



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.

NINE STRATEGIC INTENTS FOR THE BUSINESS OPERATION 2009

1. Meeting strategic financial targets

The financial target has been determined suitably with the economic condition and business competition in order for the targets to be achievable with a satisfaction of the shareholders and staff.

2. Maintain market leader in Hire Purchase in every location that TBANK has presence

To maintain a market leader position in Hire Purchase in every region and every type of vehicle that Thanachart Bank operates its business, together with the supervision of non-performing loans to be within the estimated limit.

3. Increase in customer accessibility

In branch expansion, as at the end of 2009, Thanachart Bank targeted 255 branches, along with the development of excellent management quality.

4. Diversify business loan portfolio

Adjust the financial structure of loan portfolio with enlarging the portion of other loans beside of hire purchase loan.

5. Drastic improvement in cross-selling

Enhance the sale of the total financial products within Thanachart Group with the model of cross-selling by aiming on providing training to the marketing staff on financial products.

6. Increase in non-interest income

Increase in non-interest income to be on par with the industry average.

7. Controlling costs and process improvement

To maximize benefit from expenses and adjusting work process, in order to increase the employees' productivity which would further improve the quality of customer service.

8. Achieving "Best-in-class" customer servicing

Improving the service quality of all branches to meet with the standard that Thanachart Bank has established.

9. Brand strengthening

To strengthen the brand and good image of Thanachart Group under efficient cost control.

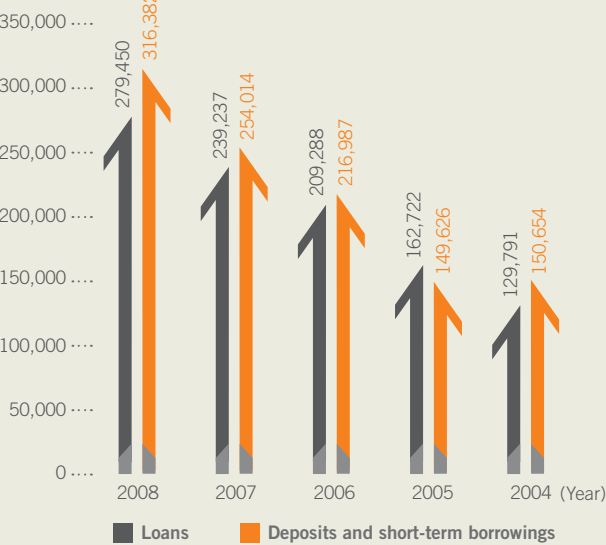
FINANCIAL HIGHLIGHTS

As at and for the year ended 31 December

CONSOLIDATED					
	2008	2007	2006	2005	2004
Operating results (Million Baht)					
Interest and dividend income	21,413	18,799	16,951	10,935	9,111
Interest expenses	9,506	9,707	10,042	4,421	3,326
Net interest and dividend income	11,907	9,092	6,909	6,514	5,785
Non-interest income	11,907	10,646	7,643	5,144	4,950
Total income ⁽¹⁾	23,814	19,738	14,552	11,658	10,735
Non-interest expenses	15,878	12,813	11,043	7,842	5,031
Bad debt and doubtful accounts (Reversal) ⁽²⁾	3,594	2,051	924	(293)	1,494
Net income	2,768	2,818	1,468	3,104	2,983
Operating performance					
Basic earnings per share (Baht)	2.08	2.11	1.10	2.33	2.24
Return on average assets (ROA) (%)	0.77	0.93	0.57	1.50	1.69
Return on average equity (ROE) (%)	10.49	11.55	6.49	14.31	14.92
Interest spread ⁽³⁾ (%)	3.15	2.82	2.74	3.44	3.24
Cost to income ratio ⁽⁴⁾ (%)	66.68	64.92	75.89	67.27	46.87
Balance sheet information (Million Baht)					
Loans	279,450	239,237	209,288	162,722	129,791
Total assets	394,136	321,256	286,229	228,119	185,044
Deposits and short-term borrowings	316,382	254,014	216,987	149,626	150,654
Total liabilities	361,775	288,994	262,798	204,733	163,550
Shareholders' equity ⁽⁵⁾	26,592	26,208	22,565	22,639	20,744

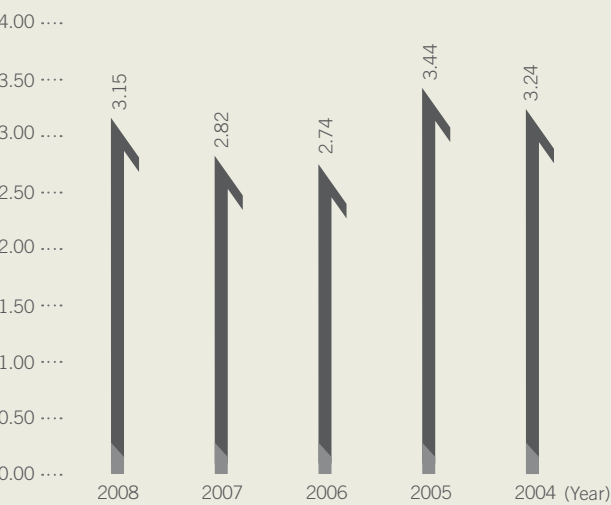
LOANS AND DEPOSITS AND SHORT-TERM BORROWINGS

(Million Baht)



INTEREST SPREAD

(Percent)



As at and for the year ended 31 December

CONSOLIDATED					
	2008	2007	2006	2005	2004
Balance sheet quality					
Loans to deposits and short-term borrowings ratio (%)	88.33	94.18	96.45	108.75	86.15
NPL-gross to total loans (%)	4.39	4.69	5.16	6.20	8.53
NPL-net to total loans (%)	1.42	1.79	2.48	4.39	6.08
Coverage ratio ⁽⁶⁾ (%)	81.10	75.03	65.00	68.97	69.02
Total allowance to BOT regulation (%)	106.81	112.84	122.47	144.31	157.77
Non-performing loans (NPLs) (Million Baht)	12,265	11,218	10,800	10,087	11,075
Capital measures					
Tier I capital ratio (%)	12.39	12.98	12.20	11.86	N.A.
Total capital ratio (%)	13.93	13.32	12.43	12.75	N.A.
Risk weighted assets (Million Baht)	240,353	211,178	182,248	171,575	N.A.
Common share information					
Share price ⁽⁷⁾ (Baht)					
- High	18.20	18.80	17.90	16.20	17.80
- Low	4.84	10.60	11.50	11.90	11.10
- Closing	7.05	14.60	14.00	13.40	13.60
Market capitalization (Million Baht)	9,399	19,464	18,664	17,864	18,131
Common shares outstanding (Million share)					
- Average-basic	1,333	1,333	1,333	1,333	1,333
- End of period	1,317	1,333	1,333	1,333	1,333
Book value (Baht)	20.19	19.66	16.93	16.98	15.56
Dividends per share ⁽⁸⁾ (Baht)	0.30	0.90	0.80	0.80	0.70
Other information					
Employees	9,638	7,181	6,988	5,529	3,809

NET INCOME

(Million Baht)



(1) Total income = Net interest and dividend income + Non-interest income

(2) Including loss on debt restructuring

(3) Interest spread = Yield - Cost of fund

Yield = Interest and dividend income/Average earning assets

(Earning assets = Interbank and money market from interest bearing + securities purchased under resale agreements + net investment + loans)

Cost of fund = Interest expenses/Average paying liabilities

(Paying liabilities = Total deposits + interbank and money market from interest bearing + total borrowings)

(4) Cost to income ratio = Non-interest expenses/Total income

(5) Excluding minority interest

(6) Total allowance/NPLs

(7) Local board/High-low share prices during the year

(8) Dividends per share for 2008 is interim rate paid

MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS




MR. BANTERNG TANTIVIT

**Chairman of the Board of Directors
Thanachart Capital Public Company Limited**

In 2008, the global economy was faced with a severe problem. Many major financial institutions have requested a government bailout package, as a last resource of survival, and some were closed down. The Thai economy, however, just began to take its share of the problem and the impact was not as severe. The Thai financial institutions had a healthy performance and their positions were considered stable.

Under the circumstance of global economic recession and high uncertainty, it is a celebrated honor when The Bank of Nova Scotia (Scotiabank) reassures its belief in the potential of the Thai economy and of Thanachart Bank with increasing its shareholding in Thanachart Bank up to 49 percent in February 2009. By the agreement made between the company and Scotiabank, there is an adjustment of director in the Board of Directors of Thanachart Bank.

Regarding the Board of Directors of Thanachart Capital, Mrs. Chantima Chaturaphat resigned from the directorship in 2008 due to Business Financial Institutions Act that was effective on 2008. It stated that a director in the parent company of the financial business group is prohibited to take a position of neither director nor executive in other financial institutions. The Board of Directors by the proposal of the Nomination Committee has appointed Mr. Somjate Moosirilert to be a director in substitution. Mr. Somjate had been a senior management of Thanachart Group before he was appointed to be a President of Thai Asset Management Corporation



almost 6 years. Unfortunately, Rear Admiral Vitura Sangsingkeo has resigned from the directorship in 2009. Mr. Sommart Poonpakdee acting as the Chairman of the Audit Committee has passed away. The Company is grateful with all of three valuable directors who have been generously and excellently contributing for long time. However, the Nomination Committee will consider the structure of the Board of Directors and nominate a proper person to be appointed later.

Although the global economy turmoil is expected to deepen and the impact on the Thai economy will intensify, the Board of Directors has been closely monitoring the economic conditions both domestically and internationally. With the Bank's Directors, we have cautiously supervised the Bank's business operation, adjusted financial targets and strategies, aim at mitigating the adverse impact on Thanachart Bank and all stakeholders.

As the Chairman of the Board, I would like to express my appreciation toward directors, executives, employees, shareholders, and customers in their entrustment and support which drive Thanachart Bank to today's growth and success.



Banterng Tantivit
Chairman of the Board of Directors
Thanachart Capital Public Company Limited

DYNAMIC ACCELERATION OF GROWTH



MR. SUPHADEJ POONPIPAT

**Vice Chairman, Chairman of the Executive Committee,
President and Chief Executive Officer
Thanachart Capital Public Company Limited**

Thanachart Group places an emphasis on becoming “Customer Centric” by making the customers’ need a priority, proactively developing various new products and expanding service channels. The objective is to enlarge business base and thrive for excellence in service quality which would continue to serve as a firm foundation in business operation, aim to achieve target for Thanachart Bank to become the leading mid-size bank of the nation under the strong and sustainable growth. On the other words, growth shall be strengthened by the asset size compatible for competition and by having a financial performance on par with the average of commercial banking industry. Moreover, in the year 2008 Thanachart Bank and the companies in Thanachart Group have accomplished the five strategic intents as follows:

1. Maintenance of market leader position in hire purchase business;
2. Diversifying loan portfolio with Thanachart Bank increasing a proportion of corporate loans which thus diversifying its credit and interest rate risk more efficiently;
3. Increasing income base contributed by interest income from loan expansion and non-interest income;
4. Providing excellent service quality to customers by applying the principle of Branch Service Best Practices to all branches; and
5. Reducing cost to income ratio to be on par with the industry average, despite the growing operating cost from installing infrastructure system.

To be able to control, monitor and measure the strategic execution and performance results systematically and effectively, Thanachart Group established the CEO’s Six-point Agenda as a tool to maneuver key operational plan of all business units of Thanachart Group. In 2008, Thanachart Group successfully executed all six agendas.



The financial turmoil in the United States has adversely affected the economies of the world's major consumers to contract severely. The Thai economy was also impacted, in both export and tourism which are the main drivers of the Thai economy. In the fourth quarter, Thailand was faced with a negative economic growth of 4.3 percent, and thus, making the 2008 annual average growth to be as low as 2.6 percent. Nevertheless, ***the performances of Thanachart Group are considered satisfactory***, which can be substantiated by the following:

- ***In term of financial status, the total assets of Thanachart Capital and its subsidiaries as at 31 December 2008 amounted to 394,136 million baht, representing an increase of 22.69 percent or 72,880 million baht.*** In 2008, net income amounted to 2,768 million baht, a decrease of 50 million baht or 1.77 percent when compared to that of last year. The important factors that affected the Company and its subsidiaries' performance in 2008 were the increase in the net interest and dividend income of 2,815 million baht, an increase of 30.96 percent from the continuous growth of loans; ***the improvement of loan spread from 3.58 percent to 3.99 percent***; the increase in the non-interest income of 1,261 million baht, an increase of 11.84 percent from the increase of fees and service income and life and non-life insurance business income. However, the non-interest income has already included the allowance for impairment of the investment in securities amounted to 254 million baht which was the result of the capital market deteriorate. As well, in 2007, the Company and its subsidiaries had extra gain from the partial disposal of the investment in Thanachart Bank. At the same time, the operating expenses increased by 3,065 million baht, an increase of 23.92 percent. This was mainly from the increase in the expenses which varied according to the increase in income and business volume and the investment in information technology and infrastructure systems. ***As a result, the Company and its subsidiaries' cost to income ratio after deducting life and non-life insurance expenses amounted to 55.90 percent which was lower than the industry average.***

- ***In term of branch expansion*** in 2008, ***Thanachart Bank has opened 47 additional branches.*** Consequently, there were 213 branches in total and the Bank was ranked 8th in the commercial banking industry. Simultaneously, the Bank expanded Automatic Teller Machine (ATM) service channel through the business alliance "ATM CONNECT" with Krung Thai Bank Public Company Limited and Siam City Bank Public Company Limited. Thanachart Group henceforward expanded the service network in the form of ATM nationwide.

- **In term of new core system** in the previous year, Thanachart Group **has been progressing continuously in the new core systems installment in accordance with such plan to enhance the effectiveness of service and reduction of the operating cost per transaction.** The core systems include, among others, deposit system, treasury system, trade finance system, credit card system, human resource information system and accounting system. These will enhance the operation to be more effective and efficient.

On 3 February 2009, **the Bank of Nova Scotia** (Scotiabank) has acquired the existing ordinary shares of Thanachart Bank from Thanachart Capital to **increase its shareholding in Thanachart Bank up to 49 percent in accordance with the Shareholders Agreement.** This reassured the vision and confidence of leading Canadian bank in Thanachart Bank. Since Scotiabank became the business partner in 2007, Thanachart Bank has succeeded in integrating the corporate cultures between Scotiabank and Thanachart Group. Furthermore, Thanachart Group has achieved a new intellectual capacity regarding international business standard. **Scotiabank has designated three nominees to be directors and delegated seven seconded managements in the key business units of Thanachart Group.** Such seconded managements play a key role in improving the working procedure, enhancing innovation, leveraging experience and knowledge. This partnership, with an increase of Scotiabank's shareholding, will help enhance the financial stability, capability and sustainability of Thanachart Bank's business operation in a long-term.

Business Strategy in 2009, Thanachart Group continuously aims to be Customer Centric in order to achieve target of being a leading mid-size bank of the nation. **The nine strategic intents to serve such purpose are as follows:**

1. Meet strategic financial targets

The financial target has been determined suitably with the economic condition and business competition in order for the targets to be achievable with a satisfaction of the shareholders and staff.

2. Maintain market leader position in Hire Purchase in every location that Thanachart Bank has presence

To maintain a market leader position in Hire Purchase in every region and every type of vehicle that Thanachart Bank operates its business, together with the supervision of non-performing loans to be within the estimated limit.

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9. Brand strengthening

To strengthen the brand and good image of Thanachart Group under efficient cost control.

In the past business performance, Thanachart Group places emphasis on the good corporate governance, social responsibility and environment, which is relevant with the business operation principle of Scotiabank. The social service and environment preservation activities were organized accordingly. In 2008, the Group coordinated with the excellent qualified professional team from the Continuing Education Center, Chulalongkorn University, in organizing a curriculum and training seminar regarding good corporate governance for Thanachart Group's executives and staff. The curriculum covered good corporate governance and corporate social responsibility properly in order to instill conscience in the whole organization. Good corporate governance and corporate social responsibility will be applied in operation and will, in turn, benefit all the stakeholders genuinely.

In the aspect of other developments, the integrated business knowledge and experience of executives and staff between Thanachart Group and Scotiabank on the foundation of corporate governance, social responsibility and environment will lead Thanachart Financial Conglomerate toward long-term success. Thanachart Bank will become the leading mid-size bank of the nation under strong and sustainable growth, meaning the growth with asset size compatible for competition and by having a financial performance on par with the average of commercial banking industry. Furthermore, Thanachart Bank will be a leading organization in corporate governance and corporate social responsibility.



Suphadej Poonpipat

Vice Chairman, Chairman of the Executive Committee,
President and Chief Executive Officer
Thanachart Capital Public Company Limited

VISION FROM OUR STRATEGIC PARTNER: SCOTIABANK



MRS. MICHELE KWOK

Scotiabank
Senior Vice President,
Asia-Pacific and Middle East, Scotiabank

Scotiabank was very pleased to recently increase its stake in Thanachart Bank, from the 25 percent stake we purchased in 2007 to 49 percent, the regulatory limit. This purchase demonstrates our commitment to Thailand - a market where we have operated since 1981 - and the strength of our relationship with Thanachart Bank.

Working together over the past year, we have achieved good progress on our key joint projects. These include growth in corporate banking and mortgages, reducing funding costs and improving the net interest margin, enhancing our systems platform through the successful installation of a new core banking system, increasing cross-sell among different areas of the Bank, and strengthening our risk management practices.

Both Scotiabank and Thanachart Bank - like other financial institutions around the world - have been affected by the global financial crisis. And we will continue to face further challenges in 2009.

However, Thanachart Bank remains well capitalized with strong liquidity and experienced management. It operates under a universal banking model, with strong positions in insurance, brokerage and wealth management; market - leading positions in its key HP business line; and strong growth opportunities through cross sell from its expanding product suite, including credit cards, which will be launched later this year.



MR. BRENDAN KING

Scotiabank
Vice President,
Corporate Development, Asia, Scotiabank

In Scotiabank, Thanachart Bank has a strong partner. Over the 177 years of our existence, we have developed a business platform that is highly diversified - by business, by geography and by product. As a result, we are well diversified from both earnings and risk perspectives. Scotiabank has a long history of managing its risks and its expenses very well, and prudent risk management and cost control have helped us to avoid the worst of the problems now facing many of the world's largest financial institutions. We recently ranked in the top 10 in North America in terms of market capitalization, and the Oliver Wyman consulting group identified us as one of the world's 10 best performing banks during the financial sector's most volatile period between August 2007 and December 2008. As Canada's most international bank, we have developed a significant global network and tremendous expertise over the years that we can leverage to drive sustained, profitable growth in each country where we operate.

Finally, Scotiabank has an amazing global team of talented and dedicated people - including our partners at Thanachart Bank - who are focused on serving their customers and their communities. All these strengths have positioned us well to face the challenges presented by the difficult financial environment and help Thanachart Bank meet its growth objectives. We are confident about the future - for Scotiabank, for Thailand and for Thanachart Bank - and we look forward to making continued progress together.

MANAGEMENT OF THANACHART GROUP

MR. SUPHADEJ POONPIPAT

Vice Chairman, Chairman of the Executive Committee,
and President and CEO,
Thanachart Capital Public Company Limited
Vice Chairman, Chairman of the Executive Committee,
and Chief Executive Officer,
Thanachart Bank Public Company Limited



MS. SUCHADA PAVANANUNT

Director and Chief Executive Officer,
Thanachart Fund Management Company Limited

MR. BOONCHAI KIATTANAVITH

Managing Director,
Thanachart Fund Management Company Limited



MR. TRAGOOLCHITR JITTASAIYAPAN

Chief Investment Officer,
Thanachart Fund Management Company Limited

MRS. ASVINI TAILANGA

Managing Director, Securities Brokerage Group,
Thanachart Securities Public Company Limited



MS. SUVABHA CHAROENYING

Managing Director, Investment Banking and Investment
Advisory Group, Thanachart Securities Public Company Limited

MR. NOPHADON RUENGCHINDA

Managing Director,
Thanachart Insurance Company Limited



MR. CHARTCHAI PARASUK, PH.D.

