. 66-2375-1686

Lat Phrao Soi 85 Branch

Tel. 66-2514-2990
Fax. 66-2514-3033

Ratchada Phisek (Glas Haus Building) Branch

Tel. 66-2693-9811
Fax. 66-2693-9820

Phahon Yothin Soi 6 Sub Branch

Tel. 66-2279-9875
Fax. 66-2279-9895

Thanon Nang Linchi Branch

Tel. 66-2286-1898
Fax. 66-2286-1939

Bang Na Branch

Tel. 66-2398-0184
Fax. 66-2398-0185

MBK Tower Sub Branch

Tel. 66-2611-9480
Fax. 66-2611-9557

Thanon Chan Sub Branch

Tel. 66-2285-5360
Fax. 66-2285-5361

The Mall 2 Ramkhamhaeng Sub Branch

Tel. 66-2369-2486
Fax. 66-2369-2484

Silom Complex Sub Branch

Tel. 66-2235-8832
Fax. 66-2235-8833

Thong Lo Branch

Tel. 66-2381-8422
Fax. 66-2381-8423

Khlong Thom Sub Branch

Tel. 66-2221-1677
Fax. 66-2221-1679

BigC Phet Kasem Sub Branch

Tel. 66-2444-2927, 66-2444-2904, 66-2444-2906
Fax. 66-2444-2909

MBK Center Sub Branch

Tel. 66-2611-4752
Fax. 66-2611-9557

Yaowarat Branch

Tel. 66-2221-1868
Fax. 66-2221-1869

Tesco Lotus Wang Hin Sub Branch

Tel. 66-2578-6194-6
Fax. 66-2578-6197

Fashion Island Sub Branch

Tel. 66-2519-5742, 66-2519-5753, 66-2519-5784
Fax. 66-2519-5718

Siwara Sub Branch

Tel. 66-2538-8466, 66-2538-8670, 66-2538-8986
Fax. 66-2538-9378

Carrefour Bang Bon Sub Branch

Tel. 66-2416-9969-71
Fax. 66-2416-9974

BigC Ekkamai Sub Branch

Tel. 66-2714-8274-7
Fax. 66-2714-8268

Century The Movie Plaza Sub Branch

Tel. 66-2245-8500-2
Fax. 66-2245-8504

Siam Paragon Sub Branch

Tel. 66-2129-4374-7
Fax. 66-2129-4372

The Mall Tha Phra Sub Branch

Tel. 66-2477-7321-3
Fax. 66-2477-7324

Siam Square Sub Branch

Tel. 66-2252-7363-6
Fax. 66-2252-7367

Thanon Petchaburi Tat Mai Sub Branch

Tel. 66-2254-0252-4
Fax. 66-2254-0255

Siam Discovery Sub Branch

Tel. 66-2658-0491-3
Fax. 66-2658-0488

Money Park Sub Branch

Tel. 66-2611-4819-21
Fax. 66-2611-4829

Thanon Phatthanakan Branch

Tel. 66-2369-2814-7
Fax. 66-2369-2818

Phet Kasem Branch

Tel. 66-2456-0337-42
Fax. 66-2454-4116

Pratu Num Branch

Tel. 66-2208-0072-5
Fax. 66-2208-0076

Major Hollywood Ramkhamhaeng Branch

Tel. 66-2318-1505, 66-2318-1509
Fax. 66-2318-1654

Vichaiyut Hospital Sub Branch

Tel. 66-2278-2194-6
Fax. 66-2278-2606

Udom Suk Branch

Tel. 66-2398-4024-7
Fax. 66-2398-4028

Union Mall Lat Phrao Branch

Tel. 66-2511-0236, 66-2511-0246
Fax. 66-2511-0268

Central World Sub Branch

Tel. 66-2646-1025-8
Fax. 66-2646-1029

Major Ratchayothin Branch

Tel. 66-2511-0335, 66-2511-0348, 66-2511-0352
Fax. 66-2511-0535

Thanon Sirinthorn Sub Branch

Tel. 66-2434-5026-9, 66-2434-5947-8
Fax. 66-2434-5661

Seri Center Sub Branch

Tel. 66-2325-9072-4
Fax. 66-2325-9075

Sukhumwit Soi 25 Sub Branch

Tel. 66-2259-4727-9
Fax. 66-2259-4730

Bang Lamphu Sub Branch

Tel. 66-2356-0783-6
Fax. 66-2356-0787

Bo Bae Branch

Tel. 66-2356-0755
Fax. 66-2356-0759

Tao Pun Sub Branch

Tel. 66-2520-7292
Fax. 66-2520-7379

BigC Bang Na Sub Branch

Tel. 66-2396-0482, 66-2396-0484-5
Fax. 66-2396-0500

Phahon Yothin Soi 9 Branch

Tel. 66-2270-1371-3, 66-2619-6399
Fax. 66-2619-6339

Thanon Mongkon Sub Branch

Tel. 66-2225-3331, 66-2225-3863, 66-2225-4757
Fax. 66-2225-8364

Esplanade Ratchada Branch

Tel. 66-2354-2052-4, 66-2660-9252
Fax. 66-2660-9250

Ramkhamheang Soi 122 Branch

Tel. 66-2372-2377-9, 66-2728-2947
Fax. 66-2728-2950

The Avenue Chaengwattana Branch

Tel. 66-2573-0673-5
Fax. 66-2573-0677

Talat Ying Charoen Sub Branch

Tel. 66-2552-8043, 66-2552-8045, 66-2552-8047
Fax. 66-2972-3161

Ratchadamnoen Klang Sub Branch

Tel. 66-2226-3083-5, 66-2621-2185
Fax. 66-2621-2186

Lat Krabang Sub Branch

Tel. 66-2327-2754-6
Fax. 66-2327-2706

Watcharaphon Sub Branch

Tel. 66-2508-2185-7
Fax. 66-2508-2207

Silom Soi 15 Sub Branch

Tel. 66-2237-4192-4, 66-2635-0272
Fax. 66-2635-0270

Bang Khun Non Branch

Tel. 66-2434-6067-8, 66-2434-6078, 66-2882-4595
Fax. 66-2882-4581

Sukhumwit Soi 101/1 (Piyarom Place) Sub Branch

Tel. 66-2332-7060-2, 66-2741-8016
Fax. 66-2741-8017

Bang Rak Sub Branch

Tel. 66-2234-4227-9, 66-2630-9026
Fax. 66-2630-9027

Wongwian Yai Sub Branch

Tel. 66-2438-2486, 66-2438-2562, 66-2438-2567
Fax. 66-2438-2568

The Park Place Sub Branch

Tel. 66-2250-2677-8, 66-2651-9037
Fax. 66-2252-2679

Wong Sawang Branch

Tel. 66-2834-9999
Fax. 66-2834-9905

Si Worachak Sub Branch

Tel. 66-2222-1912, 66-2222-1917, 66-2222-1965
Fax. 66-2622-9338

Green Place (Soi Wat Phai Ngoen) Sub Branch

Tel. 66-2211-3515, 66-2211-3519-20
Fax. 66-2674-9704

Chaengwattana Branch

Tel. 66-2962-0066
Fax. 66-2962-0376

Nakhon Pathom Branch

Tel. 66-3421-9131
Fax. 66-3421-9160

Rangsit Branch

Tel. 66-2567-1117
Fax. 66-2567-6694

Tesco Lotus Rattana Thibet Sub Branch

Tel. 66-2950-1160
Fax. 66-2950-1157

BigC Bang Pli Sub Branch

Tel. 66-2312-2284, 66-2312-2300
Fax. 66-2312-2321

Bang Yai Branch

Tel. 66-2594-1158, 66-2594-1152, 66-2594-1143
Fax. 66-2594-1161

Talad Thai Sub Branch

Tel. 66-2529-6171-3
Fax. 66-2529-6175

Future Park Rangsit Sub Branch

Tel. 66-2958-5116-9
Fax. 66-2958-5121

Samut Sakhon Branch

Tel. 66-3482-0359-60, 66-3482-0365-6
Fax. 66-3482-0445

BigC Don Mueang Sub Branch

Tel. 66-2551-0638-9, 66-2551-0641
Fax. 66-2551-0642

BigC Samut Prakan Branch

Tel. 66-2702-1792, 66-2702-1859
Fax. 66-2702-1982

BigC Suk Sawat Branch

Tel. 66-2463-7700, 66-2463-1894
Fax. 66-2463-7144

Nonthaburi Branch

Tel. 66-2526-3453-6
Fax. 66-2526-3457

The Mall Ngamwongwan Branch

Tel. 66-2550-1231-4
Fax. 66-2550-1235

Suvarnabhumi Airport Sub Branch

Tel. 66-2134-4085-8
Fax. 66-2134-4089

Phra Pathom Chedi Sub Branch

Tel. 66-3425-4203-5, 66-3421-3541
Fax. 66-3425-9131

Imperial World Samrong Branch

Tel. 66-2380-2943-5, 66-2756-9023
Fax. 66-2756-9024

Om Yai Branch

Tel. 66-2420-4920, 66-2420-4930
Fax. 66-2811-6538

Central Rattanathibet Branch

Tel. 66-2525-4736-8
Fax. 66-2969-7537

CENTRAL REGION**Phra Nakhon Si Ayutthaya Branch**

Tel. 66-3523-5626
Fax. 66-3523-5630

Phitsanulok Branch

Tel. 66-5521-8650
Fax. 66-5521-8648

Nakhon Sawan Branch

Tel. 66-5631-3848
Fax. 66-5631-3850

Saraburi Branch

Tel. 66-3631-7722
Fax. 66-3631-8069

Ayutthaya Park Sub Branch

Tel. 66-3522-9560-2
Fax. 66-3522-9554

HomePro Phitsanulok Sub Branch

Tel. 66-5528-9042-4
Fax. 66-5528-9044

Thanon Kosi (Nakhon Sawan) Sub Branch

Tel. 66-5631-3929-31
Fax. 66-5631-3932

Thanon Sut Banthat (Saraburi) Sub Branch

Tel. 66-3631-4256-7, 66-3631-4512
Fax. 66-3631-5404

Sukhothai Branch

Tel. 66-5561-6022, 66-5562-2464-6
Fax. 66-5562-2469

Kamphaeng Phet Branch

Tel. 66-5572-0575, 66-5571-3325-6
Fax. 66-5571-3368

Suphan Buri Branch

Tel. 66-3552-5742, 66-3550-1495
Fax. 66-3552-5743

Phichit Branch

Tel. 66-5665-1214-6
Fax. 66-5661-5858

Phetchabun Branch

Tel. 66-5674-4076-8
Fax. 66-5672-2217

WESTERN REGION

Ratchaburi Branch

Tel. 66-3231-1203-6
Fax. 66-3231-1207

Hua Hin Branch

Tel. 66-3251-6663-6
Fax. 66-3251-6661

Kanchanaburi Branch

Tel. 66-3451-8763, 66-3462-1566
Fax. 66-3451-8874

EASTERN REGION

Sri Racha Branch

Tel. 66-3877-1686
Fax. 66-3877-1690

Tesco Lotus Pattaya Nuea Sub Branch

Tel. 66-3841-1410
Fax. 66-3841-1423

Rayong Branch

Tel. 66-3886-4114
Fax. 66-3886-4115

Thanon Phraya Satcha (Chon Buri) Sub Branch

Tel. 66-3879-2214
Fax. 66-3879-2216

Thanon Chet Cham Nong (Chon Buri) Branch

Tel. 66-3879-2178, 66-3879-2203-5
Fax. 66-3879-2198

Na Kluea (Pattaya) Branch

Tel. 66-3822-6058-61
Fax. 66-3822-6117

Nong Mon (Chon Buri) Branch

Tel. 66-3874-5233, 66-3874-5739
Fax. 66-3874-6349

Chanthaburi Branch

Tel. 66-3934-4323-6
Fax. 66-3934-4327

Klaeng Sub Branch

Tel. 66-3888-4503-5
Fax. 66-3888-4506

HomeWorks Pattaya Tai Sub Branch

Tel. 66-3837-4270
Fax. 66-3837-4463

Chachoengsao Branch

Tel. 66-3853-5336, 66-3881-2856-7
Fax. 66-3881-2874

Thanon Sukhumwit (Chon Buri) Branch

Tel. 66-3827-7823, 66-3879-5639
Fax. 66-3827-7841

The Avenue Pattaya Branch

Tel. 66-3872-3933-5, 66-3805-2000
Fax. 66-3805-2002

SOUTHERN REGION

Phuket Branch

Tel. 66-7626-1570-5
Fax. 66-7626-1576

Central Festival Phuket Sub Branch

Tel. 66-7620-9290
Fax. 66-7620-9291

Surat Thani Branch

Tel. 66-7721-3551
Fax. 66-7721-3560

Had Yai Branch

Tel. 66-7435-4690
Fax. 66-7435-4691

Nakhon Si Thammarat Branch

Tel. 66-7532-2689

Fax. 66-7532-2144

Thanon ChutiUthit (Had Yai) Sub Branch

Tel. 66-7434-6396-8

Fax. 66-7434-6393

Na Thon (Ko Samui) Sub Branch

Tel. 66-7723-6611-3

Fax. 66-7723-6616

Krabi Branch

Tel. 66-7563-2838

Fax. 66-7563-2835

Khok Kloi (Phang Nga) Sub Branch

Tel. 66-7643-4821-4

Fax. 66-7643-4827

Trang Branch

Tel. 66-7522-3240-3

Fax. 66-7522-3244

Songkhla Sub Branch

Tel. 66-7444-1198-9

Fax. 66-7444-1516

Diana Si Phuwanart Sub Branch

Tel. 66-7446-5316-8

Fax. 66-7446-5319

Thanon Montri (Phuket) Sub Branch

Tel. 66-7623-0203-5

Fax. 66-7623-0209

Patong Sub Branch

Tel. 66-7629-0585-7

Fax. 66-7629-0588

Hat Chaweng (Ko Samui) Sub Branch

Tel. 66-7723-3267-9

Fax. 66-7723-3276

Thung Song Sub Branch

Tel. 66-7541-3003-6

Fax. 66-7541-3007

Chumphon Branch

Tel. 66-7751-2266

Fax. 66-7751-5054

Thanon Ratsada (Phuket) Branch

Tel. 66-7621-9664, 66-7625-6873-5

Fax. 66-7621-9731

Thanon Ratthakan (Had Yai) Sub Branch

Tel. 66-7434-9070-2, 66-7421-6751

Fax. 66-7426-1752

Si Yaek Tha Ruea (Phuket) Sub Branch

Tel. 66-7661-7097-8

Fax. 66-7661-7095

Thanon Si Wichai (Surat Thani) Sub Branch

Tel. 66-7720-6488, 66-7726-4170

Fax. 66-7720-6671

BigC Pattani Branch

Tel. 66-7333-8004, 66-7331-3982-3

Fax. 66-7333-8005

Tha Wang (Nakhon Si Thammarat) Sub Branch

Tel. 66-7531-3144-6

Fax. 66-7535-7067

Ha Yaek Chalong (Phuket) Sub Branch

Tel. 66-7638-3222, 66-7638-3431

Fax. 66-7638-3348

NORTHERN REGION**Tha Phae Branch**

Tel. 66-5340-5391

Fax. 66-5340-5397

Central Airport Chiang Mai Sub Branch

Tel. 66-5320-1234

Fax. 66-5320-1900

Talad Varorot Sub Branch

Tel. 66-5387-4002

Fax. 66-5387-4006

Lampang Branch

Tel. 66-5431-8927-30

Fax. 66-5431-8960

Chiang Rai Branch

Tel. 66-5374-5243-6

Fax. 66-5374-5247

Thanon Chang Phueak Sub Branch

Tel. 66-5323-1060, 66-5431-2116-7
Fax. 66-5323-1061

Thanon Phahon Yothin (Chiang Rai) Sub Branch

Tel. 66-5371-6433, 66-5371-6979
Fax. 66-5375-2811

Thanon Chang Chlan (Chiang Mai) Branch

Tel. 66-5382-0538-41
Fax. 66-5382-0543

Thanon Nimmanhemmin Sub Branch

Tel. 66-5322-5463, 66-5340-0672-4
Fax. 66-5340-0675

NORTH EASTERN REGION**Khon Kaen Branch**

Tel. 66-4332-4321
Fax. 66-4332-5919

Udon Thani Branch

Tel. 66-4234-3818
Fax. 66-4234-3727

Ubon Ratchathani Branch

Tel. 66-4528-4272
Fax. 66-4528-4273

Nakhon Ratchasima Branch

Tel. 66-4426-9797
Fax. 66-4426-9790

Tesco Lotus Khorat Sub Branch

Tel. 66-4426-3567
Fax. 66-4426-3565

Thanon Pho Si (Udon Thani) Sub Branch

Tel. 66-4234-3727
Fax. 66-4234-3818

Surin Branch

Tel. 66-4453-8517-20
Fax. 66-4453-8521

Nong Khai Branch

Tel. 66-4246-0119-22
Fax. 66-4246-0199

Roi Et Branch

Tel. 66-4352-3335-8
Fax. 66-4352-3339

Pak Chong Sub Branch

Tel. 66-4431-6866-9
Fax. 66-4431-6859

Thanon Klang Mueang (Khon Kaen) Sub Branch

Tel. 66-4332-26366-1
Fax. 66-4332-2386

Warin Chamrap Sub Branch

Tel. 66-4532-5075, 66-4528-6171-3
Fax. 66-4532-5076

Sakon Nakhon Branch

Tel. 66-4271-5767, 66-4273-6146-8
Fax. 66-4271-5686

Surin Plaza Sub Branch

Tel. 66-4453-8517-20
Fax. 66-4453-8521

Buri Ram Branch

Tel. 66-4460-2573, 66-4462-5471, 66-4462-5476
Fax. 66-44460-2575

Nakhon Phanom Branch

Tel. 66-4252-0624, 66-4252-0628, 66-4251-4500
Fax. 66-4251-4501

BRANCHES OF THANACHART SECURITIES PUBLIC COMPANY LIMITED

Information as of 29 February 2008

BANGKOK AND VICINITIES

Tha Phra Branch

Tel. 66-2876-5630-48, 66-2876-5106-8,
66-2876-5017-8, 66-2477-7233-7
Fax. 66-2876-5649

Ploenchit Branch

Tel. 66-2263-0409-26, 66-2263-0428-30,
66-2263-0374-6
Fax. 66-2263-0427

Yaowaraj Branch

Tel. 66-2225-7909-21
Fax. 66-2225-7922

Jaengwattana Branch

Tel. 66-2575-4480-86, 66-2575-4489-93,
66-2575-4489-92
Fax. 66-2575-4495

Rama 2 Branch

Tel. 66-2872-4074-84, 66-2872-4680-91
Fax. 66-2872-4081

Bangna Branch

Tel. 66-2745-7245-56, 66-2398-5030,32,35,93,
66-2398-5115,22,28, 66-2398-5250
Fax. 66-2745-7250

Pinklao Branch

Tel. 66-2884-8742-3, 66-2884-8753,
66-2884-8756-7, 66-2884-3935, 66-2884-8975
Fax. 66-2884-8988