Managing Director,
Thanachart Life Assurance Company Limited

MANAGEMENT GROUP OF THANACHART CAPITAL PUBLIC COMPANY LIMITED

<p>MR. SUPHADEJ POONPIPAT Vice Chairman, Chairman of the Executive Committee, and President and CEO</p>	
	<p>MR. TAWEESAK SAKSIRILARP Member of the Executive Committee and Executive Vice President</p>
<p>MR. ANUWAT LUENGTAWEKUL Member of the Executive Committee and Executive Vice President</p>	

MANAGEMENT GROUP OF THANACHART BANK PUBLIC COMPANY LIMITED

<p>MR. SUPHADEJ POONPIPAT Vice Chairman, Chairman of the Executive Committee, and Chief Executive Officer</p>	
	<p>MS. SUVARNAPHA SUVARNAPRATHIP Vice Chairperson of the Executive Committee</p>
<p>MR. PIYAPHONG ARTMANGKORN Executive Vice President</p>	
	<p>MRS. NOOSSARA ROONSAMRARN Executive Vice President</p>
<p>ASSISTANT PROFESSOR, FLT. LT., DR. SUMAS WONGSUNOPPARAT, M.D., PH.D. Executive Vice President (Chief Operating Officer)</p>	

THAI ECONOMIC CONDITION IN 2008 AND THE OUTLOOK FOR 2009

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

THAI ECONOMIC CONDITION IN 2008

In the 2007 annual report, the economic outlook for 2008 depicted a sustained recovery with the growth rate in the forecast range of 4.0 - 6.0 percent. This was subject to two major risks: the repercussion of the US Subprime problem and the steep rise in oil prices possibly leading inflation to 3.5 percent. The forecast held true for nine months, till the outbreak of the US financial crisis stirring the global economy.

In the first three quarters of 2008, the Thai economy expanded 5.1 percent. However, as major consumer economies shrank or slowed down due to the financial turmoil, the Thai economy contracted 4.3 percent in the fourth quarter, dragging the 2008 annual growth rate down to 2.6 percent.

The root of the US financial debacle lied in the household sector's overspending. The US Federal Reserves maintained the low interest rate policy for an extended period, while Asian countries' current account surpluses helped finance the US current account deficit at low cost. Consequently, the US economy achieved a decade of continuous expansion driven by consumption growth on the back of accumulating household debt which eventually led to real estate bubble.

When the Fed's policy interest rate rose and caused a real estate price reduction, the result was increasing non-performing loans, which led to the Subprime mortgage problem and the price-down of mortgage-based financial instruments. Furthermore, amidst an array of complex and sophisticate financial innovations, the lax supervision over the financial sector only helped the financial meltdown to intensify and spill over to the global financial market.

In September 2008, large US financial institutions facing severe financial problem; for instances, Merrill Lynch, Lehman Brothers, Fannie Mae, and Freddie Mac, filed for bankruptcy or sought the government bailout, spawning global financial crisis and serious credit crunch in both the US and Europe.

The impacts of global economic slowdown on the Thai economy in the last quarter of 2008, which implied the economic outlook for 2009, highlighted on three major channels:

- Lower export income, particularly in the last quarter of 2008 where export value in US dollar terms declined 9.4 percent, a reduction of approximately 100 billion baht.
- Lower tourist receipts as the last quarter of 2008 observed 700,000 less foreign tourists than the same period last year, a 19.4 percent drop which accounted for the lost income of approximately 25 billion baht.
- Lower price levels as the weakened world purchasing power induced price downward adjustments in energy as well as goods and services, and even deflation in certain countries. During the forth quarter of 2008, the prices of Thai major crops, including maize, cassava, rubber, and palm oil, declined 10.2, 26.0, 36.0, and 45.1 percent, respectively.

With lower income, both domestic consumption and production slowed down, the capacity utilization of the industrial sector reduced, as well as, the appetite for new investment. Employment slowed down with less worked hours, less wages, and even labor laid-off. In the last quarter of 2008, production in manufacturing, construction, transportation and communication, and hotels and restaurants sectors contracted by 6.8, 12.8, 10.6, and 8.3 percent, respectively. Meanwhile, the number of unemployment increased by 55,000 headcounts approximately from the third quarter, in particular, on the export-related industries such as electronics, textile and garment, and vehicles.

Global economic crisis affected countries worldwide. In the forth quarter, major economies all contracted; the US (-0.2 percent), the UK (-1.0 percent), Japan (-4.6 percent), Euro area (-1.6 percent), Singapore (-3.7 percent), South Korea (-3.4 percent), and Taiwan (-8.4 percent). Japan and Taiwan shrank more than Thailand (-4.3 percent), while the US unemployment rose to 6.9 percent and forecasted to reach 10.0 percent in 2009.

Even the economic top performers, such as China, India, and Vietnam, decelerated to 6.8, 4.9, and 5.6 percent in their growth rate, respectively. For China, an economic growth rate of below 6.0 percent pronounced a recession and rising unemployment. A drop in international trade adversely affected the regional economies. The latest January 2009 figures showed export value reduction in various countries. China's export value declined by 17.5 percent, while South Korea, Taiwan, Singapore, and Vietnam shrank by 32.1, -42.9, -34.8, and -24.2 percent, respectively.

ECONOMIC SLOWDOWN AND RECESSION IN THE FOURTH QUARTER OF 2008

GDP (% YOY)	2007	2008	2008		
			H1	Q3	Q4
World	5.0	2.8	4.3	2.3	-0.2
US	2.0	1.3	2.3	0.8	-0.2
Euro area	3.0	0.7	1.8	0.6	-1.2
UK	3.1	0.7	2.0	0.0	-1.0
Japan	2.1	-0.7	1.1	-0.1	-4.6
Taiwan	5.7	0.1	5.4	-1.0	-8.4
South Korea	5.0	2.5	5.3	3.8	-3.4
Singapore	7.7	1.2	4.5	-0.7	-3.7
China	13.0	9.1	10.4	9.0	6.8
India	9.3	7.3	8.4	7.6	4.9
Malaysia	6.3	5.0	6.7	4.7	1.9
Philippines	7.2	4.6	4.7	4.6	4.5
Vietnam	8.2	6.3	6.6	6.5	5.6

Source: CEIC

THE ECONOMIC OUTLOOK FOR 2009

In facing current global financial crisis, the Thai economy was in a better position than during the “Tom Yum Kung” crisis, in 1997. Financial institutions remained strong with relatively low bad debts and above-BIS-standard capital adequacy, while the public debt also reduced to 36.0 percent of GDP, relatively low compared to other middle-income countries. Moreover, private consumption growth was not excessive in the past years, thus incurring small household debts. Therefore, Thailand is considered readier than several countries for the implementation of both fiscal and monetary policies to offset negative impacts of the global economic downturn.

In addition, Thai economic stability remained sound in 2008. Headline inflation rose to a record high of 9.2 percent in July following oil price increases, but subsequently decreased such that the annual rate averaged at 5.5 percent with a slightly negative rate in December 2008. On the other hand, unemployment rate stood at 1.4 percent, although it has a tendency to increase. International reserves remained above 100 billion US dollars, while current account registered a slight deficit with the outlook for a surplus in 2009.

Even though the effect from the global economic turmoil in the Thai economy in 2009 was apparent, the magnitude of these impacts remained uncertain. The forecast of world economic growth by IMF and other forecast houses were frequently revised down, from a forecast of 0.5 percent expansion in November 2008 to a forecast of 0.5 percent contraction in February 2009.

Some analysts viewed this round of economic crisis as a long-hauled with the US economy beginning to recover in the forth quarter of 2009 or the beginning of 2010, instead of the third quarter of 2009 as earlier projected. And despite the beginning of the recovery process, the economic growth would not be as high as it had been in the previous four to five years.

MAJOR ECONOMIES TO FACE ECONOMIC CONTRACTION IN 2009

% YOY	2008	FORECAST 2009
World	2.8	(-0.5) - (0.5)
US	1.3	(-1.6) - (-2.3)
Euro area	0.7	(-2.0) - (-2.5)
UK	0.7	(-3.2) - (-2.8)
Japan	-0.7	(-2.6) - (-3.0)
South Korea	2.5	-3.5
Taiwan	0.1	-3.0
Hong Kong	2.6	-3.8
Singapore	1.2	-3.8

Source: CEIC and compilation

Consequently, the economic forecast for 2009 was subject to high uncertainty and essentially dependable on the global economic climate. Near the end of February 2009, the National Economic and Social Development Board (NESDB) projected the Thai economic growth in 2009 to be in the range of (-1) - 0 percent, while other analyst houses centered on (-2) - 0 percent with few exceptions, namely Moody's Investor Service and UBS scattering for (-2.4) and (-5.0) percent, respectively. However, consensus seemed to point that the Thai economy would face smaller contraction compared to other regional economies such as Taiwan, Japan, Singapore, Hong Kong, and South Korea.

THAI ECONOMIC OUTLOOK FOR 2009

SOURCE	2009	FORECAST DATE
Moody	(-2.38)	24 Feb 09
DBS	(-1.7)	23 Feb 09
Kim eng	(-1.0) - (0.0)	23 Feb 09
UBS	(-0.5)	23 Feb 09
Economist	(-1.8)	17 Feb 09
Citi	(-0.3)	12 Feb 09
UTCC	(-1.0)	5 Feb 09
BNP	(-0.9)	Feb 09
BBL	(-1.5) - (-1.0)	Feb 09
JP Morgan	(-0.75)	30 Jan 09
BOT	0.0 - 2.0	19 Feb 09
TDRi	0.0	6 Feb 09
KBank	0.0 - 1.2	2 Feb 09
KTB Securities	1.5	2 Feb 09
FPO	0.0 - 2.0	Feb 09
ADB	2.0	Jan 09
Phatra	1.5	12 Dec 08
World Bank	2.0	10 Dec 08

Source: Compilation by NESDB

For 2009, Thai export value in US dollar terms is expected to contract by 13.1 percent and private investment shrink by 3.0 percent, while private consumption expand by 2.2 percent. The current account is likely to be in a surplus, approximately 0.9 percent of GDP. Inflation is forecasted at (-0.5) - (0.5) percent, while unemployment rate at 2.5-3.5 percent of labor force, or increasing from a 510,000 headcounts at the end of 2008 to 900,000 -1,300,000 headcounts in 2009.

The economic forecast in 2009 is subject to several downside risks, namely the worse-than-expected global economic condition and the effectiveness in the implementation of fiscal stimulus measures, which could result in a larger economic contraction and unemployment than expected.

THAI ECONOMIC FORECAST FOR 2009

	ACTUAL			FORECAST
	2006	2007	2008	2009
GDP (at constant prices, in billion baht)	7,841.3	8,493.3	9,102.8	9,012.8
GDP growth (at constant prices, %)	5.2	4.9	2.6	(-1.0) - (0.0)
Investment (at constant prices, %)	3.9	1.3	1.1	-0.4
- Private	4.1	0.6	3.2	-3.0
- Public	3.3	3.4	-4.8	8.0
Consumption (at constant prices, %)	2.9	2.7	2.2	3.1
- Private	3.0	1.6	2.5	2.2
- Public	2.4	9.2	0.4	8.3
Export of goods (growth, %)	17.0	17.3	16.8	-13.1
Import of goods (growth, %)	7.9	9.1	26.4	-14.0
Trade balance (Bill. USD)	1.0	11.6	0.2	1.8
Current account (Bill. USD)	2.3	14.0	-0.2	2.3
Current account: GDP (%)	1.0	6.1	-0.1	0.9
Inflation (%)	4.7	2.3	5.5	(-0.5) - (0.5)

Source: NESDB, as of 23 February 2009

As for the monetary sector in 2009, while liquidity in the financial system and excess liquidity of financial institutions are expected to remain high with the prospect of lower interest rates, financial institutions are likely to implement stringent credit standard to safeguard against future bad loans. This is in spite of the government's effort in extending the role of credit guarantee bureau as well as encouraging financial institutions, particularly the government's Special Financial Institutions "SFIs", to boost credit provision. To a certain degree, these attempts help bolster the economy, but with limitation as the credit needs for business expansion and new investment remain low and the SFIs also need to remain heedful of potential bad loan.

Regarding exchange rates, the baht against the US dollar slightly depreciated since the US financial crisis took place. The majority of analysts expected the US dollar to strengthen against other currencies until the global economic crisis unwound. As a result, the baht in 2009 is likely to slightly weaken.

ECONOMIC CRISIS COUNTERACTION AND RECOVERY MEASURES

Most countries are now engaging in the same direction in maneuvering monetary and fiscal policies to prevent their economies from slipping further. Loosening monetary policy emphasizes on interest rate cuts as well as credit provisions for affected industries. On the other hand, fiscal policy tries to boost private income and consumption through tax reduction, cash coupons, subsidies for costs of living and certain expense, and assistance for unemployed persons while also makes commitment in public investment to create more jobs and opportunities for private investment.

For Thailand, the Bank of Thailand, in charge of monetary policy, successively cut the policy rate to 1.5 percent in February 2009, with the probability of further cuts. However, under current circumstance, fiscal policy plays key role in supporting the economy. With this regards, the government already implemented the urgent economic plan with an additional budget of 116 billion baht for fiscal year 2009. This set of urgent measures aims to restore household spending against the substantial decline in income from both export and tourism. These include the measures to maintain income levels for farmers, non-farm labors particularly those unemployed, students and their parents, low income households, senior citizen, entrepreneurs of small and medium enterprises as well as those highly affected businesses in export and tourism sectors.

In the meantime, the government is also preparing public investment plan, which will be crucial to drive the economy forward and create sustainable jobs. Expected to be in effect during the second half of 2009, the plan covers public investments in the next few years, particularly the investment, often cited by earlier governments, to raise the country's competitiveness such as logistics and basic infrastructure, irrigation system for both agricultural and manufacturing productions, renovation and creation of tourist attractions, as well as education and healthcare.

With frequent changes of government during the previous year (in 2008, Thailand changed prime minister 4 times, not including the acting one), the public investment was unable to fully take the lead. However, in the face of mounting crisis impacts, it is required that public investment focuses on carefully selected projects with readiness and continuity in top priority such that it can help shore up the economy from the latter half of 2009 onwards.

For business sector, during crisis-struck period, close monitoring and plans for working capitals need to be cautiously carried out in conjunction with cost cutting and productivity enhancement strategies. Moreover, with smaller market and reducing purchasing power, businesses must develop products and services which create value for customers, while also seek for growth-potential niche market. Businesses with solid financial position should take advantage of the crisis by improving their competitiveness in order to be ready to gain more benefits once the economy recovers. This might be a good opportunity for oversea expansion, brand-image building, research and development, as well as recruitment of highly needed personnel as these costs were marked down.

Thailand had weathered through the 1997 severe economic crisis when the economy contracted more than 10 percent and almost half of banks' credits were non-performing. Although we are encountering this current crisis in a much stronger health, we could not rely on external demand as a source of growth since the world economy has weakened considerably. Therefore, domestic stimulus measures and related projects must be timely implemented with continuity and efficiency. Most importantly, coordination and unity of public and private sectors as well as people in general are integral for the Thai economy to again successfully ride out the current economic storm.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND PERFORMANCE

FINANCIAL POSITION AND PERFORMANCE OF THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

SUMMARY OF PERFORMANCE

As at 31 December 2008, the consolidated assets of Thanachart Capital Public Company Limited and its subsidiaries amounted to 394,136 million baht, an increase of 72,880 million baht or 22.69 percent from 2007, mainly due to loan growth. Although the overall economy was in the doldrums, the total loans grew by 16.76 percent from the previous year. On the other hand, the total liabilities increased by 72,781 million baht 25.18 percent. In particular, the deposits and short-term borrowings increased by 24.55 percent from the previous year.

	2008	2007	CHANGE	
			INCREASE (DECREASE)	% YOY
Interest and dividend income	21,413	18,799	2,614	13.90
Interest expenses	9,506	9,707	(201)	(2.07)
Net interest and dividend income	11,907	9,092	2,815	30.96
Non-interest income	11,907	10,646	1,261	11.84
Non-interest expenses	15,878	12,813	3,065	23.92
Income before bad debt and doubtful accounts	7,936	6,925	1,011	14.60
Bad debt and doubtful accounts	(3,580)	(2,051)	(1,529)	74.55
Loss on debt restructuring	(14)	-	(14)	100.00
Income before income tax and minority interest	4,342	4,874	(532)	(10.92)
Corporate income tax	(1,000)	(1,705)	705	(41.35)
Minority interest of the subsidiaries	(574)	(351)	(223)	63.53
Net income for the year	2,768	2,818	(50)	(1.77)

The net income of the Company and its subsidiaries for the year 2008 amounted to 2,768 million baht, a decrease of 50 million baht or 1.77 percent from the previous year. One of the major factors affecting the performance of the Company and its subsidiaries in 2008 was the increase in interest and dividend income by 2,815 million baht or 30.96 percent from the previous year, which was in line with the growth in loans. This was mainly due to the loan spread which increased from 3.58 percent to 3.99 percent, and the increase in the non-interest income by 1,261 million baht or 11.84 percent. The increase in the non-interest income was attributable to the increase in fees and service income as well as insurance premium and life insurance premium income. However, the non-interest income already took into account the allowance for impairments of investment which amounted to 254 million baht as a result of the sluggish capital market. In comparison, in 2007 there was

a special item on gains from the partial disposal of investment in Thanachart Bank Public Company Limited. On the other hand, the non-interest expenses increased by 3,065 million baht or 23.92 percent from the previous year. This was mainly due to the increase in expenses which varied according to the increase in income and business, and the increase in investment in information technology and basic infrastructure. As a result, the cost to income ratio increased to 66.68 percent from 64.92 percent in 2007.

The bad debt and doubtful accounts increased by 1,529 million baht or 74.55 percent from the previous year, as a result of the economic slowdown which adversely affected debtors' ability to repay. The Company and its subsidiaries had already introduced tough measures on loan approvals. They also improved efficiency in debt collection in order to mitigate future damage. As well, in 2009, the Company and its subsidiaries planned to set aside provisions for bad debt and doubtful accounts, using the collective approach which was based on historical loss experience instead of making 100 percent provisions for low quality debts. The collective approach was more in line with actual business conditions.

The diluted earnings per share in 2008 amounted to 2.08 baht, falling as compared to 2.11 baht in 2007. The average return on shareholders' equity (ROE) in 2008 amounted to 10.49 percent.

(Unit: Million Baht)				
	CHANGE			
	2008	2007	INCREASE (DECREASE)	% YOY
Interest and dividend income				
Loans	3,793	3,064	729	23.79
Interbank and money market items	1,570	1,274	296	23.23
Hire purchase and financial lease	14,736	13,118	1,618	12.33
Investments	1,314	1,343	(29)	(2.16)
Total interest and dividend income	21,413	18,799	2,614	13.90
Interest expense				
Deposits	6,999	7,113	(114)	(1.60)
Interbank and money market items	184	120	64	53.33
Short-term borrowings	1,675	1,479	196	13.25
Long-term borrowings	648	995	(347)	(34.87)
Total interest expense	9,506	9,707	(201)	(2.07)
Net interest and dividend income	11,907	9,092	2,815	30.96

NET INTEREST AND DIVIDEND INCOME

The net interest and dividend income of the Company and its subsidiaries in 2008 amounted to 11,907 million baht, an increase of 2,815 million baht or 30.96 percent from the previous year. In particular, the interest and dividend income amounted 21,413 million baht, an increase of 2,614 million baht or 13.90 percent from the previous year. This was mainly due to the continuous increase in hire purchase loans while interest expense decreased by 201 million baht or 2.07 percent. The loan spread continued to improve positively, from 3.58 percent in 2007 to 3.99 percent in 2008.

(Unit: Million Baht)		
	YEAR	
	2008	2007
Yield on loans ⁽¹⁾	7.17	7.30
Cost of Fund ⁽²⁾	3.18	3.72
Loan Spread	3.99	3.58

Notes: (1) Yield on loans = (interest income on loans + interest income on hire purchase and financial lease) / average loans

(2) Cost of fund = interest expense / (average liabilities payable on demand + average interest bearing of interbank and money market items)

(Unit: Million Baht)

	2008	2007	CHANGE	
			INCREASE (DECREASE)	% YOY
Non-interest income				
Brokerage fees	756	714	42	5.88
Gain (loss) on investments	(302)	819	(1,121)	(136.87)
Share of income from investments in associated companies accounted for under equity method	335	271	64	23.62
Fees and service income	2,422	2,153	269	12.49
Gains on exchange and financial derivatives contracts	223	50	173	346.00
Gains on property foreclosed and other assets	249	251	(2)	(0.80)
Gains on debt settlements/disposals	241	494	(253)	(51.21)
Insurance premium/Life insurance premium income	7,340	5,389	1,951	36.20
Other income	643	505	138	27.33
Total non-interest income	11,907	10,646	1,261	11.84

NON-INTEREST INCOME

The total non-interest income of the Company and its subsidiaries in 2008 amounted to 11,907 million baht, an increase of 1,261 million baht or 11.84 percent from the previous year. This was mainly due to the growth of Thanachart Group's various businesses. In particular, the insurance premium/life insurance premium income increased by 1,951 million baht or 36.20 percent from the previous year. The fees and service income increased by 269 million baht or 12.49 percent while the brokerage fee increased by 42 million baht or 5.88 percent.

The gains on investment in 2008 decreased by 1,121 million baht from the previous year. This was partly due to the gain in 2007 from the partial disposal of Thanachart Bank shares to the Bank of Nova Scotia (Scotiabank). It was also partly due to the allowance, worth 254 million baht, for impairments to investment in 2008, which was higher than 2007.

(Unit: Million Baht)

	2008	2007	CHANGE	
			INCREASE (DECREASE)	% YOY
Non-interest expenses				
Personnel expenses	3,660	2,895	765	26.42
Premises and equipment expenses	1,576	1,288	288	22.36
Taxes and duties	222	364	(142)	(39.01)
Fees and service expenses	272	252	20	7.94
Directors' remuneration	41	31	10	32.26
Fund contributed to the Financial Institutions Development Fund/Depository Protection Fund	823	814	9	1.11
Insurance/life insurance expenses	5,818	4,461	1,357	30.42
Other expenses	3,466	2,708	758	27.99
Total non-interest expenses	15,878	12,813	3,065	23.92

NON-INTEREST EXPENSES

The total non-interest expenses of the Company and its subsidiaries in 2008 amounted to 15,878 million baht, an increase of 3,065 million baht or 23.92 percent from the previous year. This was mainly due to the increase in expenses which varied according to the increase in income and business. The expenses included, among others, insurance and life insurance expenses which increased by 1,357 million baht or 30.42 percent. The personnel expenses and the premises and equipment expenses increased by 26.42 percent and 22.36 percent respectively, in line with business expansion and the increase in the number of Thanachart Bank's branches. As at 31 December 2008, Thanachart Bank had 213 branches in total, compared to 166 branches as at the end of 2007. In addition, the investment in information technology systems and basic infrastructure also increased. As a result, the cost to income ratio increased to 66.68 percent from 64.92 percent in the previous year.

BAD DEBT AND DOUBTFUL ACCOUNTS

The bad debt and doubtful accounts of the Company and its subsidiaries in 2008 amounted to 3,580 million baht, an increase of 1,529 million baht or 74.55 percent from the previous year. This was mainly due to the economic slowdown which adversely affected debtors' ability to repay. This, in turn, resulted in the increase in bad debt and doubtful accounts. As well, the excess reserves of the Company and its subsidiaries in 2007 were at a high level when compared to the level required by the Bank of Thailand (BOT). As a result, the allowance for bad debt and doubtful accounts during the period increased at a relatively low rate.

(Unit: Million Baht)				
	2008	2007	CHANGE	
			INCREASE (DECREASE)	% YOY
Assets				
Cash	4,018	3,275	743	22.69
Interbank and money market items	65,790	40,462	25,328	62.60
Securities purchased under resale agreements	-	2,500	(2,500)	(100.00)
Total investments - net	39,385	28,874	10,511	36.40
Total loans and accrued interest receivables	279,774	239,490	40,284	16.82
Allowance for doubtful accounts and revaluation allowance for debt restructuring	(10,008)	(8,456)	(1,552)	18.35
Other assets - net	15,177	15,111	66	0.44
Total assets	394,136	321,256	72,880	22.69
Liabilities and shareholders' equity				
Deposits and short-term borrowings	316,382	254,014	62,368	24.55
Interbank and money market items - net	7,293	3,709	3,584	96.63
Long-term borrowings	18,811	14,117	4,694	33.25
Other liabilities	19,289	17,154	2,135	12.45
Total liabilities	361,775	288,994	72,781	25.18
Total shareholders' equity before treasury stock and minority interest	26,702	26,208	494	1.88
Less Treasury stock	(110)	-	(110)	100.00
Equity attributable to the Company's shareholders	26,592	26,208	384	1.47
Minority interest – equity attributable to minority shareholders of subsidiaries	5,769	6,054	(285)	(4.71)
Total shareholders' equity	32,361	32,262	99	0.31
Total liabilities and shareholders' equity	394,136	321,256	72,880	22.69

ASSETS

As at 31 December 2008, the consolidated total assets of the Company and its subsidiaries amounted to 394,136 million baht, an increase of 72,880 million baht or 22.69 percent compared to 31 December 2007. The major items of the assets were as follows:

INTERBANK AND MONEY MARKET ITEMS

As at 31 December 2008, the interbank and money market items (net) of the Company and its subsidiaries amounted to 65,790 million baht, an increase of 25,328 million baht or 62.60 percent compared to the end of 2007.

INVESTMENTS - NET

As at 31 December 2008, the investments (net) of the Company and its subsidiaries amounted to 39,385 million baht, an increase of 10,511 million baht or 36.40 percent from the end of year 2007. The details of the investments classified by type of investments were as follows:

INVESTMENTS CLASSIFIED BY TYPE	31 DECEMBER 2008		31 DECEMBER 2007	
	AMOUNT	PERCENT	AMOUNT	PERCENT
Debt instruments	32,257	81.90	20,409	70.68
Government and state enterprise securities				
• Government and state enterprise securities				
• Trading securities	607	1.54	480	1.66
• Available-for-sale securities	4,987	12.66	3,359	11.63
• Held-to-maturity securities	15,914	40.40	12,629	43.74
Private debt securities				
• Trading securities	-	0.00	11	0.04
• Available-for-sale securities	5,009	12.72	1,719	5.95
• Held-to-maturity securities	893	2.27	861	2.98
Foreign debt securities				
• Held-to-maturity securities	4,847	12.31	1,350	4.68
Equity instruments	7,128	18.10	8,465	29.32
• Available-for sale securities	2,868	7.28	4,020	13.92
• General investments	2,856	7.25	3,137	10.87
• Investments in subsidiaries and associated companies	1,404	3.57	1,308	4.53
Total investments - net	39,385	100.00	28,874	100.00

(Unit: Million Baht)

LOANS AND ACCRUED INTEREST RECEIVABLES

As at 31 December 2008, the loans and accrued interest receivables of the Company and its subsidiaries amounted to 279,774 million baht, an increase of 40,284 million baht or 16.82 percent compared to the end of 2007. This was mainly due to the continuous growth of automobile hire purchase loans. As at 31 December 2008, the hire purchase loans amounted to 211,828 million baht, an increase of 20,803 million baht compared to the end of 2007.

The loans and accrued interest receivables can be classified by type of business as follows:

	(Unit: Million Baht)			
	31 DECEMBER 2008	PERCENT	31 DECEMBER 2008	PERCENT
1. Manufacturing and commerce	13,404	4.79	7,717	3.22
2. Real estate and construction	15,596	5.58	7,258	3.03
3. Public utilities and services	13,829	4.94	9,129	3.81
4. Retail loans				
4.1 Hire purchase	211,828	75.71	191,025	79.77
4.2 Housing loans	7,724	2.76	8,143	3.40
5. Others	17,602	6.29	16,473	6.88
Total loans and accrued interest receivables	279,983	100.07	239,745	100.11
Less Intercompany profits from loans transferred	(209)	(0.07)	(255)	(0.11)
Total loans and accrued interest receivables	279,774	100.00	239,490	100.00

Classification of the loans and accrued interest receivables of the Company and its subsidiaries in 2008 by the remaining period of contract showed that most loans amounting to 240,144 million baht had a remaining period of over one year. Next in order were the loans worth 31,104 million baht with a remaining period of less than one year, and the call loans worth 8,798 million baht.

CLASSIFIED LOANS

The following are details of the classified loans (including loans to financial institutions which were presented as part of interbank and money market items) as well as the related allowances for doubtful accounts (in line with the criteria of the BOT) of the Company and its financial institution subsidiaries (Thanachart Bank and the asset management companies) as at 31 December 2008 and 2007.

	(Unit: Million Baht)							
	DEBT BALANCE/BOOK VALUE				ALLOWANCE FOR DOUBTFUL ACCOUNTS AS PROVIDED IN THE ACCOUNTS			
	31 DEC 08	PERCENT	31 DEC 07	PERCENT	31 DEC 08	PERCENT	31 DEC 07	PERCENT
Normal	274,523	88.19	199,066	85.82	912	9.92	528	6.74
Special mention	25,107	8.07	22,100	9.53	185	2.01	141	1.80
Substandard	2,093	0.67	2,492	1.07	1,475	16.05	1,685	21.52
Doubtful	1,719	0.55	2,244	0.97	1,230	13.39	1,085	13.85
Doubtful of loss	7,828	2.52	6,047	2.61	5,118	55.69	3,870	49.41
Total	311,270	100.00	231,949	100.00	8,920	97.06	7,309	93.32
General reserve					270	2.94	523	6.68
Total provisions					9,190	100.00	7,832	100.00

Notes: - The information shown in the above table included only Thanachart Capital and its subsidiaries that are under the BOT supervision.
 - The loan amounts of the normal and special mention accounts did not include the accrued interest receivables.

NON-PERFORMING LOANS (NPLs)

As at 31 December 2008, the non-performing loans (classified in line with the criteria of the BOT) of the Company and its subsidiaries amounted to 12,265 million baht, an increase of 1,047 million baht or 9.33 percent from the end of 2007. This was mainly due to the increase in non-performing hire purchase loans. The ratio of NPLs to total loans amounted to 4.39 percent, compared to 4.69 percent as at the end of the previous year. As at 31 December 2008, the NPL-net amounted to 3,836 million baht with the ratio of NPL-net being 1.42 percent.

	31 DECEMBER 2008	31 DECEMBER 2007
Non-Performing Loans (NPLs)	12,265	11,218
Ratio of NPLs to total loans (%)	4.39	4.69
NPLs – net	3,836	4,165
Ratio of NPL – net (%)	1.42	1.79
Total allowance for doubtful accounts	9,947	8,417
Ratio of total allowance for doubtful accounts to NPLs (%)	81.10	75.03

Note: NPL-net equaled non-performing loans minus allowance for doubtful accounts of total non-performing loans

ALLOWANCE FOR DOUBTFUL ACCOUNTS

As at 31 December 2008, the allowance for doubtful accounts of the Company and its subsidiaries amounted to 9,947 million baht, an increase of 1,530 million baht or 18.18 percent compared to the end of 2007. This was in line with the growth in loans, particularly hire purchase loans, as well as the economic slowdown. The ratio of the total allowance for doubtful accounts to NPLs amounted to 81.10 percent. Using the criteria of the BOT, the ratio of the total allowance for doubtful accounts to NPLs amounted to 106.81 percent.

DEBT RESTRUCTURING

As at 31 December 2008, the total number of customers in debt to the Company and its subsidiaries amounted to 810,793, of which 831 were clients whose debt needed to be restructured. Their outstanding loan balance amounted to 4,846 million baht with the loan balance net of collateral value amounting to 1,571 million baht. During 2008, the Company and its subsidiaries entered into debt restructuring agreements with a total of 363 debtors, representing an outstanding loan balance before debt restructuring of approximately 1,052 million baht.

PROPERTY FORECLOSED - NET

As at 31 December 2008, property foreclosed (at cost) amounted to 8,471 million baht, which accounted for 2.15 percent of total assets. A total of 917 million baht was set aside as an allowance for impairment, accounting for 10.83 percent of the value based on the cost.

CAPITAL EXPENDITURE

In 2008, the Company and its subsidiaries invested 890 million baht in land, premises, and equipment as well as intangible assets. These investments included 610 million baht to install equipment and refurbish premises, 2 million baht in improvements to premises, and 278 million baht in other investments.

LIQUIDITY

As at 31 December 2008, the cash of the Company and its subsidiaries amounted to 4,018 million baht, an increase of 743 million baht from the 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 25,245 million baht in interbank and money market items (assets), a decrease of 2,500 million baht in securities purchased under resale agreements, an increase of 48,608 million baht in loans, a decrease of 6,567 million baht in property foreclosed, an increase of 81,564 million baht in deposits, an increase of 3,584 million baht in interbank and money market items (liabilities), and a decrease of 389 million baht in securities business payable.
- The net cash flows from investing activities amounted to 12,013 million baht. Of these, the cash paid for purchase of investments contributed 12,617 million baht, the cash paid for purchase of premises and equipment/intangible assets contributed 890 million baht, while the cash received from interest and dividend amounted to 1,477 million baht.
- The net cash flows used in financing activities amounted to 18,420 million baht. The cash received from borrowings amounted to 15,692 million baht while the cash paid for borrowings amounted to 30,264 million baht. Other payments included cash worth 2,373 million baht paid for interest expenses, payment of a dividend of 1,153 million baht, and cash worth 109 million baht paid for treasury stock.

SOURCES OF FUNDS

CAPITAL STRUCTURE

The sources of funds of the Company and its subsidiaries were twofold including liabilities and shareholders' equity. As at 31 December 2008, the funds of the Company and its subsidiaries from liabilities amounted to 361,775 million baht, accounting for 91.79 percent of the total liabilities and shareholders' equity, while the funds from shareholders' equity amounted to 32,361 million baht, accounting for 8.21 percent of the total liabilities and shareholders' equity. As a result, the ratio of liabilities to shareholders' equity was 11.18 times. In another words, the liabilities were 11.18 times the shareholders' equity. The important components of liabilities consisted of the deposits which accounted for 74.56 percent of the funds from liabilities, the interbank and money market items which accounted for 2.02 percent, and the borrowings which accounted for 18.09 percent respectively.

LIABILITIES

As at 31 December 2008, the liabilities of the Company and its subsidiaries amounted to 361,775 million baht, an increase of 72,281 million baht or 25.18 percent from the end of 2007. The important components of the liabilities were as follows:

- As at the end of 2008, the total deposits and short-term borrowings amounted to 316,382 million baht, an increase of 62,368 million baht or 24.55 percent from the previous year.
- The long-term borrowings amounted to 18,811 million baht, a decrease of 4,694 million baht or 33.25 percent from the previous year.

	31 DECEMBER 2008		31 DECEMBER 2007	
	AMOUNT	PERCENT	AMOUNT	PERCENT
Deposits	269,730	74.56	188,166	65.11
Interbank and money market items	7,293	2.02	3,709	1.28
Borrowings				
• Short-term borrowings	46,652	12.89	65,848	22.79
• Long-term borrowings	18,811	5.20	14,117	4.88
Other liabilities	19,289	5.33	17,154	5.94
Total liabilities	361,775	100.00	288,994	100.00

SHAREHOLDERS' EQUITY

As at 31 December 2008, the shareholders' equity of the Company and its subsidiaries amounted to 32,361 million baht, an increase of 99 million baht or 0.31 percent from 32,262 million baht as at the end of 2007. The related major items included the following:

- The unappropriated retained earnings amounted to 10,342 million baht, an increase of 1,390 million baht from the end of 2007. This was mainly due to net income worth 2,768 million baht of the Company and its subsidiaries for the year 2008, which was net of dividend payments worth 1,200 million baht (at a rate of 0.90 baht per share).
- The revaluation deficit on investments amounted to 1,319 million baht, an increase of 1,302 million baht from 2007, as a result of the prevailing market conditions.
- During 2008, Thanachart Capital repurchased 16.29 million shares from the shareholders for 110 million baht at an average price of 6.77 baht per share. The repurchased shares were not sold during the year. However, the Company was required to dispose of these repurchased shares within three years from the date on which they were repurchased.

OBLIGATIONS

As at 31 December 2008, the off-balance-sheet obligations of the Company and its subsidiaries amounted to 95,751 million baht, an increase of 11.72 percent from the end of the previous year. These included obligations worth 32,540 million baht in interest rate swap agreements; obligations worth 44,680 million baht in forward foreign exchange contracts; 10,015 million baht in cross currency and interest rate swap contracts; 4,164 million baht in committed but not drawn down overdrafts; 128 million baht in avals to bills and guarantees of loans; 664 million baht in letters of credit; 443 million baht in liabilities under unmatured import bills; and other obligations worth 3,117 million baht.

Noteworthy performances of the Company's subsidiaries, based on their respective financial statements included:

SUBSIDIARIES	DIRECT/INDIRECT SHAREHOLDING (%)	NET PROFIT	
		2008	2007
Thanachart Bank Public Company Limited (excluding its subsidiaries)	74.93	1,304	991
Thanachart Securities Public Company Limited	74.93	97	257
Thanachart Fund Management Company Limited	56.20	123	102
Thanachart Insurance Company Limited	74.93	63	66
Thanachart Life Assurance Company Limited	74.93	350	176
NFS Asset Management Company Limited	100.00	253	78
Max Asset Management Company Limited	83.44	130	98

Analysis of financial position and performance for the year ended of 31 December 2008, compared to the financial position and performance for the year ended 31 December 2007

FINANCIAL POSITION

ASSETS

As at 31 December 2008, Thanachart Bank's total assets amounted to 368,272 million baht, an increase of 77,175 million baht or 26.51 percent. This was mainly due to the increase of 46,226 million baht in loans and accrued interest receivables and the increase of 27,934 million baht in short-term liquidity.

Thanachart Bank's loans and accrued interest receivables amounted to 266,843 million baht, an increase of 46,226 million baht or 20.95 percent from the end of 2007. This was mainly due to the increase of 36,199 million baht in automobile hire purchase loans, the increase of 13,344 million baht in corporate loans, and the increase of 6,603 million baht in SME loans. On the other hand, the loans given to the member companies of Thanachart Group decreased by 8,426 million baht, as a result of normal repayments of the loans.

Thanachart Bank's short term liquidity amounted to 86,005 million baht, an increase of 27,934 million baht or 48.10 percent from the previous year. This was mainly due to the increase in Thanachart Bank's deposits and short-term borrowings. However, Thanachart Bank managed its excess liquidity efficiently and was able to maintain the same rate of overall return as the rate in the previous year.

LIABILITIES

As at 31 December 2008, Thanachart Bank's total liabilities amounted to 347,002 million baht, an increase of 76,600 million baht or 28.33 percent from the end of 2007. This was mainly due to the increase in deposits through the branch network as well as the introduction of financial products that met customers' needs. The major components of the liabilities and the shareholders' equity were as follows:

- The total deposits amounted to 270,832 million baht, an increase of 81,746 million baht or 43.23 percent from the end of 2007. Most deposits whose maturities were less than one year accounted for 99.48 percent of the total deposits, an increase from 99.28 percent in the previous year.
- The total borrowings amounted to 62,288 million baht. These included short-term borrowings of 47,928 million baht and long-term borrowings of 14,360 million baht. The short-term borrowings decreased by 11,070 million baht or 18.76 percent from the end of the previous year. On the other hand, the long-term borrowings increased by 1,400 million baht or 10.80 percent from the end of the previous year. This was mainly due to the fact that, during the second quarter of 2008, Thanachart Bank issued seven-year subordinated debentures worth 5,000 million baht having an average coupon rate of 5.61 percent, to accommodate its continuous loans growth in the future and to replace part of the borrowings that matured during the same quarter.

SHAREHOLDERS' EQUITY

As at 31 December 2008, the shareholders' equity amounted to 21,270 million baht, an increase of 575 million baht or 2.87 percent from the end of 2007. This was mainly due to the increase in profit during 2008. During the second quarter of 2008, Thanachart Bank made dividend payments worth 746 million baht in total or 0.43 baht per share to the holders of ordinary shares from the net profit made in 2007. In addition, the revaluation deficit on investments increased by 155 million baht.

DEBT TO EQUITY RATIO

Thanachart Bank's debt to equity ratio increased from 13.07 times in 2007 to 16.31 times in 2008, mainly due to the continuous growth of the Bank's deposits and short-term borrowings. Thanks to the successful introduction of various deposit products that provided customers with more alternatives for their deposits, the Bank's deposits and short-term borrowings increased by 70,676 million baht or 28.49 percent. In addition, its long-term borrowings increased by 1,400 million baht or 10.80 percent from the end of the previous year.