Pahurat Branch

Tel. 66-2226-0080-7
Fax. 66-2226-0088

Prachachuen Branch

Tel. 66-2575-3460
Fax. 66-2575-3470

R.C.A. Branch

Tel. 66-2203-1616, 66-2203-1720-43
Fax. 66-2203-1666

Thanon Chan Branch

Tel. 66-2286-1997
Fax. 66-2286-1096

Century The Movie Plaza Branch

Tel. 66-2248-3488
Fax. 66-2248-3489

Siam Square Branch

Tel. 66-2251-4099
Fax. 66-2251-4117

Samutprakan Branch

Tel. 66-2389-2122
Fax. 66-2389-2766

NORTHERN REGION

Chiang Mai Branch

Tel. 66-5323-5501, 66-5387-4501
Fax. 66-5323-5510

Nakhonsawan Branch

Tel. 66-5622-0838, 66-5622-0840,
66-5631-3886-7
Fax. 66-5622-0855

CENTRAL REGION

Saraburi Branch

Tel. 66-3631-7062-3, 66-3631-7479,
66-3622-3881-4, 66-3622-1024-5
Fax. 66-3622-3885

Ratchaburi Branch

Tel. 66-3232-5679-85
Fax. 66-3232-5686

Nakhon Pathom Branch

Tel. 66-3421-9717, 66-3421-9719,
66-3425-7883-4
Fax. 66-3421-9718

Banpong Sub Branch

Tel. 66-3222-2957, 66-3222-2967
Fax. 66-3222-2907

EASTERN REGION

Chonburi Branch

Tel. 66-3879-2422-3, 66-3879-2458-65,
66-3827-7711-2
Fax. 66-3879-2464

Tesco Lotus Pattaya Nuea Branch

Tel. 66-3841-5170, 66-3837-1255,
66-3841-5436-7
Fax. 66-3841-5171

Chantha Buri Branch

Tel. 66-3930-1405-8, 66-3934-3815-7
Fax. 66-3930-1409

NORTH EASTERN REGION

Khon Kaen Branch

Tel. 66-4332-4577, 66-4332-4563
66-4322-7597-8, 66-4327-1372-3
Fax. 66-4332-4199

Udon tani Branch

Tel. 66-4224-4111, 66-4234-2759, 66-4234-2719
Fax. 66-4234-2586

Ubonratchatani Branch

Tel. 66-4531-6540, 66-4528-0998
Fax. 66-4531-6620

Roi Et Sub Branch

Tel. 66-4352-3092, 66-4351-6303-4
Fax. 66-4352-3093

SOUTHERN REGION

Phuket Branch

Tel. 66-7626-1590-7
Fax. 66-7622-1000

Had Yai Branch

Tel. 66-7435-5760-9, 66-7424-3666,
66-7424-3854
Fax. 66-7435-5770

Surat Thani Branch

Tel. 66-7728-8720-3, 66-7720-6044-49
Fax. 66-7721-3805

CutiUthit Sub Branch

Tel. 66-7424-3666
Fax. 66-7424-4756

BRANCHES OF THANACHART INSURANCE COMPANY LIMITED

Information as of 29 February 2008

BRANCH

Phuket Branch

Tel. 66-7626-1577-9, 66-7626-1936-7
Fax. 66-7626-1581

Had Yai Branch

Tel. 66-7435-5044, 66-7435-4606
Fax. 66-7435-5045

Surat Thani Branch

Tel. 66-7721-2394, 66-7721-3651-3
Fax. 66-7721-3457

Nakhon Si Thammarat Branch

Tel. 66-7532-2040, 66-7532-2785-7
Fax. 66-7532-2041

Nakhon Ratchasima Branch

Tel. 66-4426-9670-4
Fax. 66-4426-7167

Ubon Ratchathani Branch

Tel. 66-4528-4019
Fax. 66-4528-4004

Udon Thani Branch

Tel. 66-4234-1653, 66-4234-1665
Fax. 66-4234-1850

Khon Kaen Branch

Tel. 66-4332-5858, 66-4332-5608
Fax. 66-4336-5244

Ayuttaya Branch

Tel. 66-3523-5633-5, 66-3523-5637-8
Fax. 66-3523-5639

Saraburi Branch

Tel. 66-3631-8291-4, 66-3621-3113-7
Fax. 66-3621-3121

Rayong Branch

Tel. 66-3886-4139-43
Fax. 66-3886-4144

Si Racha Branch

Tel. 66-3832-8433-6
Fax. 66-3877-0478

Nakhon Pathom Branch

Tel. 66-3421-9424, 66-3421-9433
Fax. 66-3421-9429

Chiangmai Branch

Tel. 66-5387-4368, 66-5387-4435
Fax. 66-5387-4375, 66-5387-4436

Nakhon Sawan Branch

Tel. 66-5631-3819-23, 66-5631-1872
Fax. 66-5631-3825

Phitsanulok Branch

Tel. 66-5530-4280
Fax. 66-5530-4918

GENERAL INFORMATION

INVESTMENT OF THE COMPANY IN SUBSIDIARY, ASSOCIATED AND RELATED COMPANIES

INFORMATION AT AS 31 DECEMBER 2007

The company had investment in other companies. The proportion of shareholding and values of shares the Company holds at least 10 percent of the paid shares are as follows :

Company / Location	Type of Business	Type of Shares	Registered capital (Baht)	Paid-up capital (Baht)	Number of Issued Shares	Number of Shares Held	Shareholding
NFS Asset Management Co., Ltd. 444 MBK Tower, 17 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2217-8199 Fax : 66-2217-8289	Asset Management	Ordinary	1,000,000,000	1,000,000,000	100,000,000	99,999,993	100.0000%
MAX Asset Management Co., Ltd. 444 MBK Tower, 17 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2611-9533-44 Fax : 66-2611-9494	Asset Management	Ordinary	572,000,000	572,000,000	57,200,000	33,433,394	58.4500%
Pasara Co., Ltd. 444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2611-9511 Fax : 66-2611-9516	Being Liquidated	Ordinary Preferred	12,000,000 18,000,000	12,000,000 18,000,000	2,400,000 3,600,000	2,400,000 3,599,993	99.9999%
Thiravanit Co., Ltd. 444 MBK Tower, 10 th (Zone 4) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2611-6606 Fax : 66-2611-9516	Being Liquidated	Ordinary	6,250,000	6,250,000	1,000,000	998,993	99.8993%
Bangkok Home Co., Ltd. 444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2217-8000 Fax : 66-2611-9486	Being Liquidated	Ordinary	15,000,000	15,000,000	1,000,000	998,679	99.8679%

Company / Location	Type of Business	Type of Shares	Registered capital (Baht)	Paid-up capital (Baht)	Number of Issued Shares	Number of Shares Held	Shareholding
Sinkahakan Co., Ltd. 444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2613-6000 Fax : 66-2611-9516	Being Liquidated	Ordinary Preferred	5,000,000 20,000,000	5,000,000 20,000,000	1,000,000 4,000,000	755,938 4,000,000	95.1188%
Thanachart Bank PCL. 900 Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand Tel. 66-2655-9000 Fax : 66-2655-9001	Banking	Ordinary	21,346,192,920	17,346,192,920	1,734,619,292	1,299,607,043	74.9217%
Preecha Group PCL. 1919 Pattanakarn Road, Suanluang, Bangkok 10250, Thailand Tel. 66-2722-8855 Fax : 66-2722-8844	Property Development	Ordinary	1,344,000,000	1,344,000,000	134,400,000	13,440,000	10.0000%
HTR Corporation Limited 32/46 Floor 18 th , Shino-Thai Tower, Soi, Sukhumvit 21 Road (Asoke), North Klongtoey, Wattana, Bangkok 10110, Thailand Tel. 66-2259-8911-6, 66-2261-0809 Fax : 66-2259-8919	Office Building & Property Development	Ordinary	500,000,000	500,000,000	50,000,000	5,000,000	10.0000%
Thanachart SPV 01 Co.,Ltd. 444 MBK Tower, 11 th (Zone D) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, Thailand Tel. 66-2217-8160	Securitization	Ordinary	1,700,000	1,700,000	170,000	169,993	99.9959%

THE COMPANY'S REFERENCES

Name : Thanachart Capital Public Company Limited "TCAP"
 Head Office : 444 MBK Tower, 10th - 11th and 15th - 20th Floor, Phayathai Road
 Wangmai, Pathumwan, Bangkok 10330, Thailand
 Registration No. : 0107536000510
 Registered Capital : 13,331,540,030 baht
 Paid-up Capital : 13,331,540,030 baht
 Website : www.thanachart.co.th
 E-mail : natfin@thanachart.co.th
 Tel. : 66-2217-8000, 66-2217-8199, 66-2217-8444
 Fax. : 66-2217-8312

Other References

Securities Registrar : Thailand Securities Depository Company Limited
 62 The Stock Exchange of Thailand Building
 Ratchadaphisek Road, Klongtoey,
 Bangkok 10110, Thailand
 Tel : 66-2229-2800, 66-2654-5599 Fax : 66-2359-1259
 Call Center 66-2229-2888
 Website : www.tsd.co.th
 E-mail : contact.tsd@set.or.th

Auditor : Miss Rattana Jala Certified auditor no. 3734
 Ernst & Young Office Limited
 193/136-137 Lake Rajada Office Complex, 33rd Floor,
 Rajadapisek Road, Klongtoey, Bangkok 10110, Thailand
 Tel : 66-2264-0777, 66-2661-9190
 Fax : 66-2264-0789-90, 66-2661-9192

Legal Advisor : Thanachart Legal and Appraisal Company Limited
 128/20-21, 23 Payathai Plaza Building, 3rd Floor,
 Phayathai Road, Thung Phayathai, Ratchathewi,
 Bangkok 10400, Thailand
 Tel : 66-2216-6677 Fax : 66-2216-9022

Representatives of
 Debenture Holders/
 Debenture Registrar : TMB Bank Public Company Limited
 3000 Phaholyothin Road, Chomphon, Chatuchak,
 Bangkok 10900, Thailand
 Tel : 66-2299-1111
 Fax : 66-2273-7121-4, 66-2273-7857
 Website : www.tmbbank.com

Financial Advisor : - None

Advisor or Management : - None

Under Management Contract

STRUCTURE OF MAJOR SHAREHOLDERS

Below is the list of the Company's first ten major ordinary shareholders or groups of ordinary shareholders, the number of their shares, and the percentage of their shareholding as at 18 October 2007 (which was the most recent closure date of the register book for share transfers for the purpose of determining the list of shareholders entitled to the dividend payments).