OBLIGATIONS

Thanachart Bank's total obligations increased from 75,066 million baht in 2007 to 87,095 million baht in 2008, with all items of the obligations increasing from the year 2007.

Moreover, Thanachart Bank still had an obligation to share responsibility with Thai Asset Management Corporation (TAMC) for the future losses arising from the loans transferred to TAMC, worth approximately 89 million Baht. This amount was shown as part of the allowance for impairment of investments in held-to-maturity debt securities. In addition, the Bank had obligations of no more than 20 percent of losses from default in housing loans sold to the Secondary Mortgage Corporation (SMC), of which, at the end of 2008 was an amount worth less than 3 million Baht.

ASSET QUALITY

1. Loans, Debtors and Accrued Interest Receivables

As at 31 December 2008, Thanachart Bank's loans and accrued interest receivables which were classified in line with the BOT's criteria amounted to 311,981 million baht, an increase of 86,697 million baht or 38.48 percent from the end of the previous year. During 2008, the Bank entered into many types of debt restructuring agreements, whether as a result of modification of repayment terms, transfer of assets, and/or equity securities and/or modification of repayment terms, with 214 debtors in total. The outstanding balance before debt restructuring was approximately 621 million baht. As at 31 December 2008, 381 of Thanachart Bank's 707,434 debtors entered into debt restructuring agreements with the Bank. The total principal amounts and accrued interest receivables of these debtors' accounts amounted to 2,645 million baht, a decrease from 2,698 million baht from 2007.

2. Loans Classified in line with the BOT's Criteria

As at 31 December 2008, Thanachart Bank's loans and accrued interest receivables, which were classified in line with the BOT's criteria, amounted to 311,981 million baht, an increase of 86,697 million baht or 38.48 percent from the end of the previous year. As at 31 December 2008, the Bank set aside 6,268 million baht as allowance for doubtful accounts. The Bank also set aside 97 million baht as additional allowance for doubtful accounts. As a result, the Bank's total allowance for doubtful accounts amounted to 6,365 million baht, an increase of 1,840 million baht from the end of the previous year. The allowance for doubtful accounts accounted for 2.04 percent of the total loans and accrued interest receivables.

3. Non-Performing Loans (NPLs)

As at 31 December 2008, the Bank's non-performing loans which were classified in line with the BOT's criteria amounted to 7,167 million baht, an increase of 1,954 million baht from the end of 2007. This was in line with the economic slowdown which affected the debtors' ability to repay. However, Thanachart Bank already introduced tough measures on loan approval and enhanced its efficiency in debt collection in order to mitigate future damage. The non-performing loans to total loans ratio (NPL ratio) amounted to 2.30 percent, which was close to the level in the previous year. Taking into account the non-performing loans after deducting the allowance for doubtful accounts (NPL-net) which amounted to 1,830 million baht, the net non-performing loans to total loans ratio (NPL-net ratio) amounted to 0.60 percent, with the allowance worth 6,365 million baht for doubtful accounts accounting for 88.80 percent of the non-performing loans.

4. Investments in Securities

In 2008, Thanachart Bank's total investments in securities amounted to 22,346 million baht, most of which were investments in government and state enterprise securities which accounted for 56.39 percent of the total investments. Next in order were investments in held-to-maturity foreign debt securities, for which Thanachart Bank entered into forward foreign exchange contracts in order to manage exposure to fluctuations in foreign currency exchange rates. The investments in foreign debt securities and the related interest receivables accounted

for 21.69 percent of Thanachart Bank's total investments in securities. Taking into account the increase(decrease) in provision for impairment or revaluation of investments, the Bank's net investments in 2008 amounted to 22,104 million baht, an increase of 41.03 percent from 15,673 million baht in the previous year. The details of the investments in securities in 2008 were as follows:

MAINTENANCE OF BIS RATIO (CAPITAL-TO-RISK-WEIGHTED-ASSET RATIO)

As at 31 December 2008, Thanachart Bank's total capital amounted to 28,247 million baht, of which 20,261 million baht was considered Tier-1 capital while 8,250 million baht was considered Tier-2 capital. The Bank's BIS ratio based on the Basel II accord amounted to 11.18 percent. In comparison, its BIS ratio in 2007, based on the Basel I accord, amounted to 12.00 percent. In this connection, Thanachart Bank's BIS ratio was still higher than the minimum BIS ratio of 8.50 percent required by the BOT.

OVERALL PERFORMANCE

In 2008, Thanachart Bank's net profit amounted to 1,304 million baht, an increase of 314 million baht or 31.67 percent from the previous year. This was mainly due to a number of key factors including the increase in the loan spread from 3.30 percent to 3.72 percent, the continuous growth of the Bank's loans, appropriate cost management with focus on deposit mobilization through Thanachart Bank's 213 branches, successful introduction of diverse products, as well as the increase of 14.02 percent in non-interest income. On the other hand, the Bank's non-interest expenses increased by 27.58 percent. This was mainly due to the increase in personnel expenses as well as premises and equipment expenses as the Bank needed to make investments in information technology and basic infrastructure as well as the creation of Thanachart Bank's image as a medium-sized commercial bank in order to accommodate the future business expansion. However, Thanachart Bank managed to keep its cost to income ratio at 61.06 percent, which was close to the level in the previous year.

Noteworthy developments in relation to Thanachart Bank's business operations in 2008 were as follows:

1. As regards lending growth, Thanachart Bank successfully extended more new loans, both hire purchase loans and corporate loans, in a continuous manner. In particular, the automobile hire purchase loans which were the Bank's key business increased by 22.28 percent from 162,205 million baht in 2007 to 198,344 million baht in 2008.
2. In relation to its deposits, Thanachart Bank managed to expand its depositor base, despite the decline in interest rates. The Bank was also able to achieve an appropriate proportion of different types of deposit products. Noteworthy was its successful introduction of various new products that provided its customers with more alternatives. The efforts enabled Thanachart Bank to expand its client base and achieve a larger market share. As a result, Thanachart Bank was also able to cut its cost of funds to 3.21 percent from 3.76 percent in 2007.
3. To boost more non-interest income and to cut its operational costs in 2008, Thanachart Bank stepped up efforts to introduce more new products as well as streamlining basic infrastructure and work systems. Apart from helping the Bank prepare for future business expansion, the efforts enabled Thanachart Bank to maintain its non-interest income ratio at 17.92 percent.

The above-mentioned developments significantly improved Thanachart Bank's performance in 2008. The net income before bad debts and corporate income tax amounted to 4,966 million baht, an increase of 1,328 million baht or 36.52 percent from the previous year. The net income amounted to 1,304 million baht, an increase of 314 million baht or 31.67 percent from the previous year. As the economic slowdown in 2008 adversely affected the business performance and the debtors' ability to repay, Thanachart Bank's non-performing loans increased from 5,213 million baht in 2007 to 7,167 million baht in 2008. As a result, the expenses on bad debts and doubtful accounts increased to 942 million baht. However, Thanachart Bank and its subsidiaries already introduced strict measures on loan approval and enhanced the efficiency of debt collection to mitigate future damage.

INTEREST AND DIVIDEND INCOME

In 2008, Thanachart Bank's interest and dividend income amounted to 19,897 million baht, an increase of 2,774 million baht or 16.19 percent from the previous year. This was mainly due to the increase in interest income from hire purchase loans in line with the lending growth.

INTEREST EXPENSES

The Bank's interest expenses amounted to 9,429 million baht, an increase of 43 million baht or 0.45 percent from the previous year. Its deposits and short-term borrowings increased by 70,676 million baht or 24.49 percent from 2008 while its cost of deposits decreased in line with the decline in interest rates in the second half of 2008.

BAD DEBTS AND DOUBTFUL ACCOUNTS

Thanachart Bank's expenses on bad debt and doubtful accounts in 2008 amounted to 3,548 million baht, an increase of 942 million baht or 36.14 percent from the previous year, mainly as a result of the economic slowdown which adversely affected debtors' ability to repay. In case of the increase in non-performing loans, the Bank was required to set aside allowance for the doubtful accounts at 100 percent of the difference between the outstanding book value of the debts and the expected proceeds from the disposal of collateral. This was in line with the BOT's criteria on allowance for doubtful accounts, which were announced in December 2006.

NON-INTEREST INCOME

In 2008, Thanachart Bank's non-interest income amounted to 2,286 million baht, an increase of 281 million baht or 14.02 percent from the previous year. This was mainly due to the increase of 301 million baht in fees and service income as well as gains worth 173 million baht from foreign exchange and derivatives contracts. However, the gains from investments decreased in line with the sluggish capital market.

NON-INTEREST EXPENSES

In 2008, Thanachart Bank's non-interest expenses amounted to 7,788 million baht, an increase of 1,684 million baht or 27.58 percent from the previous year. This was mainly due to the increase of 820 million baht in personnel expenses as well as the increase of 249 million baht in premises and equipment expenses, as a result of the increase in the number of branches, investments in information technology and basic infrastructure as well as the creation of Thanachart Bank's image as a mid-sized commercial bank in order to accommodate future business expansion.

THANACHART SECURITIES PUBLIC COMPANY LIMITED

Management discussion and analysis of operating results and financial position for the year ended 31 December 2008 comparing to that of the year ended 31 December 2007.

FINANCIAL POSITION

ASSETS

As at the end of 2008, the Company's total assets amounted to 3,105.99 million baht, a decrease of 15.94 percent from the end of 2007. Most of assets consisted of net securities business receivables and receivables from clearing house, net investments, cash and cash equivalent, as well as long-term deposits with financial institutions. The decrease in assets was due to the decrease in cash, cash equivalents, long-term deposits with financial institutions and net investment at the rate of 28.82 percent and 23.51 percent, respectively; while other assets increased at a rate of 34.09 percent.

LIABILITIES

Liabilities' structure of the Company consisted of net securities business payables, payables to clearing house and other liabilities. As at the end of 2008, the Company's total liabilities amounted to 1,297.26 million baht, of which 1,150.71 million baht was net securities business payables or 88.70 percent of total liabilities, a decrease of 9.30 percent from the end of 2007. Also, the Company had short-term borrowings in the amount of 50 million baht.

SHAREHOLDERS' EQUITY

As at the end of 2008, the Company's shareholders' equity amounted to 1,808.73 million baht, a decrease of 455.88 million baht or 20.13 percent from the previous year. The Company's net income for the year amounted to 96.92 million baht, a decrease of 160.30 million baht from the previous year. The revaluation surplus on investment decreased by 312.80 million baht due to the impairment of investments and market price changes in investments. Also, the Company paid dividend to the shareholders in the total amount of 240 million baht.

LIQUIDITY

For business operations of the Company, operating activities provided the most impact on liquidity. Cash inflow and outflow from operating activities derived from the changes of working capital in the part of securities business receivables, securities business payables, and receivable/payables from/to clearing house.

For the year 2008, the Company's net cash flow decreased by 439.34 million baht, which consisted of cash used in operating activities in the amount of 81.38 million baht, cash used in the purchase of long-term investments in the amount of 146.38 million baht and cash paid out for dividend in the amount of 240 million baht. Also, the Company had short-term borrowing from banks in the amount of 50 million baht.

OPERATING RESULTS

For the year 2008, the Company's net income amounted to 96.92 million baht, a decrease of 160.30 million baht or 62.32 percent from the previous year. The operating results can be summarized as follows:

REVENUE

The Company's total revenue amounted to 954.54 million baht, a decrease of 102.72 million baht or 9.72 percent from the previous year. Revenue was mainly generated from securities and forward contract brokerage fees in the amount of 787.40 million baht, interest and dividend income in the amount of 93.71 million baht and fees and service income in the amount of 62.31 million baht, an increase of 7.34 percent, 9.05 percent and 172.07 percent, respectively. On the other hand, gain from the sales of securities decreased by 226.94 million baht due to the impairment of investments in the amount of 40.96 million baht. In the previous year, the Company had a certain amount of gain from the sales of securities.

COSTS AND EXPENDITURES

For the year 2008, the Company's costs and expenses related to business operations amounted to 800.04 million baht, an increase of 97.90 million baht or 13.94 percent from the previous year. This was due to an increase of 20.95 million baht in allowance for doubtful accounts of securities receivables and an increase of 25.49 million baht in allowance for doubtful accounts of promissory notes deposited with entities facing financial problems. For the operating expenses, personnel expenses increased by 36.13 million baht or 9.74 percent, varying with the increase of brokerage fees. Also, corporate income tax decreased by 40.32 million baht, varying with the Company's net profit which has decreased also.

THANACHART FUND MANAGEMENT COMPANY LIMITED

Management discussion and analysis of financial position and operating results for the year ended 31 December 2008 comparing to that of the year ended 31 December 2007.

FINANCIAL POSITION

ASSETS

Most of the Company's assets were in the form of cash and deposits in financial institutions (75.36 percent of total assets). In 2008, the Company's total assets amounted to 313.14 million baht, an increase of 6.36 million baht or 2.07 percent from 2007. From the operating results, during the year 2008, the Company paid out dividend to shareholders from the net income of 2007 in the total amount of 100.00 million baht.

LIABILITIES

Total liabilities were relatively low comparing to total assets (19.72 percent of total assets). Liabilities consisted of account payables, financial leases payables and accrued expenses.

In 2008, the Company's total liabilities amounted to 61.75 million baht, a decrease of 17.02 million baht or 21.61 percent from 2007, mainly due to corporate tax payables.

SHAREHOLDERS' EQUITY

As at the end of 2008, shareholders' equity amounted to 251.39 million baht, an increase of 23.38 million baht or 10.26 percent. The increase in shareholders' equity was contributed by the increase in net income, after deducting a dividend payment of 100.00 million baht as mentioned above.

OPERATING RESULTS

In 2008, the Company's net income amounted to 123.32 million baht, an increase of 21.33 million baht or 20.92 percent when compared to net income of 2007. Earning per share was 12.33 baht. The operating results can be analyzed as follows:

REVENUE

As at 31 December 2008, the Company's total revenue amounted to 444.36 million baht, an increase of 69.37 million baht or 18.50 percent once compared to total revenue as at 31 December 2007. Revenue was mainly contributed from fund management fees, registrar fees and fees from selling and buying back unit trusts in the amount of 434.40 million baht, an increase of 70.36 million baht or 19.33 percent, due to the new launched funds and the increase in net asset values.

COSTS AND EXPENDITURES

Fees and service expenses composing fees paid by the Company to supporters for the sale of unit trusts as well as business license fees were reported at the amount of 49.74 million baht, an increase of 9.34 million baht or 23.13 percent from the previous year.

Operating expenses were reported at the amount of 233.88 million baht, an increase of 45.63 million baht or 24.24 percent. This was due to the increase in expenses related to salary, special financial supports, training and seminar, premises and equipment rental, maintenance, depreciation, postal, advertisement, and sale support.

Operating profit margin in 2008 amounted to 36.17 percent, a decrease of 39.03 percent from 2007. Net profit margin in 2008 amounted to 27.75 percent, an increase from 27.20 percent of 2007.

THANACHART INSURANCE COMPANY LIMITED

Management discussion and analysis of financial position and operating results for the year ended 31 December 2008 comparing to that of the year ended 31 December 2007.

FINANCIAL POSITION

ASSETS

For the year ended 31 December 2008, the Company's total assets amounted to 3,470.29 million baht, an increase of 627.79 million baht or 22.09 percent from the end of 2007. This was mainly due to the increase in investment. As at 31 December 2008, total investment assets amounted to 2,510.64 million baht, an increase of 529.34 million baht or 26.72 percent from the end of 2007. The investment assets consisted of investments in securities in the amount of 2,207.25 million baht, and cash and deposits with banks in the amount of 303.40 million baht.

LIABILITIES

For the year ended 31 December 2008, the Company's total liabilities amounted to 2,621.99 million baht, an increase of 492.82 million baht or 23.15 percent from the end of 2007. This was partly due to the increase of 258.24 million baht in unearned premium reserve not yet recognized as income, arising from the expansion of insurance premium income.

SHAREHOLDERS' EQUITY

For the year ended 31 December 2008, the Company's shareholders' equity amounted to 848.30 million baht, an increase of 134.97 million baht or 18.92 percent from the end of 2007. In October 2008, the Company's registered capitals increased from 500.00 million baht to 740.00 million baht to support its business expansion.

LIQUIDITY

For the year ended 31 December 2008, the Company's cash flows from operating activities amounted to 495.57 million baht. Cash flows from investing activities amounted to 41.15 million baht, of which 62.59 million baht was interest and dividend income, 21.45 million baht was loss on the sales of securities. Moreover, a cash inflow from capital injection was 240 million baht.

For financial liquidity in 2008, the Company's investment policy was still to mitigate risks arising from volatilities of interest rates. As a result, it gradually reduced its long-term investments and increased its investments in short-term instruments to reduce such risk. The Company still focused on investing in instruments with high liquidity. As a result, the Company's liquidity was relatively high for business operations.

OPERATING RESULTS

For the year ended 31 December 2008, the Company's net income amounted to 63.37 million with earning per share at 1.17 baht, decreased from that of the same period last year where the net income was 65.89 million baht and earning per share was 1.32 baht. The operating results can be analyzed as follows:

REVENUE

The Company's total revenue amounted to 2,898.49 million baht, an increase of 527.39 million baht or 22.24 percent from the same period last year. Of which, revenue from the premium written was 2,851.81 million baht, an increase of 569.97 million baht or 24.98 percent from the same period last year. This was due to the cooperation between Thanachart Insurance and Thanachart Bank on the expansion of retail customer base by leveraging from the Bank's customer base. In addition, in 2008, Thanachart Insurance expanded the channels through bancassurance of the Bank and revised its strategy to expand automobile market. At the same time, the Company still provided its full attention to existing customers by improving both before and after sale services in order to create customers' satisfaction. Consequently, in 2008, the Company had profit from insurance underwriting in the amount of 449.84 million baht, an increase of 124.34 million baht or 38.20 percent from the same period last year.

COSTS AND EXPENDITURES

The Company's total indemnities amounted to 1,428.75 million baht, an increase 248.25 million baht or 21.03 percent from the same period last year. This was due to overall growth of the Company's insurance business. Loss ratio in 2008 was at 57.55 percent, a decrease from 60.51 percent in the same period of 2007. Operating expenses amounted to 412.04 million baht, an increase of 89.00 million baht or 27.55 percent from that of the same period last year. This was due to the allocation of the organizational resources aiming at accommodating market growth and enabling the Company to deliver quality services that cater to the needs of every group of customers and business partners.

THANACHART LIFE ASSURANCE COMPANY LIMITED

Management discussion and analysis of financial position and operating results Analysis for the year ended 31 December 2008 comparing to that of the year ended 31 December 2007.

FINANCIAL POSITION

ASSETS

As at the end of 2008, the Company's total assets amounted to 9,050.80 million baht, an increase of 28.68 percent. This was mostly due to investments in securities in the amount of 8,017.37 million baht, an increase of 27.84 percent from that of 2007. The investments in securities amounted to 88.58 percent of total assets and were in compliance with investment regulation stipulated by the Office of Insurance Commission (OIC).

LIABILITIES

As at the end of 2008, the Company's total liabilities amounted to 8,159.56 million baht, an increase of 38.11 percent, mostly due to life premium reserve which increased every year. Life premium reserve accounted for 95.86 percent of total liabilities. As at 31 December 2008, the Company's life premium reserve was 7,821.62 million baht, an increase of 39.84 percent from the previous year. According to the OIC's requirements, life insurance companies have to set aside reserves for the life insurance policies which are still in force, so that the Companies would be able to meet the financial obligations to their policy holders.

SHAREHOLDERS' EQUITY

As at 31 December 2008, shareholders' equity amounted to 891.23 million baht, a decrease of 234.13 million baht or 20.80 percent from the previous year. The Company's return on equity (ROE) was at 31.59 percent in 2008, an increase from 18.25 percent of that in 2007.

OPERATING RESULTS

For operating results for the year ended 2008, the Company's net income amounted to 350.30 million baht, an increase of 174.62 million baht or 99.40 percent comparing to that of 2007. Earning per share in 2008 was at 7.01 baht. The operating results can be analyzed as follows:

REVENUE

In 2008, the Company's net premium income amounted to 4,791.53 million baht, an increase of 1,566.00 million baht or 48.55 percent from that of the previous year. This was due to the increase in premium written for the group life insurance in the amount of 20.21 percent and the increase in ordinary life insurance in the amount of 215.48 percent.

COSTS AND EXPENDITURES

In 2008, the Company's underwriting expenses amounted to 4,038.23 million baht, an increase of 1,219.53 million baht or 43.27 percent from that of the previous year. Major items of expenses included the followings:

Life premium reserve, calculated by actuaries which was in line with the Ministry of Commerce promulgation in relation to rules and regulations governing the provisioning of premiums as premium reserve, amounted to 2,228.20 million baht, an increase of 13.00 percent. This was due to 20.21 percent increase in group life insurance and 215.48 percent increase in ordinary life insurance.

Payments to life policy holders were reported at the amount of 1,352.08 million baht, an increase of 157.42 percent from that of the previous year. Most of the expenses, or 45.07 percent to be exact, were indemnities paid for death. In 2008, claims for death indemnities increased by 216.45 million baht or 55.08 percent comparing to that of 2007. Also, cash surrender value increased by 526.05 million baht or 3,859.03 percent comparing to that of 2007.

Premium and brokerage expenses amounted to 390.25 million baht, an increase of 85.86 million baht or 28.21 percent from that of the previous year. Premium and brokerage expenses varied with the increase in the underwriting revenue and the rate of commissions and brokerage of each policy that was different.

Operating expenses amounted to 479.98 million baht, an increase of 76.01 million baht or 18.82 percent from that of the previous year. Expenses related to personnel increased by 25.93 million baht or 37.27 percent. Other operating expenses increased by 41.45 million baht or 14.14 percent, which consisted of bank's fees, service support expenses, contributions paid to associations and institutions, stationary and office form expenses, etc.

MAX ASSET MANAGEMENT COMPANY LIMITED

Management discussion and analysis of financial position and operating results Analysis for the year ended 31 December 2008 comparing to that of the year ended 31 December 2007.

FINANCIAL POSITION

ASSETS

As at 31 December 2008, the Company's total assets amounted to 2,012 million baht, a decrease of 198 million baht or 9 percent from 31 December 2007. The major components included cash and deposits at financial institutions which amounted to 237 million baht; investments in debtors worth 287 million baht; loans worth 278 million baht; net assets foreclosed worth 1,183 million baht; and other assets worth 27 million baht.

LIABILITIES

As at 31 December 2008, the total liabilities amounted to 131 million baht, a decrease of 328 million baht or 71 percent from 31 December 2007. This was due to repayments of all the outstanding borrowings in 2007, worth 269 million baht.

SHAREHOLDERS' EQUITY

As at 31 December 2008, the shareholders' equity amounted to 1,881 million baht, an increase of 130 million baht or 7 percent from 31 December 2007. The return on equity for the year ended 31 December 2008 amounted to 7 percent.

OPERATING RESULTS

As at 31 December 2008, the Company's net income amounted to 130 million baht, an increase of 32 million baht from 31 December 2007. The related details were as follows:

INCOME

As at 31 December 2008, the Company's total interest income amounted to 26 million baht, most of which included the interest income from debt repayments. On the other hand, as at 31 December 2008, the total non-interest income amounted to 230 million baht. The main components included gains worth 115 million baht from debt repayments and gains worth 102 million baht from selling property foreclosed.

COSTS AND EXPENDITURE

As at 31 December 2008, the operating expenses of the Company amounted to 30 million baht. The interest expenses amounted to 18 million baht, a decrease of 27 million baht or 60 percent. This was mainly due to the Company's repayments of all its outstanding borrowings from 2007, worth 269 million baht.

NFS ASSET MANAGEMENT COMPANY LIMITED

Management discussion and analysis of financial position and operating results for the year ended 31 December 2008 comparing to that of the year ended 31 December 2007.

FINANCIAL POSITION

ASSETS

As at 31 December 2008, the Company's total assets amounted to 5,772 million baht, a decrease of 95 million baht or 2 percent from 31 December 2007. The major components included cash and deposits at financial institutions which amounted to 31 million baht; investments worth 1,295 million baht in securities and debt instruments; net investments (promissory notes) worth 171 million baht in TAMC; net investments in debtors worth 1,156 million baht; net loans worth 953 million baht; net property foreclosed worth 2,114 million baht; and other assets worth 52 million baht.

LIABILITIES

As at 31 December 2008, the Company's total liabilities amounted to 4,292 million baht, a decrease of 347 million baht or 7 percent from 31 December 2007.

SHAREHOLDERS' EQUITY

As at 31 December 2008, the shareholders' equity amounted to 1,481 million baht, an increase of 253 million baht or 21 percent from 31 December 2007. This was mainly due to the increase in the Company's net profit. The return on equity for the year ended 31 December 2008 was 19 percent.

OPERATING RESULTS

As at 31 December 2008, the Company's net income amounted to 253 million baht. The related details were as follows:

INCOME

As at 31 December 2008, the Company's interest and dividend income amounted to 146 million baht. On the other hand, its non-interest income amounted to 278 million baht. This was mainly due to gains worth 98 million baht from successful debt restructuring and debt repayments, gains worth 116 million baht from selling property foreclosed, and other income worth 64 million baht.

COSTS AND EXPENDITURE

As at 31 December 2008, the Company's interest expenses amounted to 166 million baht, a decrease of 161 million baht from 2007. This was mainly due to the company's repayments of borrowings worth 600 million baht and the decline in lending rates. Moreover, bad debts and doubtful accounts decreased by 205 million baht as the Company received repayments of the non-performing loans. In addition the Company set aside its provision more than the level based on the criteria of the BOT. For the operating expenses, the Company had the total of 98 million baht.

NATURE OF BUSINESS OPERATIONS

OVERVIEW OF THE BUSINESS OPERATION

Thanachart Capital Public Company Limited is the parent company of Thanachart Financial Conglomerate. The companies under Thanachart Financial Conglomerate are classified by their types of business into two groups: (1) financial business group consisting of commercial banking business, asset management business, securities brokerage business, insurance business and leasing business, and (2) supporting business group consisting of brokerage business, service business, legal advisory and appraisal businesses, and training and human resource development business. The Conglomerate could be considered a fully integrated financial business group whose businesses and operations are clearly separated. As regards the distribution channels, member companies of the Conglomerate make use of the branch network and service outlets of Thanachart Bank Public Company Limited as channels for offering their respective financial services. The arrangements are in compliance with the promotion guidelines given by the regulators concerned. The details of the business operations of each company are as follows:

(A) The member companies that operate financial businesses include the following:

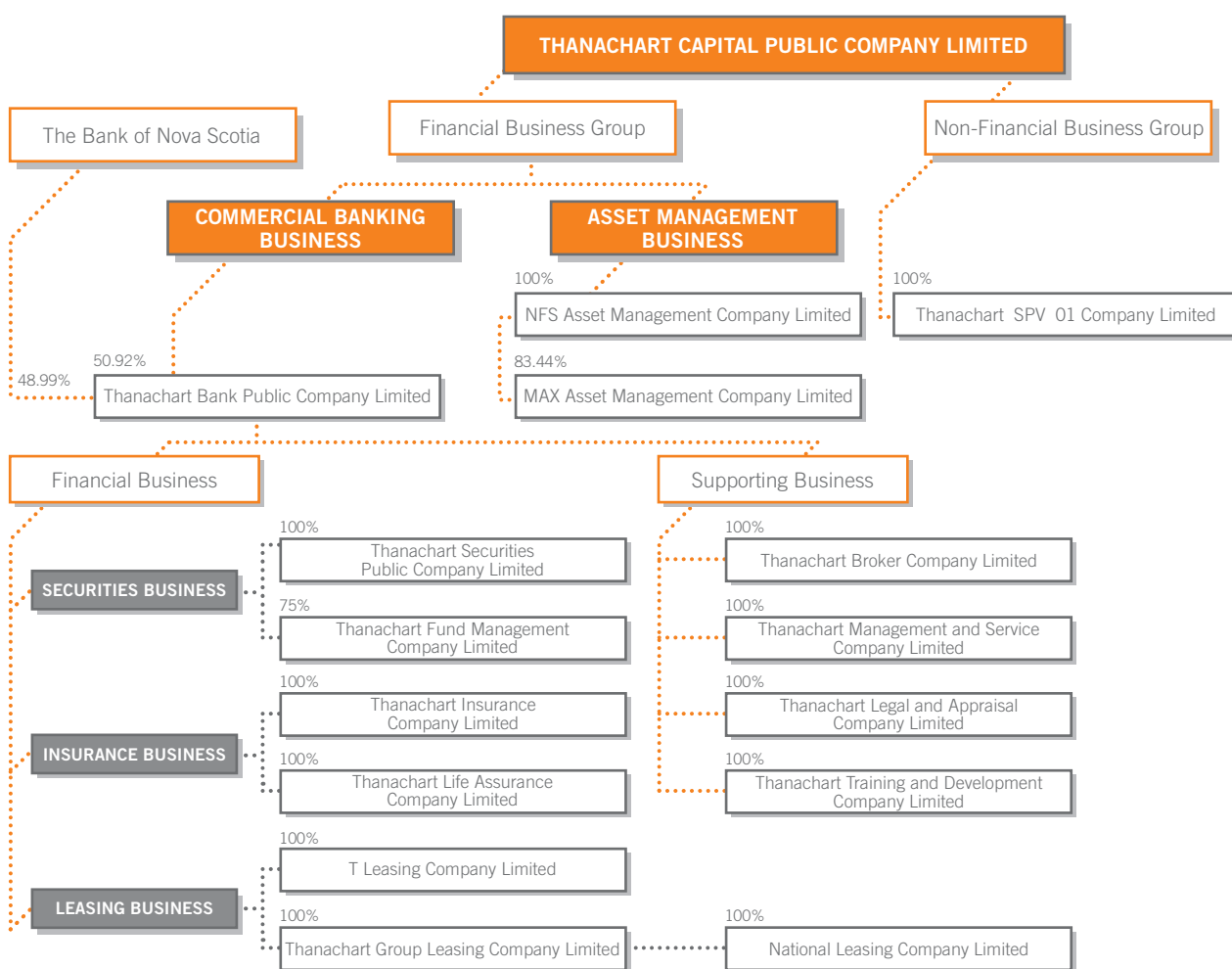
1. Thanachart Capital Public Company Limited operates as the holding company and thus is a parent company of Thanachart Financial Conglomerate.
2. Thanachart Bank Public Company Limited operates commercial banking business and other businesses permitted by the Bank of Thailand (BOT), such as selling 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 four types of businesses including 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 businesses, unit trust underwriting and repurchasing services as well as securities registrar.
4. Thanachart Fund Management Company Limited which is a joint venture between Thanachart Bank (holding 75 percent of the total shares) and the Government Savings Bank (holding 25 percent) operates mutual fund, private fund and provident fund management businesses. In addition, the company operates investment advisory business. As a result, it is considered a company with a full range of advisory services.
5. Thanachart Insurance Company Limited gives non-life insurance services including fire insurance, automobile insurance, marine and transportation insurance, and miscellaneous insurance.
6. Thanachart Life Assurance Company Limited gives life assurance and health insurance services. Based on the characteristics of customers, its services can be divided into two main types including ordinary life insurance and group life assurance.
7. Thanachart Group Leasing Company Limited gives automobile hire purchase loans.
8. NFS Asset Management Company Limited was granted a license to operate asset management business. It buys or takes transfers of non-performing loans from financial institutions of Thanachart Group.

9. MAX Asset Management Company Limited was granted a license to operate asset management business. It buys or takes transfers of non-performing loans from financial institutions.
10. T Leasing Company Limited was granted a license to operate motorcycle hire purchase business.

(B) The member companies that operate supporting businesses include the following:

1. Thanachart Legal and Appraisal Company Limited gives legal services related to contracts, legal advice, bringing cases to court of law, legal enforcement, and appraisal of collateral.
2. Thanachart Management and Service Company Limited gives staffing support services in the form of service staff.
3. Thanachart Training and Development Company Limited organizes training activities for employees of member companies of Thanachart Group.
4. Thanachart Broker Company Limited collects repayments from hire purchase customers of Thanachart Group. The company also acts as broker of insurance companies in underwriting automobile insurance policies. It is also an automobile insurance broker of Thanachart Insurance Company Limited.

SHAREHOLDING STRUCTURE OF THANACHART GROUP AS AT 3 FEBRUARY 2009



Note: The above shareholdings include shares held by the related parties.

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

Being a parent company of Thanachart Financial Conglomerate with a controlling interest (i.e. owning more than 50 percent of issued and paid-up capital), Thanachart Capital has adopted the following policies and approaches in managing the member companies of the Group.

BUSINESS POLICIES

Thanachart Capital and Thanachart Bank is responsible for establishing key business policies of Thanachart Group annually. Each subsidiary is required to formulate business plans and budgets for three to five years and submit them to the parent company for consideration, in order to ensure that they are in alignment with the established key business policies. The business plans and budgets are also subject to evaluation and review every six months. The objective is to ensure that they are in line with the changing business conditions.

SUPERVISION OF SUBSIDIARIES

The directors and high-ranking executives of Thanachart Capital and Thanachart Bank will be assigned to sit on the Board of Directors of the subsidiaries. The arrangement not only enables Thanachart Capital and Thanachart Bank to assist the subsidiaries in establishing their policies and in determining their future direction, but also ensures the close supervision of the subsidiaries' business operations. Importantly, the managing directors of the subsidiaries are required to present a monthly performance report to the Executive Committee and the Board of Directors of Thanachart Bank and Thanachart Capital.

CENTRALIZED SUPPORT SERVICES

It is the policy of Thanachart Group to put each of the support services together in one company which will be responsible for providing services to all other member companies of the Group. The purpose is to maximize benefits within the existing resources including expertise of operations staff and various information technology systems, and to reduce staffing costs. The centralized support services available now within Thanachart Group include information technology, personnel, systems and regulatory development, internal audit, operations control, operations, business control, electronic services, administration and procurement, legal and appraisal services, as well as retail debt collections and collections brokerage.

INTERNAL CONTROL, AUDIT AND CORPORATE GOVERNANCE OF PARENT COMPANY AND MEMBER COMPANIES OF THANACHART GROUP

Thanachart Group places strong emphasis on internal control. The Group adheres to the principle of adequate and appropriate internal control by establishing procedures for the conduct of business, provision of services, and operations. The Group also separates the duties and responsibilities of each unit from those of others, based on a system of checks and balances. In addition, it puts in writing the announcements as well as order mandates, rules and regulations covering key business areas and operations and these information is also disclosed to all staff in such a way that they can always study them in order to gain a full understanding. A central unit at Thanachart Bank is responsible for preparing and proposing for the announcements, order mandates, rules and regulations of all member companies of the Group.

As regards the internal audit, the internal audit group is responsible for auditing the business operations of all member companies of the Group, ensuring that they comply with the regulations and the established work systems. The internal audit group also assesses errors and defects in operations in order to propose corrective measures for improvement. In addition, Thanachart Group has established a compliance unit responsible for closely monitoring and studying laws, notifications, and orders related to the Group's business affairs and operations and disseminating the information to the staff. The compliance unit is also responsible for ensuring that the conduct of business affairs of the member companies of the Group is in compliance with the legal requirements.

Moreover, the Audit Committee of each member company of the Group is responsible for governing, controlling and auditing their respective business operations. The Audit Committee is also allowed to carry out its duties and give its opinions in a manner independent of the management of each company. The purpose is to ensure that internal control and audit systems are effective and that the financial statements are properly reviewed.

As regards the corporate governance, the Boards of Directors of the parent company and the companies in the Group place strong emphasis on the good corporate governance both at the level of the Board of Director and the level of various committees. Independent directors are appointed to the Board of Directors and the committees to provide effective checks and balances on the powers of executive directors. The established scope of responsibilities of the Board of Directors and the committees is also in line with the principles of good corporate governance promoted by the authorities concerned. In addition, the Board of Directors of the parent company and the subsidiaries have established the corporate governance policy and the code of conduct which the directors, executives and staff of the member companies of Thanachart Group are required to adhere to. Focus is given to integrity, transparency and avoidance of any conflict of interest.

RISK MANAGEMENT

Thanachart Capital ensures that the member companies of the Group analyze and assess various risks of their business operations and that the risks are properly managed in line with the guidelines given by the authorities concerned. In addition, Thanachart Capital conducts analysis of the key risks faced by the member companies of the Group which may need direct financial or management support from Thanachart Capital. The established risk management policy of Thanachart Financial Conglomerate is in line with the guidelines given by the BOT.

INCOME STRUCTURE OF THANACHART CAPITAL AND ITS SUBSIDIARIES

The income structure of the Company and its subsidiaries based on the consolidated financial statements as of 31 December 2006 to 2008 is as follows:

BUSINESS GROUP	31 DECEMBER 2008		31 DECEMBER 2007		31 DECEMBER 2006	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
Interest And Dividend Income						
Thanachart Capital Public Company Limited	1,057	4.44	2,378	12.05	4,588	31.53
Thanachart Bank Public Company Limited	18,986	79.73	15,360	77.82	11,136	76.53
Thanachart Securities Public Company Limited	110	0.46	72	0.36	88	0.60
NFS Asset Management Company Limited	145	0.61	210	1.06	512	3.52
MAX Asset Management Company Limited	17	0.07	63	0.32	114	0.78
Thanachart Fund Management Company Limited	7	0.03	6	0.03	6	0.04
Thanachart Insurance Company Limited	65	0.27	55	0.28	55	0.38
Thanachart Life Assurance Company Limited	285	1.20	160	0.81	141	0.97
Thanachart Group Leasing Company Limited	466	1.96	421	2.13	227	1.56
T Leasing Company Limited (Formerly named as Thanachart Leasing 2000 Company Limited)	253	1.06	20	0.10	-	-
Thanachart Broker Company Limited	1	-	1	0.01	-	-
Other subsidiaries	21	0.09	53	0.27	84	0.58
Total interest and dividend income	21,413	89.92	18,799	95.24	16,951	116.49

BUSINESS GROUP	31 DECEMBER 2008		31 DECEMBER 2007		31 DECEMBER 2006	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
Interest expense						
Thanachart Capital Public Company Limited	391	1.65	573	2.90	583	4.01
Thanachart Bank Public Company Limited	9,109	38.25	9,125	46.23	9,440	64.87
Thanachart Securities Public Company Limited	3	0.01	1	0.01	7	0.05
MAX Asset Management Company Limited	3	0.01	8	0.04	12	0.08
Total interest expense	9,506	39.92	9,707	49.18	10,042	69.01
Net interest and dividend income	11,907	50.00	9,092	46.06	6,909	47.48
Non-interest income						
Thanachart Capital Public Company Limited	1,044	4.38	1,688	8.55	1,225	8.42
Thanachart Bank Public Company Limited	1,649	6.93	1,506	7.63	1,144	7.86
Thanachart Securities Public Company Limited	777	3.26	760	3.85	869	5.97
NFS Asset Management Company Limited	319	1.34	471	2.39	797	5.48
MAX Asset Management Company Limited	227	0.95	241	1.22	348	2.39
Thanachart Fund Management Company Limited	435	1.83	368	1.87	255	1.75
Thanachart Insurance Company Limited	2,501	10.50	2,081	10.54	1,668	11.46
Thanachart Life Assurance Company Limited	4,682	19.66	3,313	16.79	1,231	8.46
Thanachart Group Leasing Company Limited	65	0.27	86	0.44	51	0.35
T Leasing Company Limited (Formerly named as Thanachart Leasing 2000 Company Limited)	49	0.21	4	0.02	-	-
Thanachart Broker Company Limited	94	0.40	66	0.33	14	0.10
Other subsidiaries	65	0.27	62	0.31	41	0.28
Total non-interest income	11,907	50.00	10,646	53.94	7,643	52.52
Net interest and dividend income and non-interest income	23,814	100.00	19,738	100.00	14,552	100.00

Note: Other subsidiaries consisted of National leasing Co., Ltd., Bangkok Home Co., Ltd., Sinkahakarn Co., Ltd., Pasara Co., Ltd., Thiravanit Co., Ltd., Thanachart Legal and Appraisal Co., Ltd., Thanachart Property Fund 6, Thanachart SPV01 Co., Ltd., Thanachart Training and Development Co., Ltd., and Thanachart Management and Service Co., Ltd.