Name of Shareholders/Group of Shareholders	As at 18 October 2007	
	Number Of Shares	Shareholding (%)
1. Thai NVDR Company Limited	148,781,369	11.16
2. Com - Link Company Limited	138,856,600	10.42
3. MBK Public Company Limited	129,914,400	9.75
4. Chase Nominees Limited 42	62,788,400	4.71
5. Mr. Bhanapot Damapong	57,000,000	4.28
6. Morgan Stanley & Co International Limited	30,775,297	2.31
7. The Southeast Life Insurance Company Limited	27,690,200	2.08
8. Caceis Bank Luxembourg	27,551,500	2.07
9. Chase Nominees Limited	24,942,952	1.87
10. State Street Bank and Trust Company	23,272,138	1.75
11. Other Shareholders	661,181,147	49.60
Issued and Paid-up Capital	1,333,154,003	100.00
Thai Shareholders	838,199,131	62.87
Foreign Shareholders	494,954,872	37.13

Source : Report of the Company's Major Shareholders as at 18 October 2007, which was prepared by Thailand Securities Depository Company Limited.

Company's Ordinary share

As at 31 December 2007, the Company has registered capital of 1,333,154,003 shares, per value of baht 10 each, total value of baht 13,331,540,030 which were the total issued and paid - up capital of 13,331,540,030 and ordinary shares of 1,333,134,667 shares.

Company's Preferred share

Preferred shares that have equal rights to ordinary shares were 19,336 shares, per value of baht 10 each, shareholders can convert preferred shares into ordinary shares by ratio 1:1 without costs, and can subscribe conversion on 15th of February, May, August, and November of every year.

DIVIDEND POLICY

Dividend Payment Policy of the Company

In considering dividend payments, the Company takes into consideration its performance and the long - term benefits of the shareholders. The dividend payments must also receive approval at the shareholders' meeting. However, the Board of Directors may pay an interim dividend to shareholders occasionally when it considers that the Company has adequate profit to make the payment. The Board of Directors is required to report the interim dividend payment to the shareholders at their next meeting.

The details of the Company's dividend payments in 2006 are as follows :

- At the Annual General Meeting of the Shareholders for the Year 2007 which was held on 30 April 2007, the shareholders adopted a resolution approving the dividend payment of 0.50 baht per share or 666,577,001.50 baht in total on 29 May 2007 to both the ordinary and preferred shareholders holding 1,333,154,003 shares. The dividend was for the second half of the year from 1 July to 31 December 2006. Taking into consideration the interim dividend payment of 0.30 baht per share or 399,946,200.90 baht in total, which was made on 27 October 2006, for the period from 1 January to 30 June 2006, of which the resolution was adopted at the Board of Directors' Meeting No.9/2006, the total dividends paid for the performance in 2006 amounted to 1,006,523,202.40 baht or 0.80 baht per share in total.
- At the Board of Directors' Meeting No.10/2007 held on 4 October 2007, the Board adopted a resolution approving payments of an interim dividend of 0.30 baht per share to shareholders on 2 November 2007 for the performance of the first half of the year from 1 January to 30 June 2006. The payments were paid to both ordinary shareholders and preferred shareholders at the same rate. The total payments amounted to 399,946,200.90 baht with 1,333,154,003 shares receiving the dividends.

Dividend Payment Policy of the Company's Subsidiaries

The dividend payment of the subsidiaries is subject to a resolution to be adopted by shareholders or by the Board of Directors of the respective subsidiaries (depending on the case). Each time before making the dividend payment, the subsidiaries are required to appropriate at least five percent of the net profit as reserve to such an extent that the reserve amounts to ten percent or more of their capital.

Major shareholders whose behavior is to significantly control over management policy setting.

- None

COMPANIES IN THANACHART GROUP

Thanachart Capital Public Company Limited

444 MBK Tower, 10th - 11th and 15th - 20th Floor,
Phayathai Road, Wangmai, Pathumwan,
Bangkok 10330, THAILAND
Tel: 66-2217-8444, 66-2217-8000, 66-2611-9111
Fax: 66-2613-6099
Registration No. 0107536000510
www.thanachart.co.th

Thanachart Bank Public Company Limited

900 Tonson Tower, Ploenchit Road, Lumpini,
Pathumwan, Bangkok 10330, THAILAND
Tel: 66-2655-9000
Fax: 66-2655-9001
Registration No. 0107536001401
www.thanachartbank.co.th

Thanachart Securities Public Company Limited

444 MBK Tower, 14th, 18th and 19th Floor, Phayathai Road,
Wangmai, Pathumwan, Bangkok 10330, THAILAND
Tel: 66-2217-8888, 66-2611-9222, 66-2217-9595
Fax: 66-2217-9642
Registration No. 0107547000591
www.tnsitrade.com
www.thanachartsec.co.th

Thanachart Fund Management Company Limited

898 Ploenchit Tower, 15th Floor, Ploenchit Road,
Lumpini, Pathumwan, Bangkok 10330, THAILAND
Tel: 66-2263-0800
Fax: 66-2263-0811
Registration No. 0105535049696
www.thanachartfund.com

Thanachart Insurance Company Limited

1 Glas Haus Building, 10th Floor, Sukhumvit 25 Road,
North Klongtoey, Wattana, Bangkok 10110, THAILAND
Tel: 66-2661-7999
Fax: 66-2665-7304
Registration No. 0105540060091
www.thanachartinsurance.co.th

Thanachart Life Assurance Company Limited

231 Thanachart Life Assurance Building
Ratchadamri Road, Lumpini,
Pathumwan, Bangkok 10330, THAILAND
Tel: 66-2207-4200
Fax: 66-2253-8484
Registration No. 0105540057090
www.thanachartlife.co.th

Thanachart Contact Center 1770

BRANCHES OF THANACHART BANK PUBLIC COMPANY LIMITED

Information as of 29 February 2008

HAED OFFICE

Tonson Office

Tel. 66-2655-9000
Fax. 66-2655-9585

BANGKOK AND VICINITIES

Silom Branch

Tel. 66-2266-7414
Fax. 66-2266-7416

Central Pin Klao Branch

Tel. 66-2884-9680-3
Fax. 66-2884-9684

Ratchawong Sub Branch

Tel. 66-2622-9050
Fax. 66-2622-9029

Samitivej Hospital Sukhumvit 49 Branch

Tel. 66-2712-7013-5
Fax. 66-2712-7016

Mah Boonkrong Branch

Tel. 66-2611-5710-5
Fax. 66-2611-5717

RAMA 4 Branch

Tel. 66-2661-5534-7
Fax. 66-2661-5539

Central Rama 2 Branch

Tel. 66-2872-4770
Fax. 66-2872-4769

Seacon Square Srinakarin Branch

Tel. 66-2721-9955
Fax. 66-2721-8321

Central Rama 3 Branch

Tel. 66-2211-8260
Fax. 66-2211-8190

The Mall Bang Khae Branch

Tel. 66-2803-8310
Fax. 66-2803-8305

The Mall Bangkapi Branch

Tel. 66-2375-1575
Fax. 66-2375-1686

Lat Phrao Soi 85 Branch

Tel. 66-2514-2990
Fax. 66-2514-3033

Ratchada Phisek (Glas Haus Building) Branch

Tel. 66-2693-9811
Fax. 66-2693-9820

Phahon Yothin Soi 6 Sub Branch

Tel. 66-2279-9875
Fax. 66-2279-9895

Thanon Nang Linchi Branch

Tel. 66-2286-1898
Fax. 66-2286-1939

Bang Na Branch

Tel. 66-2398-0184
Fax. 66-2398-0185

MBK Tower Sub Branch

Tel. 66-2611-9480
Fax. 66-2611-9557

Thanon Chan Sub Branch

Tel. 66-2285-5360
Fax. 66-2285-5361

The Mall 2 Ramkhamhaeng Sub Branch

Tel. 66-2369-2486
Fax. 66-2369-2484

Silom Complex Sub Branch

Tel. 66-2235-8832
Fax. 66-2235-8833

Thong Lo Branch

Tel. 66-2381-8422
Fax. 66-2381-8423

Khlong Thom Sub Branch

Tel. 66-2221-1677
Fax. 66-2221-1679

BigC Phet Kasem Sub Branch

Tel. 66-2444-2927, 66-2444-2904, 66-2444-2906
Fax. 66-2444-2909

MBK Center Sub Branch

Tel. 66-2611-4752
Fax. 66-2611-9557

Yaowarat Branch

Tel. 66-2221-1868
Fax. 66-2221-1869

Tesco Lotus Wang Hin Sub Branch

Tel. 66-2578-6194-6
Fax. 66-2578-6197

Fashion Island Sub Branch

Tel. 66-2519-5742, 66-2519-5753, 66-2519-5784
Fax. 66-2519-5718

Siwara Sub Branch

Tel. 66-2538-8466, 66-2538-8670, 66-2538-8986
Fax. 66-2538-9378

Carrefour Bang Bon Sub Branch

Tel. 66-2416-9969-71
Fax. 66-2416-9974

BigC Ekkamai Sub Branch

Tel. 66-2714-8274-7
Fax. 66-2714-8268

Century The Movie Plaza Sub Branch

Tel. 66-2245-8500-2
Fax. 66-2245-8504

Siam Paragon Sub Branch

Tel. 66-2129-4374-7
Fax. 66-2129-4372

The Mall Tha Phra Sub Branch

Tel. 66-2477-7321-3
Fax. 66-2477-7324

Siam Square Sub Branch

Tel. 66-2252-7363-6
Fax. 66-2252-7367

Thanon Petchaburi Tat Mai Sub Branch

Tel. 66-2254-0252-4
Fax. 66-2254-0255

Siam Discovery Sub Branch

Tel. 66-2658-0491-3
Fax. 66-2658-0488

Money Park Sub Branch

Tel. 66-2611-4819-21
Fax. 66-2611-4829

Thanon Phatthanakan Branch

Tel. 66-2369-2814-7
Fax. 66-2369-2818

Phet Kasem Branch

Tel. 66-2456-0337-42
Fax. 66-2454-4116

Pratu Num Branch

Tel. 66-2208-0072-5
Fax. 66-2208-0076

Major Hollywood Ramkhamhaeng Branch

Tel. 66-2318-1505, 66-2318-1509
Fax. 66-2318-1654

Vichaiyut Hospital Sub Branch

Tel. 66-2278-2194-6
Fax. 66-2278-2606

Udom Suk Branch

Tel. 66-2398-4024-7
Fax. 66-2398-4028

Union Mall Lat Phrao Branch

Tel. 66-2511-0236, 66-2511-0246
Fax. 66-2511-0268

Central World Sub Branch

Tel. 66-2646-1025-8
Fax. 66-2646-1029

Major Ratchayothin Branch

Tel. 66-2511-0335, 66-2511-0348, 66-2511-0352
Fax. 66-2511-0535

Thanon Sirinthorn Sub Branch

Tel. 66-2434-5026-9, 66-2434-5947-8
Fax. 66-2434-5661

Seri Center Sub Branch

Tel. 66-2325-9072-4
Fax. 66-2325-9075

Sukhumwit Soi 25 Sub Branch

Tel. 66-2259-4727-9
Fax. 66-2259-4730

Bang Lamphu Sub Branch

Tel. 66-2356-0783-6
Fax. 66-2356-0787

Bo Bae Branch

Tel. 66-2356-0755
Fax. 66-2356-0759

Tao Pun Sub Branch

Tel. 66-2520-7292
Fax. 66-2520-7379

BigC Bang Na Sub Branch

Tel. 66-2396-0482, 66-2396-0484-5
Fax. 66-2396-0500

Phahon Yothin Soi 9 Branch

Tel. 66-2270-1371-3, 66-2619-6399
Fax. 66-2619-6339

Thanon Mongkon Sub Branch

Tel. 66-2225-3331, 66-2225-3863, 66-2225-4757
Fax. 66-2225-8364

Esplanade Ratchada Branch

Tel. 66-2354-2052-4, 66-2660-9252
Fax. 66-2660-9250

Ramkhamheang Soi 122 Branch

Tel. 66-2372-2377-9, 66-2728-2947
Fax. 66-2728-2950

The Avenue Chaengwattana Branch

Tel. 66-2573-0673-5
Fax. 66-2573-0677

Talat Ying Charoen Sub Branch

Tel. 66-2552-8043, 66-2552-8045, 66-2552-8047
Fax. 66-2972-3161

Ratchadamnoen Klang Sub Branch

Tel. 66-2226-3083-5, 66-2621-2185
Fax. 66-2621-2186

Lat Krabang Sub Branch

Tel. 66-2327-2754-6
Fax. 66-2327-2706

Watcharaphon Sub Branch

Tel. 66-2508-2185-7
Fax. 66-2508-2207

Silom Soi 15 Sub Branch

Tel. 66-2237-4192-4, 66-2635-0272
Fax. 66-2635-0270

Bang Khun Non Branch

Tel. 66-2434-6067-8, 66-2434-6078, 66-2882-4595
Fax. 66-2882-4581

Sukhumwit Soi 101/1 (Piyarom Place) Sub Branch

Tel. 66-2332-7060-2, 66-2741-8016
Fax. 66-2741-8017

Bang Rak Sub Branch

Tel. 66-2234-4227-9, 66-2630-9026
Fax. 66-2630-9027

Wongwian Yai Sub Branch

Tel. 66-2438-2486, 66-2438-2562, 66-2438-2567
Fax. 66-2438-2568

The Park Place Sub Branch

Tel. 66-2250-2677-8, 66-2651-9037
Fax. 66-2252-2679

Wong Sawang Branch

Tel. 66-2834-9999
Fax. 66-2834-9905

Si Worachak Sub Branch

Tel. 66-2222-1912, 66-2222-1917, 66-2222-1965
Fax. 66-2622-9338

Green Place (Soi Wat Phai Ngoen) Sub Branch

Tel. 66-2211-3515, 66-2211-3519-20
Fax. 66-2674-9704

Chaengwattana Branch

Tel. 66-2962-0066
Fax. 66-2962-0376

Nakhon Pathom Branch

Tel. 66-3421-9131
Fax. 66-3421-9160

Rangsit Branch

Tel. 66-2567-1117
Fax. 66-2567-6694

Tesco Lotus Rattana Thibet Sub Branch

Tel. 66-2950-1160
Fax. 66-2950-1157

BigC Bang Pli Sub Branch

Tel. 66-2312-2284, 66-2312-2300
Fax. 66-2312-2321

Bang Yai Branch

Tel. 66-2594-1158, 66-2594-1152, 66-2594-1143
Fax. 66-2594-1161

Talad Thai Sub Branch

Tel. 66-2529-6171-3
Fax. 66-2529-6175

Future Park Rangsit Sub Branch

Tel. 66-2958-5116-9
Fax. 66-2958-5121

Samut Sakhon Branch

Tel. 66-3482-0359-60, 66-3482-0365-6
Fax. 66-3482-0445

BigC Don Mueang Sub Branch

Tel. 66-2551-0638-9, 66-2551-0641
Fax. 66-2551-0642

BigC Samut Prakan Branch

Tel. 66-2702-1792, 66-2702-1859
Fax. 66-2702-1982

BigC Suk Sawat Branch

Tel. 66-2463-7700, 66-2463-1894
Fax. 66-2463-7144

Nonthaburi Branch

Tel. 66-2526-3453-6
Fax. 66-2526-3457

The Mall Ngamwongwan Branch

Tel. 66-2550-1231-4
Fax. 66-2550-1235

Suvarnabhumi Airport Sub Branch

Tel. 66-2134-4085-8
Fax. 66-2134-4089

Phra Pathom Chedi Sub Branch

Tel. 66-3425-4203-5, 66-3421-3541
Fax. 66-3425-9131

Imperial World Samrong Branch

Tel. 66-2380-2943-5, 66-2756-9023
Fax. 66-2756-9024

Om Yai Branch

Tel. 66-2420-4920, 66-2420-4930
Fax. 66-2811-6538

Central Rattanathibet Branch

Tel. 66-2525-4736-8
Fax. 66-2969-7537

CENTRAL REGION**Phra Nakhon Si Ayutthaya Branch**

Tel. 66-3523-5626
Fax. 66-3523-5630

Phitsanulok Branch

Tel. 66-5521-8650
Fax. 66-5521-8648

Nakhon Sawan Branch

Tel. 66-5631-3848
Fax. 66-5631-3850

Saraburi Branch