NATURE OF BUSINESS OPERATION OF EACH BUSINESS GROUP

BUSINESS POLICY AND STRATEGIES OF THANACHART GROUP

In 2008, Thanachart Group determined its strategic direction in becoming a fully integrated financial services group that is capable of offering quality products and services that cater to the financial needs of the targeted groups of customers in an efficient manner. To move in the right strategic direction, Thanachart Group has come up with a vision based on the fully integrated financial services group with details as follows:

VISION

“Be a business group that offers fully integrated financial services with focus on creation of service excellence and development of various products that cater to all the financial needs of its target groups of customers, with the cooperation and solidarity of all the members of the group.”

Such vision is based on three major fundamentals. The first fundamental is the business group which has fully integrated financial services with Thanachart Bank being the main channel for offering the services. The second one is the ability to cater to customers’ needs (customer centric) while the third one is the cooperation received from all the work units as well as the unity among them (synergy).

Moreover, the efforts based on the three major fundamentals will not only help Thanachart Group to become a successful financial institution with fully integrated financial services, but will also be a key driver in making the Group become one of Thailand’s leading mid-sized banks over the next five years.

In addition to the goal of becoming a fully integrated financial services group, Thanachart Group has set itself a goal of becoming a leading mid-sized bank in the country’s commercial banking industry through organic growth, i.e. having an asset size suitable for business competition and achieving financial performance at the same level as the average of the commercial banking industry. As a result, Thanachart Group places strong emphasis on expanding its retail customer base. Currently, the Group is quite well prepared and has a competitive advantage. It has also diversified its risks by placing more emphasis on corporate loans and SME loans. The objective is to provide its customers with more alternatives and to expand Thanachart Group’s client base. Moreover, with the support of The Bank of Nova Scotia (Scotiabank), Thanachart Group developed fee-based income business by promoting cross-selling. The objective is to increase the fee-based income of Thanachart Group. The Group has communicated these goals to the staff throughout the organization in the form of five strategic intents with the details as follows:

1. To maintain the market leader position in hire purchase business.
2. To diversify the risk of its business loan portfolios by placing more emphasis on corporate loans and SME loans as well as retail loans, mortgages and credit card business.
3. To increase income base in interest income through loan expansion and in non-interest income through offering new services including trade finance, treasury management and credit card business.
4. To achieve the “best-in-class” customer service.
5. To reduce the cost of fund by expanding the savings depositor base. To also reduce the operating cost to income ratio and the non-performing loans.

Being in line with the vision and strategies established by Thanachart Group, the above strategic intents are communicated to all staff at all levels so that they all share the same determination. In order that the strategies are in alignment, efficiently measurable and able to control the organization systematically, Thanachart Group has developed a long term plan entitled “CEO’s Six-point Agenda” which serves as a key tool in controlling the key business plans of all the business units of the Group. The CEO’s Six-point Agenda includes:

Agenda 1: To strive to meet or exceed long-term financial targets.

- The consolidated assets of Thanachart Group increased by 22.7 percent from 321,256 million baht in 2007 to 394,136 million baht in 2008. The return on equity amounted to 10.49 percent while the return on asset amounted to 0.77 percent.

Agenda 2: To accelerate the development of new products and expand the business base (growth initiatives) as well as pursuing quality excellence with focus given to development of products and expansion of distribution channels into areas that cater to the needs of the target groups of customers.

- In 2008, Thanachart Group continued to develop new products that catered to the needs of its target groups of customers (customer segmentation). The Group placed emphasis on developing a wide range of products, bundling up the products of the subsidiaries and offering the products to customers so that they had more alternatives. As part of its efforts to develop new products in a continuous manner, the Group received strong support from Scotiabank in many areas such as trade finance, treasury business, credit card business and electronic business. The support would enable Thanachart Group to offer products on par with those of the leading banks in the future.

- Under the distribution-led strategy which aims at expanding the distribution channels to reach the target groups of customers in all areas so that it has more channels to service its customers, Thanachart Group placed strong emphasis on opening of new branches nationwide. The branches are its main distribution channels. It managed to increase the number of the branches by 3.26 percent from 166 branches in 2007 to 213 branches in 2008, which ranked 8th in the commercial banking industry.

- In addition, Thanachart Group placed strong emphasis on expansion of its distribution channels in the form of ATMs. Under the “ATM Connect” Agreements with its business alliances including Krung Thai Bank and Siam City Bank, Thanachart Group was able to expand its ATM network to serve its customers nationwide.

- Thanks to the product development and distribution-led strategies, the better understanding of its customers, as well as the cooperation from all the executives and staff, Thanachart Group managed to grow its customer base by 30.37 percent in 2008.

Agenda 3: To put in place basic infrastructure systems and key supporting systems that facilitate the efficient business operations (operational improvements). These include the development of basic infrastructure systems and operational systems of Thanachart Group with standards on par with all the best practices.

- Thanachart Group’s installation of basic infrastructure systems is a very important function that helps accommodate the business expansion in line with the Group’s vision. In 2008, Thanachart Group succeeded in installing new work systems which enhanced the efficiency of its services and helped cut the operational cost per transaction. These systems included, among others, new deposit system, treasury system, trade finance system, credit card system, collection system, general ledger system, human resource information system, and Oracle Financial Service Application (OFSA). They are key systems that not only help enhance the effectiveness and efficiency of the current business operations, but also are beneficial to the Bank’s future business expansion.

- The developments under the new operating business model proceeded without any interruption. These included the organizational restructuring in line with the customer-centric approach, the increase in the number of branches, the process reengineering with focus on the end-to-end process which is aimed at enhancing the customer services, as well as the development of a data management system which analyzes the information, promotes a better understanding of customer needs, increases the quality of branch services, and enhances the efficiency of operational cost management. The major projects in 2008 included, among others, restructuring of large industrial loans, reengineering the process of delivering services to customers at branches, establishment of printing center and establishment of custodian and trustee business.

- In developing the quality of its services, Thanachart Group has established guidelines on branch service best practice for all the branches nationwide. The objective is to ensure that the quality standards of services given by the branches are the same. A customer satisfaction survey in 2008 showed that the score of its branch services increased from 3.21 to 3.45, based on a full score of 5.

Agenda 4: To build a proactive work culture and enhance the knowledge and skills of staff in the organization (people development) with focus given to new culture of working and creation of “new DNA” for staff at all levels.

- To build a proactive work culture and support the culture of collaboration. The objective is to bring about unity among staff in the organization and to integrate the work culture of Thanachart Group with the work culture of its business alliances.

- To succeed in integrating the work culture of Thanachart Group with the work culture of its alliance and to succeed in creating a new knowledge base (know-how) with the support of Scotiabank. In 2008, seven of Scotiabank’s senior executives took up key positions within major work units of Thanachart Group. Giving support to the development of innovative work process and sharing their experience and corporate knowledge, they played an important role in changing the corporate culture of Thanachart Group.

- To make Thanachart Group a learning organization, encouraging all staff to share knowledge with one another (knowledge sharing), promoting communication between supervisors and their subordinates as well as between work units (knowledge transfer), organizing seminars with qualified experts being invited to share their knowledge (know-how) with staff.

- To enhance the potential of human resources (people capabilities) by organizing continuous staff training activities in new areas of knowledge. The training projects included, among others, training activities for middle-and high-level executives, strategic training and leadership training. In 2008, there were altogether 156 programs (or 395 sessions in total) organized for enhancing the potential of the staff. The training subjects covered the areas of staff development in line with Thanachart Group’s established vision.

Agenda 5: To conduct the business affairs in compliance with the regulations of the authorities concerned and to adhere to the principles of good corporate governance which cover risk management, general governance, internal audit, rules and regulations, as well as establishment of the Code of Ethics which serves as standard guidelines for staff in the organization.

- The staff in Head Quarter and nationwide network are educated to understand the principles of good corporate governance and corporate social responsibility systematically in order to apply in the operation. This will enhance a more international standard on the good corporate governance and in the corporate social responsibility activities of Thanachart Group that truly benefit society and environment.

Agenda 6: To disseminate the positive image and good reputation of the organization to the target groups of customers and investors (public relation and communication).

- Throughout 2008, Thanachart Group organized continuous public relations activities that aimed at promoting the positive image of the organization through various media including TV, radio, magazines and printed materials. They also included promotional activities for each product, the objective of which was to build a positive image and introduce new product or service to prospective clients.

- Thanachart Group places strong emphasis on internal communication aimed at disseminating success stories and important activities of Thanachart Group to the staff so that they feel proud of their organization and become an integral part of Thanachart Group. The internal communication also includes communication between supervisors and their teams, communication between work units as well as communication between business units.

In 2008, Thanachart Group attained the following goals in line with the five strategic intents.

1. The Group succeeded in maintaining the market leader position in hire purchase business. In 2008, Thanachart Group’s market share in the new and used car hire purchase industry amounted to about 25 percent.

2. The Group succeeded in diversifying the risk of its business loan portfolios. In 2008, Thanachart Group’s Hire Purchase loans decreased from 79.8 percent to 75.8 percent. On the other hand, other loans increased from 20.2 percent to 24.2 percent. The developments helped Thanachart Group diversify the credit risk and interest rate risk more efficiently.

3. The Group succeeded in increasing its profitable revenue. While the interest income from the loan growth increased by 31 percent, the non-interest income from its new fee-based businesses including trade finance, treasury business and cross-selling activities among the member companies of Thanachart Group increased by 11.8 percent.

4. The Group succeeded in achieving the “best-in-class” customer service. The achievement was based on the introduction of the branch service best practice to all of its branches nationwide for implementation. A customer satisfaction survey in 2008 showed that the score of its branch services increased from 3.21 to 3.45, based on a full score of 5.

5. In 2008, Thanachart Group was faced with the increase in the operational costs as a result of investment in the basic infrastructure, which was higher than the increase in the fee-based income. However, its operating cost to income ratio after deducting insurance under writing expense declined to 55.90 percent which was lower than the industry average.

Note: The calculation of the market share was based on information collected from the hire purchase industry as at 31 December 2008.

In view of the goals attained in 2008 in line with the strategic intents, Thanachart Group is determined to enhance further the effectiveness and efficiency of its business operations. In 2009, the Group will proceed with the various activities in order to attain the established goals under the strategic intents.

NATURE OF BUSINESS OPERATIONS OF EACH BUSINESS GROUP

COMMERCIAL BANKING BUSINESS

CHARACTERISTICS OF SERVICES

Thanachart Bank operates its businesses in compliance with the Financial Institutions Businesses Act and other relevant notifications issued by the BOT. Among others, the Bank also acts as an advisor for investments in unit trusts and securities trading account opening, a life insurance brokerage agent, a financial advisor, an agent for bondholders, and a custodian. As at 31 December 2008, the Bank had in total 213 branches (excluding the headquarters), 377 ATMs (both in-branches and stand-alone), 3 CDMs (cash deposit machines), 76 foreign exchange booths, 57 of which are in-branches, as well as 19 foreign exchange offices.

PRODUCT AND SERVICE GROUP

Thanachart Bank improves and develops products that can cater to the customer needs better. Its main products include deposits, loans, electronic services, securities business-related products, insurance policies, and leasing products.

GROUP 1 DEPOSIT PRODUCTS

Thanachart Bank offers deposit products to customer groups, both retail and corporate, through its service outlets. It has four major types of deposit products including savings deposits, fixed deposits, current deposits, and foreign currency deposits.

COMPETITIVE STRATEGIES

As at the end of 2008, the Bank's total deposits amounted to 270,832 million baht, an increase of 81,746 million baht from 2007. This was mainly due to the increase in savings deposits and fixed deposits with maturity of 3-9 months, as a result of the Bank's successful strategy which placed emphasis on development of a wider range of new products for customers to choose from. The strategy was supported by proactive marketing activities and advanced information technology systems. In addition, the product package was promoted to new target groups of customers through product bundling, cross-selling and up-selling. The Bank

also organized marketing activities as well as sale promotion activities aimed at customers of fixed and savings deposits. The objective was to expand the depositor base to cover new target groups of customers, based on the analysis of the needs of each group of customers. For example, its 'cash-to-gold' deposits attracted a lot of interest from new customers with 3-month fixed deposits. In addition, the Bank put in place adequate marketing staff to provide the customers with suggestions, advice and financial planning. The objective was to gain a full and correct understanding of customer needs. The Bank's products were offered through various distribution channels including Money Expo, the Bank's branch network, electronic channels, sales and marketing teams. The products were also offered through the branch networks, marketing teams, ATMs and CDMs (Cash Deposit Machines) of the Bank's business alliances.

GROUP 2 LENDING PRODUCTS

Thanachart Bank's lending products can be divided into five categories including personal loans, SME loans, corporate loans, hire purchase loans and trade finance.

1. AUTOMOBILE HIRE PURCHASE LOANS

Thanachart Bank gives hire purchase loans to both individual and juristic clients with focus given to loans for new and used cars. Currently, the Bank is a market leader in the automobile hire purchase business. After the BOT allowed the Bank to operate sale and leaseback transactions, the Bank started offering the sale and leaseback services under the product called "Cash Your Car". This product was in response to consumers who needed cash in a loan amount appropriate to the car conditions, with an interest rate which was lower than other types of personal loans. The Bank also had other car-related projects such as the NGV loan project which was jointly supported by Thanachart Bank and Petroleum Authority of Thailand (PTT). Under the project, the Bank gave loans at a low interest rate for installing NGV equipment and tank, in line with the promotion to reduce the use of crude oil. The main distribution channel for the hire purchase loans was the sale teams both in Bangkok and in the upcountry.

COMPETITIVE STRATEGIES

As the Thai economy was continuously faced with negative factors in 2008, Thanachart Bank developed strategies for different areas related to the hire purchase loans. In relation to pricing, it was the Bank's policy to offer a competitive price in the market. The Bank also made the terms of its hire purchase loans more flexible within the limits established. As regards the services, the Bank streamlined the loan process, starting from the meeting with the customer and credit analysis, after which the customers would be promptly informed of the loan application results. In addition, the Bank placed emphasis on after-sale services in order to build a good relationship with its customers. In relation to sales promotion, the Bank organized sales promotion activities jointly with the car dealers. The objective was to maintain the existing market share and to find a new way to gain a larger market share, such as working with the new and used car dealers in launching joint campaigns. The Bank also established relationships with the auto manufacturers' companies which gave hire purchase loans. On the relationship with the customers, the Bank established a number projects aimed at providing the existing customers with more services such as improvement of the call center in order to be able to give services to more customers. Moreover, the Bank made arrangements to provide the customers with complete information about the products as well as obtaining suggestions and comments from the customers, the information of which would enable the Bank to find solutions to their problems. As well, the Bank conducted a customer's satisfaction survey and the dealer's satisfaction survey at least once a year. On marketing, the Bank adopted a market penetration strategy aimed at gaining a larger market share of the automobile hire purchase business. It invited the customers who had used the Bank's services before, to get a hire purchase loan from the Bank again to buy their second car. Special privilege would be given to the existing customers who had a good repayment record. In addition, Thanachart Bank focused its marketing efforts on the customers using the hire purchase services of other companies as well as those who had never used the hire purchase services before, such as individual or corporate clients who purchased their cars by cash.

2. CORPORATE LOAN PRODUCTS

In order to cater to the customer needs in an efficient manner, the Bank first develops products that are suitable to the real needs of the customers, after which it determines the line of credit, the interest rate and the repayment period which are in line with the cash in-flows and the customer's use of the approved credit line. The Bank's loan products include the following:

1. Term loan facility which 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 factory, business expansion, purchases of machineries and equipment, and etc.

2. Working capital facility which 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, inventory management and etc. Such financial services include overdraft line or promissory notes. The customers can withdraw loans as they wish but their credit lines and creditworthiness will be subject to annual review by Thanachart Bank.

3. Aval/guarantee facility which 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 which 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 loan products, Thanachart Bank has established an investment banking department. Being responsible for providing the customers with financial advice as well as business loan services, the investment banking department acts as a total solutions provider for the customers. As part of its services, the department assists the customers in mobilizing funds from the capital market. It can also help identify funding sources, manage liquidity and give other support, taking advantage of Thanachart Bank's business alliance network and its relationship with other member companies of Thanachart Group.

The Bank divides corporate finance customers into 3 groups as follows:

- 1) Large scale businesses which are the group of customers with annual sales revenue of over 1,000 million baht. As the financial needs of this group of customers are more complex and numerous, the Bank has established special teams which communicate directly with this group of customers. This enables the Bank to cater to their specific needs in an efficient manner and to design financial products that are suitable to their needs.

- 2) Medium-sized businesses including the group of customers with annual sales revenue of over 300 million baht who are located in Bangkok and its vicinity and intend to get a loan worth more than 50 million baht from Thanachart Bank, as well as the group of customers with annual sales revenue of over 200 million baht who are located outside Bangkok and its vicinity and intend to get a loan worth more than 25 million baht.

- 3) Small scale businesses which include the group of customers with annual sales revenue of less than 300 million baht who are located in Bangkok and its vicinity and intend to get a loan worth less than 50 million baht from Thanachart Bank as well as the group of customers with annual sales revenue of less than 200 million baht who are located outside Bangkok and its vicinity and intend to get a loan worth less than 25 million baht.

COMPETITIVE STRATEGY

The competitive strategy focuses on providing the customers with fully integrated financial services that cater to the customer needs in all areas. Thanachart Bank has established a product development division for corporate customers. The department is responsible for designing products and services that meet the needs of the customers in a most efficient manner. As well, the Bank has invested in credit systems and streamlined the internal work process, ensuring that they are shorter and more flexible. The objective is to give services to the customers more efficiently. The improvements have greatly impressed the customers. Focus is given to large and medium scale customers with strong performance, particularly those in the target sector in Bangkok and in the upcountry. Focus is also given to expansion of the client base to cover supply chain of the target customer groups.

3. LOAN PRODUCTS FOR AUTOMOBILE SMEs

The Bank has developed loan products for automobile SMEs who have short-term financial needs with the proceeds of the loans to be used as their working capital or for enhancing their liquidity position as well as those who have long-term financial needs with the proceeds of the loans to be used for business expansion. The Bank will also offer other financial services to this group of customers. These include, among others, guarantee/avals and trade finance. The target customer groups include new car dealers, used car dealers, public transportation operators, car rental operators as well as operators of automobile-related businesses. The loan products are offered through the Bank's branch network nationwide.

COMPETITIVE STRATEGY

Although the automobile industry in 2008 was adversely affected by the economic slowdown and the political uncertainties, Thanachart Bank continued placing emphasis on maintaining good relationships with its customers by fulfilling their needs, such as providing the customers with advice on financial and business planning. Moreover, Thanachart Bank continues developing loan products that incorporate other financial services, ensuring that the customers have the line of credit and products that match their financial needs as well as the financial structure that is appropriate to their business operations. In addition, Thanachart Bank places strong emphasis on streamlining the internal management systems, such as delegating loan approval authority by making use of the credit scoring techniques as a main tool in screening and approving applications for standard loan products. The tool helps shorten the loan approval process. The Bank has also developed credit operations procedures and systems, making use of information technology in collecting data. As a result, the systems become more efficient and the database management becomes more systematic.

4. PERSONAL LOAN PRODUCTS

In order to be able to cater to the needs of different target customer groups in a most efficient manner, Thanachart Bank has developed a wide range of personal loan products, from which the customers can choose. These include, among others, mortgage loans under the brand of "Smart Home" for residential projects and residential condominiums, as well as home loan refinance that replaces the current mortgage with another financial institution. Another product for the purpose of personal consumption is the multi-purposed loan with or without collateral. The product called "My Cash" is designed for customers whose salaries are paid through their bank accounts with Thanachart Bank. "Wish-list" loans are credit lines given to the hire purchase customers with good repayment records. In addition, the Bank makes available education loans under the name called "Scholar Loan" which are for the customers who want to use the proceeds of the loans for financing the undergraduate and graduate level education.