Tel. 66-3631-7722
Fax. 66-3631-8069

Ayutthaya Park Sub Branch

Tel. 66-3522-9560-2
Fax. 66-3522-9554

HomePro Phitsanulok Sub Branch

Tel. 66-5528-9042-4
Fax. 66-5528-9044

Thanon Kosi (Nakhon Sawan) Sub Branch

Tel. 66-5631-3929-31
Fax. 66-5631-3932

Thanon Sut Banthat (Saraburi) Sub Branch

Tel. 66-3631-4256-7, 66-3631-4512
Fax. 66-3631-5404

Sukhothai Branch

Tel. 66-5561-6022, 66-5562-2464-6
Fax. 66-5562-2469

Kamphaeng Phet Branch

Tel. 66-5572-0575, 66-5571-3325-6
Fax. 66-5571-3368

Suphan Buri Branch

Tel. 66-3552-5742, 66-3550-1495
Fax. 66-3552-5743

Phichit Branch

Tel. 66-5665-1214-6
Fax. 66-5661-5858

Phetchabun Branch

Tel. 66-5674-4076-8
Fax. 66-5672-2217

WESTERN REGION

Ratchaburi Branch

Tel. 66-3231-1203-6
Fax. 66-3231-1207

Hua Hin Branch

Tel. 66-3251-6663-6
Fax. 66-3251-6661

Kanchanaburi Branch

Tel. 66-3451-8763, 66-3462-1566
Fax. 66-3451-8874

EASTERN REGION

Sri Racha Branch

Tel. 66-3877-1686
Fax. 66-3877-1690

Tesco Lotus Pattaya Nuea Sub Branch

Tel. 66-3841-1410
Fax. 66-3841-1423

Rayong Branch

Tel. 66-3886-4114
Fax. 66-3886-4115

Thanon Phraya Satcha (Chon Buri) Sub Branch

Tel. 66-3879-2214
Fax. 66-3879-2216

Thanon Chet Cham Nong (Chon Buri) Branch

Tel. 66-3879-2178, 66-3879-2203-5
Fax. 66-3879-2198

Na Kluea (Pattaya) Branch

Tel. 66-3822-6058-61
Fax. 66-3822-6117

Nong Mon (Chon Buri) Branch

Tel. 66-3874-5233, 66-3874-5739
Fax. 66-3874-6349

Chanthaburi Branch

Tel. 66-3934-4323-6
Fax. 66-3934-4327

Klaeng Sub Branch

Tel. 66-3888-4503-5
Fax. 66-3888-4506

HomeWorks Pattaya Tai Sub Branch

Tel. 66-3837-4270
Fax. 66-3837-4463

Chachoengsao Branch

Tel. 66-3853-5336, 66-3881-2856-7
Fax. 66-3881-2874

Thanon Sukhumwit (Chon Buri) Branch

Tel. 66-3827-7823, 66-3879-5639
Fax. 66-3827-7841

The Avenue Pattaya Branch

Tel. 66-3872-3933-5, 66-3805-2000
Fax. 66-3805-2002

SOUTHERN REGION

Phuket Branch

Tel. 66-7626-1570-5
Fax. 66-7626-1576

Central Festival Phuket Sub Branch

Tel. 66-7620-9290
Fax. 66-7620-9291

Surat Thani Branch

Tel. 66-7721-3551
Fax. 66-7721-3560

Had Yai Branch

Tel. 66-7435-4690
Fax. 66-7435-4691

Nakhon Si Thammarat Branch

Tel. 66-7532-2689

Fax. 66-7532-2144

Thanon ChutiUthit (Had Yai) Sub Branch

Tel. 66-7434-6396-8

Fax. 66-7434-6393

Na Thon (Ko Samui) Sub Branch

Tel. 66-7723-6611-3

Fax. 66-7723-6616

Krabi Branch

Tel. 66-7563-2838

Fax. 66-7563-2835

Khok Kloi (Phang Nga) Sub Branch

Tel. 66-7643-4821-4

Fax. 66-7643-4827

Trang Branch

Tel. 66-7522-3240-3

Fax. 66-7522-3244

Songkhla Sub Branch

Tel. 66-7444-1198-9

Fax. 66-7444-1516

Diana Si Phuwanart Sub Branch

Tel. 66-7446-5316-8

Fax. 66-7446-5319

Thanon Montri (Phuket) Sub Branch

Tel. 66-7623-0203-5

Fax. 66-7623-0209

Patong Sub Branch

Tel. 66-7629-0585-7

Fax. 66-7629-0588

Hat Chaweng (Ko Samui) Sub Branch

Tel. 66-7723-3267-9

Fax. 66-7723-3276

Thung Song Sub Branch

Tel. 66-7541-3003-6

Fax. 66-7541-3007

Chumphon Branch

Tel. 66-7751-2266

Fax. 66-7751-5054

Thanon Ratsada (Phuket) Branch

Tel. 66-7621-9664, 66-7625-6873-5

Fax. 66-7621-9731

Thanon Ratthakan (Had Yai) Sub Branch

Tel. 66-7434-9070-2, 66-7421-6751

Fax. 66-7426-1752

Si Yaek Tha Ruea (Phuket) Sub Branch

Tel. 66-7661-7097-8

Fax. 66-7661-7095

Thanon Si Wichai (Surat Thani) Sub Branch

Tel. 66-7720-6488, 66-7726-4170

Fax. 66-7720-6671

BigC Pattani Branch

Tel. 66-7333-8004, 66-7331-3982-3

Fax. 66-7333-8005

Tha Wang (Nakhon Si Thammarat) Sub Branch

Tel. 66-7531-3144-6

Fax. 66-7535-7067

Ha Yaek Chalong (Phuket) Sub Branch

Tel. 66-7638-3222, 66-7638-3431

Fax. 66-7638-3348

NORTHERN REGION**Tha Phae Branch**

Tel. 66-5340-5391

Fax. 66-5340-5397

Central Airport Chiang Mai Sub Branch

Tel. 66-5320-1234

Fax. 66-5320-1900

Talad Varorot Sub Branch

Tel. 66-5387-4002

Fax. 66-5387-4006

Lampang Branch

Tel. 66-5431-8927-30

Fax. 66-5431-8960

Chiang Rai Branch

Tel. 66-5374-5243-6

Fax. 66-5374-5247

Thanon Chang Phueak Sub Branch

Tel. 66-5323-1060, 66-5431-2116-7
Fax. 66-5323-1061

Thanon Phahon Yothin (Chiang Rai) Sub Branch

Tel. 66-5371-6433, 66-5371-6979
Fax. 66-5375-2811

Thanon Chang Chlan (Chiang Mai) Branch

Tel. 66-5382-0538-41
Fax. 66-5382-0543

Thanon Nimmanhemmin Sub Branch

Tel. 66-5322-5463, 66-5340-0672-4
Fax. 66-5340-0675

NORTH EASTERN REGION**Khon Kaen Branch**

Tel. 66-4332-4321
Fax. 66-4332-5919

Udon Thani Branch

Tel. 66-4234-3818
Fax. 66-4234-3727

Ubon Ratchathani Branch

Tel. 66-4528-4272
Fax. 66-4528-4273

Nakhon Ratchasima Branch

Tel. 66-4426-9797
Fax. 66-4426-9790

Tesco Lotus Khorat Sub Branch

Tel. 66-4426-3567
Fax. 66-4426-3565

Thanon Pho Si (Udon Thani) Sub Branch

Tel. 66-4234-3727
Fax. 66-4234-3818

Surin Branch

Tel. 66-4453-8517-20
Fax. 66-4453-8521

Nong Khai Branch

Tel. 66-4246-0119-22
Fax. 66-4246-0199

Roi Et Branch

Tel. 66-4352-3335-8
Fax. 66-4352-3339

Pak Chong Sub Branch

Tel. 66-4431-6866-9
Fax. 66-4431-6859

Thanon Klang Mueang (Khon Kaen) Sub Branch

Tel. 66-4332-26366-1
Fax. 66-4332-2386

Warin Chamrap Sub Branch

Tel. 66-4532-5075, 66-4528-6171-3
Fax. 66-4532-5076

Sakon Nakhon Branch

Tel. 66-4271-5767, 66-4273-6146-8
Fax. 66-4271-5686

Surin Plaza Sub Branch

Tel. 66-4453-8517-20
Fax. 66-4453-8521

Buri Ram Branch

Tel. 66-4460-2573, 66-4462-5471, 66-4462-5476
Fax. 66-44460-2575

Nakhon Phanom Branch

Tel. 66-4252-0624, 66-4252-0628, 66-4251-4500
Fax. 66-4251-4501

BRANCHES OF THANACHART SECURITIES PUBLIC COMPANY LIMITED

Information as of 29 February 2008

BANGKOK AND VICINITIES

Tha Phra Branch

Tel. 66-2876-5630-48, 66-2876-5106-8,
66-2876-5017-8, 66-2477-7233-7
Fax. 66-2876-5649

Ploenchit Branch

Tel. 66-2263-0409-26, 66-2263-0428-30,
66-2263-0374-6
Fax. 66-2263-0427

Yaowaraj Branch

Tel. 66-2225-7909-21
Fax. 66-2225-7922

Jaengwattana Branch

Tel. 66-2575-4480-86, 66-2575-4489-93,
66-2575-4489-92
Fax. 66-2575-4495

Rama 2 Branch

Tel. 66-2872-4074-84, 66-2872-4680-91
Fax. 66-2872-4081

Bangna Branch

Tel. 66-2745-7245-56, 66-2398-5030,32,35,93,
66-2398-5115,22,28, 66-2398-5250
Fax. 66-2745-7250

Pinklao Branch

Tel. 66-2884-8742-3, 66-2884-8753,
66-2884-8756-7, 66-2884-3935, 66-2884-8975
Fax. 66-2884-8988

Pahurat Branch

Tel. 66-2226-0080-7
Fax. 66-2226-0088

Prachachuen Branch

Tel. 66-2575-3460
Fax. 66-2575-3470

R.C.A. Branch

Tel. 66-2203-1616, 66-2203-1720-43
Fax. 66-2203-1666

Thanon Chan Branch

Tel. 66-2286-1997
Fax. 66-2286-1096

Century The Movie Plaza Branch

Tel. 66-2248-3488
Fax. 66-2248-3489

Siam Square Branch

Tel. 66-2251-4099
Fax. 66-2251-4117

Samutprakan Branch

Tel. 66-2389-2122
Fax. 66-2389-2766

NORTHERN REGION

Chiang Mai Branch

Tel. 66-5323-5501, 66-5387-4501
Fax. 66-5323-5510

Nakhonsawan Branch

Tel. 66-5622-0838, 66-5622-0840,
66-5631-3886-7
Fax. 66-5622-0855

CENTRAL REGION

Saraburi Branch

Tel. 66-3631-7062-3, 66-3631-7479,
66-3622-3881-4, 66-3622-1024-5
Fax. 66-3622-3885

Ratchaburi Branch

Tel. 66-3232-5679-85
Fax. 66-3232-5686

Nakhon Pathom Branch

Tel. 66-3421-9717, 66-3421-9719,
66-3425-7883-4
Fax. 66-3421-9718

Banpong Sub Branch

Tel. 66-3222-2957, 66-3222-2967
Fax. 66-3222-2907

EASTERN REGION

Chonburi Branch

Tel. 66-3879-2422-3, 66-3879-2458-65,
66-3827-7711-2
Fax. 66-3879-2464

Tesco Lotus Pattaya Nuea Branch

Tel. 66-3841-5170, 66-3837-1255,
66-3841-5436-7
Fax. 66-3841-5171

Chantha Buri Branch

Tel. 66-3930-1405-8, 66-3934-3815-7
Fax. 66-3930-1409

NORTH EASTERN REGION

Khon Kaen Branch

Tel. 66-4332-4577, 66-4332-4563
66-4322-7597-8, 66-4327-1372-3
Fax. 66-4332-4199

Udon tani Branch

Tel. 66-4224-4111, 66-4234-2759, 66-4234-2719
Fax. 66-4234-2586

Ubonratchatani Branch

Tel. 66-4531-6540, 66-4528-0998
Fax. 66-4531-6620

Roi Et Sub Branch

Tel. 66-4352-3092, 66-4351-6303-4
Fax. 66-4352-3093

SOUTHERN REGION

Phuket Branch

Tel. 66-7626-1590-7
Fax. 66-7622-1000

Had Yai Branch

Tel. 66-7435-5760-9, 66-7424-3666,
66-7424-3854
Fax. 66-7435-5770

Surat Thani Branch

Tel. 66-7728-8720-3, 66-7720-6044-49
Fax. 66-7721-3805

CutiUthit Sub Branch

Tel. 66-7424-3666
Fax. 66-7424-4756

BRANCHES OF THANACHART INSURANCE COMPANY LIMITED

Information as of 29 February 2008

BRANCH

Phuket Branch

Tel. 66-7626-1577-9, 66-7626-1936-7
Fax. 66-7626-1581

Had Yai Branch

Tel. 66-7435-5044, 66-7435-4606
Fax. 66-7435-5045

Surat Thani Branch

Tel. 66-7721-2394, 66-7721-3651-3
Fax. 66-7721-3457

Nakhon Si Thammarat Branch

Tel. 66-7532-2040, 66-7532-2785-7
Fax. 66-7532-2041

Nakhon Ratchasima Branch

Tel. 66-4426-9670-4
Fax. 66-4426-7167

Ubon Ratchathani Branch

Tel. 66-4528-4019
Fax. 66-4528-4004

Udon Thani Branch

Tel. 66-4234-1653, 66-4234-1665
Fax. 66-4234-1850

Khon Kaen Branch

Tel. 66-4332-5858, 66-4332-5608
Fax. 66-4336-5244

Ayuttaya Branch

Tel. 66-3523-5633-5, 66-3523-5637-8
Fax. 66-3523-5639

Saraburi Branch

Tel. 66-3631-8291-4, 66-3621-3113-7
Fax. 66-3621-3121

Rayong Branch

Tel. 66-3886-4139-43
Fax. 66-3886-4144

Si Racha Branch

Tel. 66-3832-8433-6
Fax. 66-3877-0478

Nakhon Pathom Branch

Tel. 66-3421-9424, 66-3421-9433
Fax. 66-3421-9429

Chiangmai Branch

Tel. 66-5387-4368, 66-5387-4435
Fax. 66-5387-4375, 66-5387-4436

Nakhon Sawan Branch

Tel. 66-5631-3819-23, 66-5631-1872
Fax. 66-5631-3825

Phitsanulok Branch

Tel. 66-5530-4280
Fax. 66-5530-4918

RELATED PARTY TRANSACTIONS

All of the related party transactions between the Company and its subsidiaries and the related parties are normal business transactions, proceeding according to the business plan under fair price and terms and conditions as members of the public. Those transactions have been approved under transparent procedures in compliance with the relevant regulations.

Related parties of the Company include individuals or entities that, directly or indirectly, control or are controlled by, or are under common control with, the Company or subsidiaries. Related parties of the Company also include individuals that

have significant influence over the Company and subsidiaries, key management personnel, director or employees of the Company who have the authority in planning or controlling the operations of the Company and subsidiaries. The details of related party transactions are disclosed in the notes to the Company's financial statements Item 35.

As at 31 December, 2007 the Company's major related party transactions with subsidiaries and their rationale supporting the material transactions of Thanachart Group are shown as follows :

Related companies / Relationship with the Bank	Nature of Transaction / Contract Duration	Interest	Value of the Related Party Transaction (Outstanding Cash Balance) (Million Baht)	Rationale Supporting the Related Party Transaction and Pricing Policy
<u>Subsidiaries</u> MAX Asset Management Co., Ltd. <u>Shareholding</u> - The Company held 58.45 percent. <u>Related Directors</u> - Mr. Taweesak Saksirilarp - Mr. Watchara Permiphithak - Miss Darawan Bunnumstien <u>Relationship</u> - They were executives of the Company - Had authority in MAX Asset Management Co., Ltd. - Did not hold shares in MAX Asset Management Co., Ltd.	5-year long-term loans	Fixed at 11.51 percent per annum	224	The transactions were executed as a result of Thanachart Group's business restructuring according to "One Presence" Policy. Thanachart Bank would be the only one financial institution of Thanachart Group. Loans issued to member companies of Thanachart Group were for normal business operations of each member company.
NFS Asset Management Co., Ltd. <u>Shareholding</u> - The Company held 100 percent. <u>Related Directors</u> - Mr. Taweesak Saksirilarp - Mr. Watchara Permiphithak - Miss Darawan Bunnumstien <u>Relationship</u> - They were executives of the Company - Had authority in NFS Asset Management Co., Ltd. - Did not hold shares in NFS Asset Management Co., Ltd.	Promissory Notes at call	Fixed at 4.38 percent per annum	93	The Company's Board of Directors was responsible for approving the transactions with support from the Credit Committee and the Executive Committee.

Related companies / Relationship with the Bank	Nature of Transaction / Contract Duration	Interest	Value of the Related Party Transaction (Outstanding Cash Balance) (Million Baht)	Rationale Supporting the Related Party Transaction and Pricing Policy
<p>Thanachart Legal and Appraisal Co., Ltd.</p> <p><u>Shareholding</u></p> <ul style="list-style-type: none"> - The Company indirectly held 100 percent through Thanachart Bank. <p><u>Related Directors</u></p> <ul style="list-style-type: none"> - None <p><u>Relationship</u></p> <ul style="list-style-type: none"> - The company was the subsidiary of Thanachart Capital (with shares held through Thanachart Bank) 	Promissory Notes at call	Floating rate by referring to the interest rate offered for one-year fixed deposit for general customers, plus a fixed rate per annum	10	<p>Those who had conflicts of interest in the transaction would not participate in the consideration and approval of the transaction.</p> <p>Applicable interest rate and terms are the same as those applied to general customers with prices comparable to general customers with the same level risk. The approved line of credit is within the limit approved by the Bank of Thailand.</p>
<p>National Leasing Company Limited</p> <p><u>Shareholding</u></p> <ul style="list-style-type: none"> - The Company indirectly held 100 percent through Thanachart Group Leasing Co., Ltd. which was the subsidiary of Thanachart Bank. <p><u>Related Directors</u></p> <ul style="list-style-type: none"> - None <p><u>Relationship</u></p> <ul style="list-style-type: none"> - The Company was the subsidiary of Thanachart Capital (with shares held through Thanachart Bank) 	Promissory Notes at call	Fixed at 4.88 percent per annum	259	
<p>Thanachart Group Leasing Company Limited</p> <p><u>Holding</u></p> <ul style="list-style-type: none"> - The Company indirectly held 100 percent through Thanachart Bank. <p><u>Related Directors</u></p> <ul style="list-style-type: none"> - None <p><u>Relationship</u></p> <ul style="list-style-type: none"> - The company was the subsidiary of Thanachart Capital (with shares held through Thanachart Bank) 	Promissory Notes at call	Fixed at 5.25 percent per annum	846	

Transactions related to support services among member companies of Thanachart Group

It is the policy of Thanachart Group to put each of the supporting services together in one company which will be responsible for providing services to all member companies

of the Group. The purpose is to achieve economies of scale and economies of scope as well as maximizing benefits from the existing resources. The pricing policy in relation to the services is mainly based on the cost-plus approach. The available supporting services are as follows :

Thanachart Bank Public Company Limited

The Company is responsible for business operations, business control, debt follow-up and collection, accounting, e-commerce, development of rules and regulations, internal audit, compliance with regulations and requirements, human resource management, information and technology systems, hire purchase credit audit, premises maintenance, purchasing and asset administration.

Thanachart Management and Services Company Limited

The company provides supporting services related to human resources.

Thanachart Legal and Appraisal Company Limited

The company provides legal services related to contracts, legal advice, bringing cases to court of law, legal enforcement, and price appraisal of collateral.

Thanachart Training and Development Company Limited

The company is responsible for organizing training activities for employees of member companies of Thanachart Group.

Loans or Obligations of Executives of the Company or Member Companies of Thanachart Group at the Level of Department Manager or Higher as well as Other Transactions Given Above

They were in line with normal business transactions.

Procedures in place for Approving Related Party Transactions

The Company has put in place a policy and regulations aimed at protecting conflicts of interest and related party transactions in line with the requirements imposed by the Stock Exchange of Thailand. It has also made announcements, to which both its staff and executives are required to adhere to in relation to related party transactions with individuals who may have conflicts of interest in line with the rules imposed by the Office of the Securities and Exchange Commission (SEC).

In considering the related party transactions, the Company uses the same procedures as applied to general customers or trade partners and appropriately follows the normal processes which are specified. The services of the related party will be used only as necessary for the purpose of supporting the Company's business operations. In determining the prices of

related transactions, to prevent conflicts of interest, the Company uses fair prices which are appropriate and in line with the authority's requirements, taking into consideration mainly the maximum benefits for the Company and its shareholders.

In approving the related party transactions, directors or employees who have any interest in the deal are prohibited from participating in the approval of loans or investment in the business which the Company or directors or the Company's high-ranking executives have an interest. Those who have any conflict of interest are also prohibited from participating in the consideration of loans to be issued to shareholders or the Company's high-ranking executives. The transactions are also subject to unanimous approval by the Board of Directors. The Company's directors or high-ranking executives who have any conflict of interest are prohibited from participating in considering and approving the loans. The approval of the transaction has to be within the power and the credit line specified by the Company and also in compliance with the requirements of the authority concerned.

In carrying out duties related to loans or investment, payments, transfers of movable or immovable properties, securities trading, related party transactions, transactions in relation to acquisition or disposal of assets, the Company's directors, executives or staff are required to act prudently, aiming to prevent conflicts of interest, and to strictly adhere to the rules and regulations imposed by the authority concerned. They are also required to disclose the information of the transaction in compliance with the requirements imposed by the authority, accounting standards as well as the regulations established by the Company.