COMPETITIVE STRATEGY

In the past year, both commercial banks and non-banks still used the pricing strategy in promoting sales of their products and services. In this connection, Thanachart Bank took into consideration the risk involved and the rate of return that was acceptable to the Bank. As a result, it placed emphasis on giving loans to the target customer groups with good potential. It also placed emphasis on efficient service delivery and on offer of fully integrated products that catered to all customer needs. The sales strategy focused on offer of the Bank's various products such as insurance, life assurance, and mutual funds. The main distribution channels included the Bank's branch network and direct sales teams.

5. TRADE FINANCE PRODUCTS

Thanachart Bank offers integrated financial services for trade finance. These include, among others, issuance of import letters of credit (Import 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 (Standby L/C), and issuance of letters of guarantee.

COMPETITIVE STRATEGY

In the 2008, the international trade, particularly the export sector, was adversely affected by the global economic downturn. On domestic competition, most customers made use of trade finance products offered by large-sized commercial banks. However, the performance of Thanachart Bank in 2008 was quite satisfactory with the continuous growth of fee-based income. To be able to compete with other banks in an efficient manner, it focuses on development of products that were accurate and efficient, as well as competitive interest rates and fees which are key factors in attracting customers to make use of its trade finance services. In this connection, Thanachart Bank places emphasis on the overall income to be gained from the customers' transactions and the creation of the client base. Its target customer groups include large and medium scale corporate clients as well as retail clients. The large scale corporate clients serve as prospect to establish customer base and extend its network to foreign countries worldwide, while the medium scale clients and retail clients serve as a base to build Thanachart Bank's income.

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 BOT.

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 available services include payroll for paying salary, bonus and dividends, ATS Credit for paying for goods to a large number of receivers, and ATS Debit for automatically deducting payment of goods from a large number of payers. The customers can also use ATS services via diskette, modem and Internet.

2. SMART (CREDIT) is a service for transferring money to a large number of retail receivers that have savings or current accounts with other banks. The service is in response to customer 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. FUND TRANSFERS Other money transfer services between Thanachart Bank and other commercial banks include normal fund transfers, money transfers to third party, automatic money transfers 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 (BAHTNET).

4. SWEEP ACCOUNT SERVICE (CASH LINK ACCOUNT) This type of service offered by Thanachart Bank represents another channel for greater convenience of its customers in transferring fund between savings and current accounts.

5. INTERBANK TRANSFER/ONLINE REAL-TIME FUND TRANSFER (ORTF) 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.

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

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”. The services provide their customers with convenience. Payers can also make payments at Thanachart Bank’s counters across the country or through Thanachart Bank’s electronic channels. Payment acceptance reports are available to the companies on the next business day.

8. EASY CASH TRANSFER This service is for transferors and transferees having no account with Thanachart Bank. With the service, cash can be transferred from one of Thanachart Bank’s counters to another across the country. The service represents another fund transfer channel for customers who have no deposit account with the Bank.

9. AUTOMATED TELLER MACHINES (ATMS) AND CASH DEPOSIT MACHINES (CDMS) Thanachart Bank continued to speed up installation of Automated Teller Machines (ATMs) in Bangkok and its vicinity. As at 31 December 2008, the total number of its ATMs was 377. With ATM card, Thanachart Bank’s depositors can enjoy a host of banking services round-the-clock via the Bank’s ATMs and those of other banks which are members of National ITMX Company Limited (Interbank Transaction Management and Exchange - ITMX). The available services include cash withdrawals, balance inquiries, bill payments, and more. As regards the Cash Deposit Machines (CDMs), as at 31 December 2008, it had three CDMs. Moreover, 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 2008, Thanachart Bank introduced a new service called “ATM Connect” for greater convenience of its customers. The service enables holders of Thanachart Bank’s ATM cards to enjoy banking services via over 4,000 ATMs of Krung Thai Bank as well as over 1,600 ATMs of Siam City Bank nationwide.

COMPETITIVE STRATEGIES

Thanachart Bank has developed electronic systems for all channels, which not only result in greater convenience for customers but also bring about services that are safer and more efficient. Moreover, the Bank has developed electronic systems for giving services via cell phones and Internet. With the services, customers can execute financial transactions themselves without having to visit Thanachart Bank. The services greatly help save expenses and time.

1. The competitive strategy focuses on appropriate fee pricing and sales promotions including cross-selling and up-selling. In the areas of corporate clients, the Bank has adopted a “loss-leader” strategy for services in which the businesses or the firms are interested. Using the strategy, the Bank can propose its services to both small and large scale companies.

2. The Bank increases the promotion campaign to attract the customers while the product and service channel are developed to cover the needs of each customer group.

3. The Bank places emphasis on easy accessibility and services that are efficient and without complicated procedures.

4. The Bank gives a higher line of credit than other banks. Customers can draw down the loan on the date when the transaction is executed.

5. As additional service outlets, Thanachart Bank opens branches in shopping centers to provide its customers with greater convenience.

GROUP 4 OTHER SERVICES

1. FOREIGN EXCHANGE SERVICES

Thanachart Bank's services include foreign exchange services 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.

COMPETITIVE STRATEGY

Apart from its services which are friendly, efficient and accurate, Thanachart Bank offers better exchange rates in order to expand its new customer base and to maintain the existing customers. Focus is given to selection of strategic areas for business operations in order to get maximum market share. Thanachart Bank's target customers include 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. As at 31 December 2008, there were a total of 76 foreign exchange service points, both stand-alone and in-branch. Of the service points, 40 were located in Bangkok and 36 in other provinces.

2. BILLS OF EXCHANGE

Thanachart Bank issues bills of exchange as a means of borrowing money from the public and as another savings option for the public. To provide the customers with greater convenience, Thanachart Bank has also made the bills of exchange available at all its branches nationwide.

COMPETITIVE STRATEGY

Thanachart Bank offers a higher rate of return for the bills of exchange than the interest rates offered for fixed deposits with the same maturity. Its customers consist of both individual and corporate clients who have knowledge and experience in investing in debt instruments and accept the Bank's credit risk. Meanwhile, the Bank develops its products and services with the support of modern technology systems.

3. BONDHOLDER REPRESENTATIVE SERVICES

The main responsibilities and duties of the bondholder representatives are to oversee and protect all rights of its bondholders in compliance with the terms and conditions of any debenture issuance as well as the notifications issued by the Office of the Securities and Exchange Commission (SEC). Thanachart Bank is well-equipped to act as an agent providing this service, which includes following up and ensuring that the performance are in compliance with terms and conditions under the Issuer Agreement and overseeing the assets that are pledged as collateral. Thanachart Bank has provided the bondholder representative services since the latter part of 2005. The business was transferred from National Finance Public Company Limited, whose name had been changed to Thanachart Capital Public Company Limited, to Thanachart Bank. Together with financial advisors, Thanachart Bank offers this service directly to the issuers of the bonds. So far, Thanachart Bank has reasonably gained trust from its customers.

COMPETITIVE STRATEGY

In view of the prevailing conditions, Thanachart Bank has placed emphasis on giving convenient and quick services with competitive fees.

PRODUCTS OF SECURITIES BUSINESS

Thanachart Bank also offers products of securities business consisting of two types of business including brokerage business which is managed by Thanachart Securities Public Company Limited and mutual fund management business which is managed by Thanachart Fund Management Company Limited.

BROKERAGE BUSINESS

The brokerage business covers four areas of business including securities brokerage, proprietary trading, securities underwriting and investment advisory services. As well, there are other related businesses that support the brokerage business. These include, among others, financial advisory services, futures business, unit trust underwriting and repurchasing services as well as securities registrar. As at 31 December 2008, it had 30 branches in total. Thanachart Securities consists of two main lines of business. The first one namely securities brokerage manages the securities brokerage, propriety trading, futures business, unit trust underwriting and repurchasing services as well as securities registrar. The second one namely investment banking and investment advisory manages financial advisory business, securities underwriting and investment advisory business.

COMPETITIVE STRATEGIES

Securities Brokerage The main strategy adopted for the securities brokerage business is growth strategy which focuses on expanding the client base in order to gain a larger market share in all types of customer groups, both institutional and retail. The Company also places strong emphasis on managing its operational costs efficiently and enhancing the knowledge and skills of its staff to enable them to offer financial advisory services in 2012 when the industry will be fully liberalized. Moreover, the Company has adopted a strategy not only to maintain the client base but also to expand it by acquiring new customers through activities such as exhibition booths and participation in investment promotional activities which serve as key channels for reaching new groups of customers. Taking advantage of the strong potential of Thanachart Group, the Company has adopted a strategy aimed at expanding its client base by approaching the customer groups of other members of Thanachart Group through cross-selling activities. In particular, special focus is given to sale of products through Thanachart Bank which has enormous potential in the form of a large base of high net worth depositors and domestic institutional customers. The objective is to offer a full range of investment products and services that cater to specific needs of each group of customers. Thanks to the cooperation of its business alliance BNP Paribas Securities (Singapore) Pte Ltd, the Company succeeded in enlarging its foreign institutional customer base. With the trading value worth 316,662.22 million baht in 2008 which accounted for 3.98 percent of the total market share, the Company was ranked 7th among the total 38 brokers. This represented an improvement in comparison to 2007 when it ranked 11th with the brokerage trading value of 297,939.89 million baht which accounted for 3.49 percent of the total market share.

Futures Business In 2008, the Company's main strategy placed emphasis on enhancing the efficiency of its services for trading future contracts to be at the same level as those of its competitors. In recognition of Thanachart Group's main goal of catering to the customer needs through product bundling and cross selling, the Company focuses on enhancing the derivatives knowledge and skills of the marketing and operations staff concerned. The Company also expands its services through its branch network in preparation of the growth of derivatives trading business. As well, it has established a derivatives desk responsible for handling the increasing volume of the Company's derivatives trading. In addition, it has organized training activities aimed at providing investors with knowledge about derivatives. It has also developed a trading system which allows customers to place their orders through the marketing staff and the Internet. As well, it has developed the supporting operations. Focus is also given to the expansion of the client base which includes both domestic and foreign institutional investors. In addition, it publicizes and introduces its future contracts business through all service outlets of Thanachart Group.

Financial Advisory Business and Securities Underwriting The Company's main competitive strategy in promoting its financial advisory and securities underwriting services in 2008 focused on giving financial advisory services in the areas of mergers and acquisitions, financial restructuring, fund mobilization through debt and equity instruments, and project feasibility studies. In view of the economic slowdown, the Company foresaw growth opportunities for the above-mentioned financial advisory services by maintaining and building good

relationships with those customers, to whom the Company gave its services to before. This would give the Company a good opportunity to offer its other financial services to the customers as well as other companies belonging to the customer's group. Focus was also given to introduction and offer of Thanachart Group's services to both existing and prospective customers through more cross-selling activities.

Investment Advisory Business The main competitive strategy places emphasis on providing customers with investment advice covering all types of financial instruments as well as appropriate asset allocations. The Company also studies and develops new structured products so that it has an adequate range of financial instruments that cater to the investment needs of its customers. Focus is given to diverse investment vehicles in order to support cross-selling activities of Thanachart Group. In order to make the customers who were interested in making investments overseas feel more confident in professionalism, in 2008 the Company forged a business alliance with BNP Private Bank to accommodate the overseas investments and get additional advice.

FUND MANAGEMENT BUSINESS

Thanachart Fund Management Company Limited offers services related to mutual fund management, private fund management, provident fund management as well as investment advisory business in order to have fully integrated advisory services. As at 31 December 2008, the Company was ranked 5th with the total assets under management, accounting for 5.84 percent of the total market share, an increase of 0.36 percent from 2007.

COMPETITIVE STRATEGIES

As at 31 December 2008, there were altogether 21 fund management companies. The total net asset value of the retail 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 1,217,501 million baht, a decrease of 4.83 percent from 2007. The total net asset value accounted for 14.37 percent of the total deposits in the commercial banking sector. The types of funds with the sharpest decrease included equity funds and mixed funds whose combined value decreased by 31.68 percent from 2007. There were altogether 558 funds which were newly established in 2008. Their combined value amounted to 594,545.95 million baht, an increase of 13,789.80 million baht or 2.37 percent from 2007. The increase could be mainly attributable to the establishment of foreign investment funds. In 2008, there were 268 foreign investment funds whose combined value amounted to 355,059.60 million baht, an increase of 148 funds or in a value 90,009.12 million baht from 2007. Most of the funds, or 188 funds to be exact, were foreign investment funds that invested in short-term debt instrument with maturity of less than one year and combined value amounting to 297,507.16 million baht, accounting for 50.04 percent of all newly established funds in 2008. Most of these funds were invested in South Korean bonds during the first half of 2008. The investments in the short-term debt instruments demonstrated that most investors wanted short-term investments with a relatively constant rate of return.

In view of the competition and the economic climates, both the marketing and fund management strategies focused on developing new quality products and services that catered to the customer needs in an efficient manner. The products and services were promoted through the marketing teams of its shareholders that are leading financial institutions, in both the private and public sectors, with fully integrated financial services. Its products and services were also promoted through several business alliances responsible for selling and buying back unit trusts. The Company appointed Thanachart Bank and other commercial banks as well as securities brokerage companies as its agents for supporting the sale and repurchase of the unit trusts under its management. As at 31 December 2008, it had 20 agents. Moreover, its product development placed emphasis on the public mutual funds which were offered to the general public. Focus was given to diversity of products that catered to all types of needs and all types of investors. The unit trusts were offered through the various distribution channels mentioned above as well as through electronic media.

Mutual Fund Products As at 31 December 2008, the Company had 73 mutual funds under management, whose total net asset value amounted to 72,658.18 million baht. Of the funds, 71 were public mutual funds with a total net asset value of 71,111.33 million baht, an increase of 258.08 million baht or 0.36 percent from 2007. Having a market share of 5.84 percent, the Company was ranked 5th among the 21 fund management companies. The increase in the net asset value in 2008 was mainly due to the increase of 5,982.47 million baht or 107.04 percent in the foreign investment funds and partly due to the increase of 1,031.38 million baht or 4.09 percent in the funds for domestic debt instruments.

Private Fund Products As at 31 December 2008, the Company had a total of 23 private funds under management, whose total net asset value amounted to 1,514.82 million baht, a decrease of 1,397.92 or 48 percent from 2007. This was mainly due to the economic slowdown in 2008 which caused the prices of stock on hand to fall sharply. As well, some investors lost confidence and decided to reduce their investments. Some funds had to be terminated.

Provident Fund Products As at 31 December 2008, the Company had a total of 21 provident funds under management, whose total net asset value amounted to 4,007.10 million baht, an increase of 392.08 million baht or 10.85 percent from 2007. The provident funds under its management included nine single provident funds, nine specific group funds, and three general pooled funds. Total membership of the funds increased from 35,067 as at 31 December 2007 to 35,450.

INSURANCE PRODUCTS

Thanachart Group's 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 insurance which is operated by Thanachart Life Assurance Company Limited with services covering life insurance for individual and corporate clients.

NON-LIFE INSURANCE BUSINESS

The non-life insurance business provides insurance against loss, which includes fire insurance, motor insurance, marine and transportation insurance, and miscellaneous insurance as well as investment business.

COMPETITIVE STRATEGY

Thanachart Insurance places strong emphasis on high quality standards of services which are efficient and honest. It also develops new lines of products or new insurance policies that match the needs of the target customer groups, taking into account the prevailing economic and social conditions. The Company ensures that the premium rates are fair to customers. As well, its proactive plans are constantly reviewed to ensure that they take into consideration the changing situations. The Company also increases the distribution channels in order to expand its new client base and maintain existing customers. The majority of its customers or about 95 percent of the total customers were retail customers whose sum of the insured property amounted to less than 5 million baht. The major types of insurance products purchased by the customers included auto insurance and fire insurance for residence. These customer groups were Thanachart Bank's loan customers. The Company also got its customers from its own marketing activities as well as from insurance brokers and its own insurance sales representatives. The customer groups whose sum of the insured property amounted to more than 5 million baht consisted of institutional clients and private enterprises in different lines of business, both commercial and industrial. The major products purchased by these customer groups were miscellaneous insurance and fire insurance. In view of the above customer groups, it could be seen that, since the commencement of the Company's 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 residing in Thailand.

INDUSTRIAL OUTLOOK AND COMPETITION

The non-life insurance industry in 2008 continued to grow from 2007. During the period from January to September 2008, Thailand's non-life insurance industry's total direct premiums amounted to 78,277.06 million baht, an increase of 5.39 percent over the same period in the previous year. The top two types of insurance with the highest growth were health insurance and personal accidental insurance which grew 34.97 percent and 15.74 percent respectively. Thanachart Insurance's direct premiums in 2008 amounted to 3,147.37 million baht, an increase of 23.07 percent over the same period in the previous year. Thanks to the bancassurance channel, the Company succeeded in expanding its retail client base and in selling its insurance products to retail customers of Thanachart Bank. Other channels used by the Company included direct sales, telemarketing, cooperatives, insurance brokers and agents. In 2008, the Company placed more emphasis on used car insurance. As well, it focused on maintaining the existing client base. To enhance customer satisfaction, the Company adopted a strategy aimed at improving both pre- and after-sales services.

(Unit: Million Baht)

NO.	COMPANY	FIRE INSURANCE	MARINE AND TRANSPORTATION		AUTO INSURANCE		MISCELLANEOUS INSURANCE			TOTAL
			SHIPS	GOODS	COMPULSORY	VOLUNTARY	PERSONAL ACCIDENT	HEALTH	OTHERS	
1	Viriya Insurance	150,880	1,840	57,933	1,767,061	9,421,600	184,725	14,251	244,598	11,842,887
2	Bangkok Insurance	687,364	70,049	167,732	105,033	2,059,674	316,864	275,137	1,361,022	5,042,877
3	Dhipaya Insurance	551,677	35,523	99,509	350,110	1,110,302	466,936	152,219	1,790,464	4,556,739
4	Syn Mun Kong Insurance	88,491	-	4,657	559,234	2,689,834	261,513	7,229	115,263	3,726,221
5	LMG	24,766	-	12,781	200,235	2,400,985	36,175	-	106,087	2,781,029
Total		1,503,178	107,412	342,612	2,981,673	17,682,395	1,266,213	448,836	3,617,434	27,946,753
6	Thanachart Insurance	45,698	405	1,166	115,602	1,891,478	60,764	-	182,196	2,297,309
Market Share (Percent)		0.79	0.14	0.04	1.43	4.77	0.95	0.00	1.39	2.93
Grand Total		5,767,863	281,608	2,862,633	8,061,736	39,619,165	6,380,747	2,190,188	13,113,123	78,277,063

Source: The Office of Insurance Commission (OIC) (information from January to September 2008)

LIFE ASSURANCE BUSINESS

Thanachart Life Assurance Company Limited 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 institutional clients and organizations).

INDUSTRIAL OUTLOOK AND COMPETITION

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 sale through the Company, cooperatives, brokers, financial institutions, Thanachart Bank (bancassurance) and life assurance sales representatives. As regards the life assurance industry in the first ten months (January-October) of 2008, the life assurance industry's total direct premiums amounted to 177,773 million baht, an increase of 10.02 percent from the previous year. However, the growth was at a decreasing rate, when compared to the same period in 2007 which registered a growth of 17.96 percent. This was mainly due to the slowdown of the Thai economy and the rising cost of living which decreases the purchasing power of customers. For personal life assurance, there were many forms of sales promotions. These included, among others, recruitment of more sales representatives, establishment of additional distribution channels, and development of new products which were appropriate for the market conditions and for customer groups of each distribution channel. The Company also continuously organized numerous activities to create good relationship with customers and in order to maintain the high policy retention rate in order to offset the direct premiums of new policies which grew at a decreasing rate.

Currently, there are 24 life assurance companies in total. Ranked 10th among these 24 companies, Thanachart Life Assurance commanded 2.22 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 were ranked 2nd in the life assurance industry, while its total premiums for the group life assurance were ranked 3rd. On the industry outlook for 2009, it is expected that the life assurance business will continue to grow but at a lower rate than the previous year. This is mainly due to the economic slowdown which continues from the previous year. Consumers will spend their money more cautiously. However, there are positive factors which help promote the industrial growth. In view of the fact that the interest rates are declining, life assurance products become another savings option since they give an attractive rate of return. Moreover, insurance premiums are tax deductible up to 100,000 baht per annum.

ASSET MANAGEMENT BUSINESS

Thanachart Group's asset management business is managed by two companies including MAX Asset Management Company Limited and NFS Asset Management Company Limited.