Policy and Trends on Related Party Transactions

The related party transactions between the Company and member companies of Thanachart Group or related parties will be normal business transactions or those related to the implementation of Thanachart Group's financial business restructuring plan in line with the Bank of Thailand's One Presence Policy and Consolidated Supervision. The related party transactions also cover supporting services given to member companies of Thanachart Group in line with the Group's policy. The Company has no policy encouraging parties who have conflicts of interest to engage in the related party transactions.

SUMMARY OF SPECIFIED ITEMS PER FORM 56-2 IN 2007 ANNUAL REPORT

ITEMS	PAGE
Message from Chairman of the Board of Directors	10
Report on Responsibilities of the Board of Directors for Financial Report	108
Report of the Audit Committee	109
1. Company References	
1.1 Company	230
1.2 Other companies in which the proportion of shares held is 10% or greater	231
1.3 Other References	230
2. Financial Highlights	2-3
3. Nature of Business Operations	
3.1 Nature of Business Operations of the Company and subsidiary and Policy on Division of work among Member companies of Thanachart Group	59-91
3.2 Income structure	61-62
3.3 Key Changes of Business Operations	54-58
4. Risk Management and Risk Factors	92-101
5. Shareholding Structure and Management	
5.1 Shareholders	231
5.2 Management	
5.2.1 Supervision and Management Structures	215
5.2.2 Selection and Appointment of Members of Various Committees	211-212
5.2.3 Remuneration for the Board of directors and Management	213-214
5.2.4 Corporate Governance	197-214
5.2.5 Supervision of the Use of Insider Information	199-200
5.2.6 Internal Control	202-203
5.3 Dividend policy	232
6. Related party transactions	244-246
7. Management Discussion and Analysis of Financial Position and Performance	29-58
8. Financial statements	
8.1 Financial Statements and Notes to Financial Statements	111-195
8.2 Auditor's Fees	196
9. Economic Conditions	24-28

PIONEERING STRENGTH TOWARDS UNBOUNDED OPPORTUNITIES

In 2007, Thanachart Group went through a significant shareholding restructuring in order to prepare itself for a major growth target. Following the restructuring, Thanachart Capital Public Company Limited became major shareholders only in Thanachart Bank Public Company Limited and two asset management companies. Its former stakes in other subsidiaries were already transferred to Thanachart Bank with an aim of enabling the Bank to offer fully integrated financial services. Importantly, Scotiabank’s acquisition of a 24.98 percent stake in Thanachart Bank considerably strengthened the latter’s financial position and significantly enhanced its potential in product development and management which would bring about unbounded financial opportunities overseas for Thanachart Bank’s customers.

In view of Thanachart Group’s clear vision to excel in the development of fully integrated financial services that cater to all the financial needs of its customers, we have reached a step which represents a satisfactory achievement of the Group’s significant milestone. Our service excellence initiative named “Branch Service Best Practice” helps promote constructive internal competition under the major brand umbrella. It has brought about cooperation in finding ways and means in raising the quality of services at each branch, using the customer centric approach which is based on all staff’s sincerity and service mind-set. The customer satisfaction surveys conducted at all branches throughout the year clearly demonstrate a significantly positive change in the quality of services rendered by our staff. The change instills a profound sense of great pride among our staff who has contributed to the improvement of the service quality.

Furthermore, Thanachart Bank has continued to expand its branch network nationwide to provide its customers with greater convenience. In 2007, Thanachart Bank increased the number of branches by 33, making a total of 166 branches at the year end. In 2008, it plans to open another 80 branches. For ATM, its another service channel, Thanachart Bank has teamed up with Krung Thai Bank to offer “ATM Connect” service which enables Thanachart Bank’s card holders to use any of Krung Thai Bank’s ATMs without charge.

For types of loans other than the hire purchase in which Thanachart Bank still holds a leadership position, we plan to expand our loan portfolios into other areas including corporate finance, SMEs loans and housing loans. Moreover, it is also our target to increase the fee-based income from other sources such as trade finance and credit card business whose services will be offered to the customers by the fourth quarter of this year.

Our strategic partner Scotiabank’s acquisition of the stake in Thanachart Bank not only solidifies the latter’s financial position but also strengthens its treasury management in terms of more diverse channels which results in a higher level of financial return. Importantly, our strategic partner helps promote Thanachart Bank’s business expansion into new

areas, especially in making inroads into trade finance. Scotiabank’s extensive network in over 50 countries worldwide brings about unbounded business opportunities for Thanachart Bank’s customers in getting into international markets. The development, in turn, enables Thanachart Bank to issue new loans to exporters who use the trade finance services.

We are determined to develop Thanachart Group into one which can offer fully integrated financial services that cater to all the financial needs of our customers with Thanachart Bank being the main distribution channel for products and services of its subsidiaries including Thanachart Securities, Thanachart Fund Management, Thanachart Insurance, and Thanachart Life Assurance. The arrangement results in greater convenience and more financial choices for our customers. To support the Group’s efforts, Scotiabank will help Thanachart Bank and its subsidiaries in developing more new products and services, ensuring that they are on a par with international standards.

In 2008, Scotiabank is expected to raise its stake in Thanachart Bank to 49 percent, pending the approval from the Ministry of Finance. The move will further strengthen the financial positions of Thanachart Bank and its subsidiaries. It will also bring about greater opportunities for Thanachart Bank to expand its business both locally and overseas.

Regardless of how ambitious the growth targets of Thanachart Group are or how demanding its target of going international with the support of our foreign strategic partner, we still fully recognize the importance of our responsibility towards the society as a whole and the environment. As a result, it has been the Group’s clear policy to conduct our business with fairness to all parties concerned and in an ethical manner. We’re also prepared to give support to the society as a whole and to make contributions to the communities in places where we operate our business. With support from the head office, we organize activities related to the corporate social responsibility both at the corporate level and the hub level, ensuring that the activities respond to the actual needs of the communities. In recognition of the corporate social responsibility, Thanachart Group commits itself to organizing these activities regularly. In fact, we are determined to improve them to the best of our ability.

From now on, Thanachart Group will head towards becoming a group that is well prepared for offering financial services on a par with the international standards, adhering to the principles of good corporate governance, and becoming well accepted as a financially solid group. In particular, Thanachart Bank will be one of the Thai commercial banks which will go international with the support of our strategic partner Scotiabank’s global extensive network. Last but not least, we will continue to make great efforts in generating good return for our shareholders.



MR. SUPHADEJ POONPIPAT

Vice Chairman, Chairman of the Executive Committee,
President and Cheif Executive Officer
Thanachart Capital Public Company Limited

“From now on, Thanachart Group will head towards becoming a group that is well prepared for offering financial services on a par with the international standards, adhering to the principles of good corporate governance, and becoming well accepted as a financially solid group. In particular, Thanachart Bank will be one of the Thai commercial banks which will go international”



MRS. MICHELE KWOK

Scotiabank

Senior Vice - President,
Asia - Pacific and Middle East, Scotiabank

“In short, Thanachart Bank is an excellent fit with Scotiabank. We see significant opportunities for growth through this investment, by leveraging our mutual strengths and delivering global best practices in product development, cross selling, sales and service, and productivity.”

VISION FROM OUR STRATEGIC PARTNERS : SCOTIABANK

Scotiabank's strategy is to grow both organically and through investments in high-potential markets where we already have a presence. Thailand is such a market - a tremendous market with a rich history and culture, together with a young and growing population and excellent economic growth. We have operated in this country since 1981 and, during that time, we developed an in-depth knowledge and understanding of the market. We are confident about Thailand's future prospects, and we've wanted to expand our presence here for some time now.

Our alliance with Thanachart Bank was the right opportunity at the right time. Thanachart Bank has a strong management team with a deep knowledge of the market, and we've developed strong relationships with them during our more than 25 years in this country. The bank has a large customer base and Thailand's fastest-growing branch network, and diversified offerings to meet all its customers' financial needs. Thanachart Bank is particularly strong in the automotive finance business, where its deep knowledge and strong service have made it the #1 player in the market - similar to Scotiabank's leadership in this area of the Canadian market. The two banks have similar values and cultures, emphasizing strong customer service and productivity, including prudent management of both risks and expenses, while investing for long-term sustainable growth that will generate strong financial returns.

In short, Thanachart Bank is an excellent fit with Scotiabank. We see significant opportunities for growth through this investment, by leveraging our mutual strengths and delivering

global best practices in product development, cross selling, sales and service, and productivity. To help maximize our investment and assist the bank, six Scotiabank employees are currently working in senior roles within the bank, in the areas of risk management, treasury, operations, retail banking, corporate banking and trade finance.

We are working together with the Thanachart Bank team on a number of important initiatives in all key areas of the bank and are pleased at the pace of development. We have introduced sales management practices within corporate banking and, as a result of this and a renewed focus on this business, sales productivity is increasing, asset growth is accelerating, and the trade finance business has quadrupled. We are working with the Thanachart team on a retail credit card project, there is a national mortgage program under development, and collections processes have been improved. In the treasury area, net interest margin has increased, with surplus liquidity now generating positive returns. The bank's risk management area was reorganized, with all risks centralized and the credit approval process accelerated. As a result of Scotiabank's investment and support, the success of these joint initiatives and the group's positive financial results, the bank's capital adequacy ratio stands at a strong 13%, and its Fitch (THA) rating was upgraded to "A."

We made this investment with an eye to the future, and we remain optimistic about the prospects for Thailand and Thanachart Bank. We look forward to applying for regulatory approval to increase our stake in the bank to 49% (as outlined in our initial investment agreement), once the Financial Institutions Business Act becomes law in August 2008.



MR. BRENDAN KING

Scotiabank

Vice President,
Corporate Development, Asia, Scotiabank