MAX ASSET MANAGEMENT COMPANY LIMITED

The Company operates the asset management business by 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. The Company can perform any activities 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 activities 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. 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 lend, 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. In accordance with the notification issued by the BOT, the Company may make good use of the foreclosed property by joint venture with other investors or companies.

COMPETITIVE STRATEGY

The management of non-performance assets, which is the main objective and policy 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 key goal 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 properties 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 value significantly exceeds the outstanding loan balance, 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.

INDUSTRIAL OUTLOOK AND COMPETITION

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 many 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. As the Company takes transfers of non-performing loans from DBS Thai Danu Bank through Thanachart Capital, there is no competitor. Nor is it necessary for the Company to compare its size with the size of its competitors. Instead, the company will focus 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 the 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 possibility 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 Capital and MBK Public Company Limited, with details as follows:

(1) Loans

(1.1) Senior debt facility from Thanachart Capital 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 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.

The Company already repaid all the above loans.

(2) Investment

(2.1) Investment from Thanachart Capital for the amount of 477,276,800 baht (four hundred seventy seven million two hundred seventy six thousand and eight hundred 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).

NFS ASSET MANAGEMENT COMPANY LIMITED

The Company operates the asset management business by 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. The Company can perform any activities 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 activities 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. 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 lend, 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. In accordance with the notification issued by the BOT, the company may make good use of the foreclosed property by joint venture with other investors or companies.

COMPETITIVE STRATEGY

The management of non-performance assets, which is the main objective and policy 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 key goal 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 properties 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 value significantly exceeds the outstanding loan balance, 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 debts are analyzed and classified.

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. Or the Company may consider it appropriate to dispose of the debtors' assets, the proceeds of which will be used for debt repayments.

1.3 As regards to the 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 rate loans, etc.

2.4 Increase the number of distribution channels which include, among others, 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.

FACTORS AFFECTING OPPORTUNITIES OR CONSTRAINTS IN OPERATING FINANCIAL BUSINESS OF THANACHART GROUP

In 2008, the financial institutions' loans to the private sector grew 9.3 percent, increase from 4.0 percent in the previous year. In previous year, the credit grew in the first half of the year but slowed down in the second half, mainly due to weaker demand, both domestically and globally, which caused the demand for credit to decline. Moreover, the commercial banks enforced stricter loan approval in order to prevent new non-performing loans.

The hire purchase business in 2008 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 growth of the hire purchase business in 2008 was slightly slower than the growth in 2007.

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, as well as 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. 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, as Thanachart Bank is subject to capital adequacy requirements, the Bank has less flexibility

in giving loans than factoring companies which are not subject to capital adequacy requirements. As well, in compliance with the capital-to-risk-asset ratio (BIS ratio) requirements, Thanachart Bank has less flexibility in giving loans than factoring companies in general.

However, the new Financial Institution Business Act stipulates that for entities which may have impact on the country's overall economic system and there is no law specially governing such business, the BOT 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 BOT.

Key positive factors that supported the business operations of the commercial banks in 2008 were as follows:

- 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 transfer of technology as well as development of financial products and services, in preparation for the financial liberalization in the future.

COMPETITION IN THE INDUSTRY

In 2008, the total number of the commercial banks in the system amounted to 34, of which 18 were registered in Thailand while the remaining 16 were branches of foreign banks. The numbers were the same as the previous year.

The total deposits of the commercial banking system amounted to 7,156,292 million baht. The total deposits of the Thai commercial banks registered in Thailand amounted to 6,649,283 million baht, accounting for 92.9 percent, while the total deposits of the foreign bank branches amounted to 507,009 million baht, accounting for the remaining 7.1 percent.

The net loans of the commercial banking system amounted to 7,549,404 million baht. The net loans of the commercial banks registered in Thailand amounted to 6,849,530 million baht, accounting for 90.7 percent, while the net loans of the foreign bank branches amounted to 699,784 million baht, accounting for the remaining 9.3 percent, which was close to the previous year.

Apart the competition in the commercial banking system, there is also competition in the financial system such as non-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 adopt non-price strategies, such as developing a more diverse range of financial products, increasing more distribution channels, improving quality of service, and establishing business alliances in the finance business. The objective is to provide the customers with greater convenience and to cater to all the financial needs of the customers. Moreover, the commercial banks place strong emphasis on building a positive corporate image for their organization, e.g. by organizing public relations activities and establishing more corporate social responsibility (CSR) activities. The non-price strategies are in addition to the price strategy which remains the principal strategy pursued by the commercial banks.

In 2008, the deposits of the Thai financial institutions grew 8.3 percent over the previous year. During the first half of 2008, the deposit growth was rather slow as depositors shifted their funds to other instruments. However, the deposit growth in the second half improved, as depositors shifted their funds back to the banks. Taking into consideration both the bills of exchange and the deposits of the Thai financial institutions, both instruments grew 8.9 percent.

As regards the competition in giving loans in the commercial banking system, focus was given to both interest rates and quality of service. In 2008, the loans given by the commercial banks to the private sector grew 9.3 percent over the same period of the previous year. Although the growth in the first three quarters of 2008 was relatively high, the growth in the last quarter was slower, mainly due to the economic slowdown. The loans given to the private sector significantly slowed down in line with the economic situations and concern about the ability to make debt repayments.

As regards the interest rates in 2008, the commercial banks reduced the interest rates for their deposits and loans in line with the direction of the policy interest rate. During the first half of the year, the BOT maintained the policy interest rate at 3.25 percent while it increased the rate in the third quarter, as a result of higher risk of upside inflation. During the latter part of the year, the BOT reduced its policy interest rate to 2.75 percent. As a result, at the end of 2008, the interest rate for one-year fixed deposits was cut from 2.25-2.375 percent to 1.75-2.0 percent.

On the other hand, the interest rates for loans decreased by only 0.125 percent from the end of 2007 to 6.75 percent at the end of 2008. This was partly due to the economic and business risks which remained relatively high. As a result, the interest rate spread or the difference between the deposit rates and the lending rates increased from 4.5-4.625 percent to 4.75-5.0 percent.

THE BANK'S SIZE COMPARED TO COMPETITORS

In 2008, Thanachart Bank's total assets amounted to 368,272 million baht, an increase of 77,174 million baht or 26.5 percent over the previous year. Its asset size was ranked 8th among the 18 commercial banks registered in Thailand. Thanachart Bank commanded a 4.81 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 318,760 million baht were ranked 8th among the commercial banks registered in Thailand. As regards loans, Thanachart Bank's total loans amounted to 272,925 million baht. Taking into consideration the total loans of the commercial banking system, Thanachart Bank commanded a 4.67 percent market share. It was ranked 8th among the commercial banks registered in Thailand.

FUTURE TREND OF COMPETITION

In view of the global economic downturn, domestic situations, and declining crude oil prices during the latter part of 2008, it is expected that both the Thai economic growth and the inflation rate in 2009 will be relatively low. However, there are also positive factors as a result of the government's fiscal policy and economic stimulus measures to boost the Thai economy. These include spending by state agencies, funds for giving loans, as well as tax cuts or various tax benefits designed to help consumers and small-and medium-scale enterprises (SMEs).

These factors will help increase the liquidity of the financial institutions, mainly due to the increase in bank deposits. However, the lending activities are expected to slow down. This will also depend on the government's policy to boost the lending.

The deposits are expected to rise in 2009 as investments will be shifted from other sources which are riskier, to financial institutions as deposits. However, the form of deposits or investments by savers will change. The financial products similar to the bank deposits such as bills of exchange, mutual funds, and insurance policies through bancassurance channel which are not too risky, will become more popular.

Loan growth is expected to slowdown in 2009. Business and household loans as well as real estate and hire purchase loans will all be affected, as a result of the economic slowdown which weakens the demand for loans. Moreover, the commercial banks enforce stricter loan approval. The state-owned commercial banks and specialized banks will play a more important role in giving loans in line with the government's economic stimulus policy.

However, the global economic crisis remains the key factor affecting the consumer confidence as well as the investor confidence in businesses, particularly the export industry, as reflected by the weakness in the labor market. The unemployment rate during the latter part of 2008 rose. As a result, the commercial banks keep the interest rate spread in order to maintain the level of the interest income.

Moreover, the commercial banks place emphasis on building up not only the confidence of their customers through public relations activities but also the confidence of their shareholders and society by adhering to the principles of good corporate governance and promoting more CSR activities.

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 2008, 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 2008 amounted to 270,832 million baht, an increase from 189,086 million baht at the end of 2007.
2. Borrowings worth 62,288 million baht, of which the short-term borrowings amounted to 47,928 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 14,360 million baht. During the second quarter of 2008, Thanachart Bank issued subordinated debentures worth 5,000 million baht with maturity of seven years and an average coupon rate of 5.61 percent. The proceeds would be used to finance the future loan growth.

KEY SOURCES OF FUND

SOURCES OF FUND	2008	2007	INCREASE (DECREASE) FROM 2007	
			MILLION BAHT	PERCENT
Shareholders' equity	28,247	23,661	4,586	19.38
Deposits	270,832	189,086	81,746	43.23
Borrowings				
- Short-term borrowings	47,928	58,998	(11,070)	(18.76)
- Long-term borrowings	14,360	12,960	1,400	10.80
Total borrowings	62,288	71,958	(9,670)	(13.44)
Total	361,367	284,705	76,662	26.93

(Unit: Million Baht)

DEPOSIT RATE POLICY

In determining deposit rates, it is the policy of Thanachart Bank to take into consideration liquidity, demand for loans, interest rate and liquidity risk management policy, as well as other external factors which include, among others, inflation rate, the country's economic situations, overall rate of return and interest rates in the market.

FUNDING OR BORROWINGS FROM PARTIES RELATED TO EXECUTIVES OR MAJOR SHAREHOLDERS

As of the end of 2008, 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 Thanachart Capital 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 Thanachart Capital. These hire purchase loans would be gradually repaid in line with their respective installment plans. As a result, Thanachart Bank had to give loans to Thanachart Capital, to help the latter address the constraints on the sources of fund. In 2008, Thanachart Capital gradually repaid its loans given by Thanachart Bank. As at 31 December of 2008, its outstanding loan balance amounted to 4,500 million baht, a decrease from 12,500 million baht in the previous year.

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 at 31 December 2008, Thanachart Bank's outstanding balance of the loans given to Thanachart Group Leasing amounted to 3,645 million baht, a decrease from 4,000 million baht in the previous year.

3. T 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 seven adults as well as motorcycles. In line with the approval given by the BOT on 5 July 2007, T Leasing 2000 was allowed to operate motorcycle hire purchase business in replacement of Thanachart Group Leasing Company Limited. As at 31 December 2008, Thanachart Bank's outstanding balance of the loans given to T Leasing 2000 amounted to 824 million baht, an increase from 294 million baht in the previous year.

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

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 at 31 December 2008, Thanachart Bank's outstanding balance of the loans given to the company amounted to 3,650 million baht, a decrease from 4,250 million baht in the previous year.

The total loans given by Thanachart Bank to the member companies of Thanachart Group amounted to 12,619 million baht, accounting for 4.8 percent of Thanachart Bank's total loans as at 31 December 2008. All the loans were given with the approval granted by the BOT.

LENDING AND COLLATERAL POLICIES

In addition to the loans given to its major shareholder, 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 expanding continuously, e.g. hotels, hospitals and etc. In considering loan applications, the applicant's past performance, expertise in the business and ability to repay debt are of primary importance. As regards the collateral, Thanachart Bank takes into account the quality and liquidity of the collateral.

LOAN RISK MANAGEMENT

In considering loan applications of large-scale borrowers, the credit department and the credit analysis department will jointly assess the creditworthiness of the customers in terms of their business performance and their ability to repay loans, making use of the loan rating techniques. At the same time, Thanachart Bank applies a tool called RAROC Model in estimating return from extending loans, which should be in line with the risk profile of each customer. On the other hand, in considering loan applications of retail borrowers, Thanachart Bank assesses the creditworthiness of the customers in terms of their ability to repay loans, making use of the credit scoring technique which is based on the analysis of loan repayment records of all retail customers. The credit scoring is subject to regular review by the credit risk analysis work unit.

POLICIES ON LOAN CONTROL, LOAN APPROVAL AND DEBTOR FOLLOW-UP

Thanachart Bank has a policy to oversee the operations. In particular, it has established Credit Policy and Guidelines. Moreover, its criteria in determining the line of credit for each customer are stricter than the measures imposed by the BOT. The loan department and the loan analysis department are responsible for analyzing credit applications of the customers independently, making use of the knowledge and expertise of the staff of each department. Then, every credit application is presented to Credit Committee for consideration and approval. In this connection, the tools that 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. In addition, the Watch List Committee holds its meeting every month. The Committee also reviews the quality of customers once a year to monitor the use of their credit line, their conformity with specified terms, business situations as well as various events that may have impact on their business operations. The purpose is to protect against new non-performing loans.

ABILITY TO MAINTAIN 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 BOT. The BOT also requires that the minimum ratio of Tier-1 capital to risk-weighted assets amounts to 4.25 percent.

As at 31 December 2008, Thanachart Bank's capital-to-risk-asset ratio and its ratio of tier-1 capital to risk-weighted assets in line with Basel II norms amounted to 11.18 percent and 8.02 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 BOT and to maintain a good balance between its liquidity and its liabilities. In this connection, Thanachart Bank's Asset 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 Department 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.

RISK MANAGEMENT AND RISK FACTORS

OVERVIEW OF RISK MANAGEMENT

The Thai economy in 2008 was faced with several risk factors including the financial crisis and the slowdown of the world economy, volatility of commodity and crude oil prices as well as the high domestic political instability that adversely affected consumer confidence, investors and foreign tourists. As a result, the Thai financial sector had to manage its businesses cautiously, as evidenced by the level of the excess liquidity which was higher than normal, in preparation for volatility caused by the financial crisis. As at the end of 2008, the excess liquidity of the Thai financial sector was higher than the previous year. As a result, the deposit rates declined in line with the policy rate of the Bank of Thailand (BOT).

However, Thai economic in 2009 tends to be slowdown, and unemployment rate will increase. As a result, financial institutions have to be cautious in lending activities in order to avoid the non-performing loans that may arise in the future. As most of lending-related transactions are from the services of Thanachart Bank Public Company Limited which is a subsidiary company, Thanachart Bank realizes the risks from lending activities so that the Bank has changed its lending measure. At the same time, tools such as Behavior scoring for measuring the credit risks have been improved and developed. This will help the Bank manage the risk appropriately in line with the risk profile. In addition, International Capital Adequacy Assessment Process (ICAAP) has been developed in accordance with Basel II: Pillar 2 in order for the Bank to be able to manage its capital fund in more effective manner.

THANACHART CAPITAL'S RISK MANAGEMENT STRUCTURE

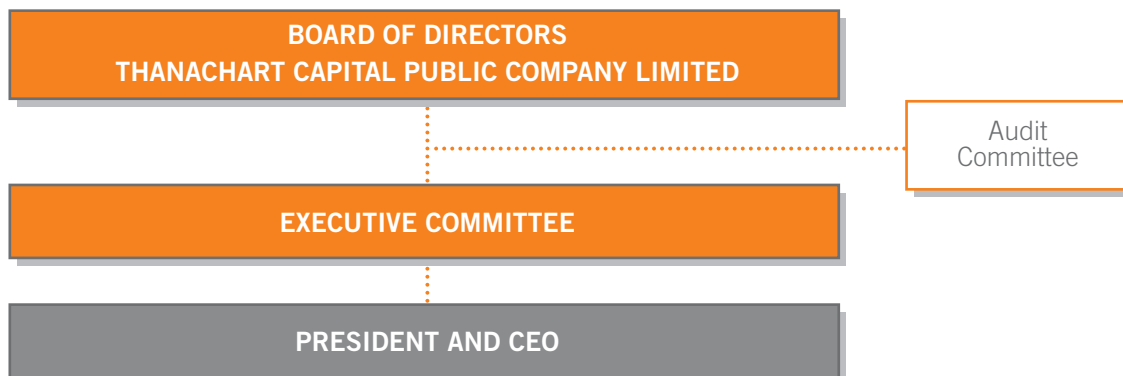
Thanachart Capital Public Company Limited recognizes the importance of risk management as its business operations are always faced with various risk factors, both internal and external, which may affect the Company's performance. In order to be able to control and manage the risks efficiently, the Company has established a structure in which the risk management is placed under the direction and supervision of the following committees.

The Board of Directors plays an important role in establishing policies and guidelines for risk management. 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 Thanachart Capital's operations.

The Executive Committee plays an important role in formulating strategies and developing risk management processes as well as screening 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. The Executive Committee is also responsible for screening and supervising various business transactions, ensuring their compliance with Thanachart Capital's risk management policies.

The Audit Committee plays an important role in establishing guidelines in relation to operations control and supervision, ensuring that the conduct of business affairs is in compliance 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.

STRUCTURE SHOWING THANACHART CAPITAL'S RISK MANAGEMENT STRUCTURE AS OF 31 DECEMBER 2008



- The conduct of business affairs is based on a system of checks and balances. The middle office, namely the Risk Control Department, is responsible for controlling and monitoring various risks while the back offices are separated from the front offices.

- Thanachart Capital 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) control of risks so that they stay within acceptable limits, and 4) 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 that enable Thanachart Capital to become aware of the seriousness of the risk that may arise. The information will also 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 which are developed based on prudent principles 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 default on their repayments or fail to fulfill their agreed obligations. This might be attributable to the financial problems faced by the debtors, economic volatility that affects businesses, or the debtors' mismanagement. The problems may adversely affect earnings and capital fund of Thanachart Capital and its subsidiaries. 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 BOT guarantee, as well as from investment in debt instruments such as debentures issued by the private sector.

Guided by the credit risk management policies and guidelines, the Company and its subsidiaries succeeded in establishing a credit culture. To start with, the Company and its subsidiaries make use of the credit risk models developed for each type of borrowers, counter-parties and issuers of debt instruments to assess their respective credit risk. The credit analysis unit, which is an independent unit, is responsible for conducting credit analysis using such models. In this connection, the committees which are authorized to consider and approve credit applications is 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 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 key factors including 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, ensuring that they are in compliance with the requirements imposed by the BOT.

1.1 RISK ARISING FROM CONCENTRATION OF LOANS IN SOME SPECIFIC AREAS

It is the goal of Thanachart Capital and its subsidiaries to appropriately diversify their 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 and its subsidiaries ensure that the risk of their overall loan portfolios are properly managed, monitored and assessed with the related reports being regularly given to the committees concerned.

THE LOAN PORTFOLIOS OF THANACHART CAPITAL AND ITS SUBSIDIARIES AS AT 31 DECEMBER 2008 AND 31 DECEMBER 2007 CLASSIFIED BY TYPE OF BUSINESS COULD BE SUMMARIZED AS FOLLOWS:

TYPE OF BUSINESS	2008		2007	
	OUTSTANDING BALANCE	PERCENT	OUTSTANDING BALANCE	PERCENT
Agricultural and mining	1,187	0.42	1,331	0.56
Manufacturing and commerce	13,404	4.79	7,717	3.22
Real estate and construction	15,596	5.57	7,258	3.03
Public utilities and services	13,829	4.94	9,129	3.81
Personal consumption				
Housing loans	7,724	2.76	8,143	3.40
Securities business	1,897	0.68	1,931	0.81
Hire purchases	211,828	75.66	191,025	79.68
Others	14,518	5.19	13,211	5.51
Total loans and accrued interest receivables	279,983	100.00	239,745	100.00

Scrutiny of the overall loan portfolios of Thanachart Capital and its subsidiaries revealed that, as at 31 December 2008, the majority of the loan portfolios were hire purchase loans which accounted for 75.66 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. In this connection, the hire purchase loans have been given through Thanachart Bank since 2005.

1.2 RISK ARISING FROM DETERIORATING QUALITY OF LOANS

The non-performing loans which include substandard accounts, doubtful accounts and bad debts are the main problems encountered by each financial institution. As the non-performing loans affect the income and capital fund, Thanachart Capital and its subsidiaries pay great attention to the problems and attempt to control the quality of loans by establishing appropriate policies and procedures in monitoring the quality of loans regularly.

COMPOSITION OF THE NON-PERFORMING LOANS AS AT 31 DECEMBER 2008, WHEN COMPARED WITH THOSE OF 31 DECEMBER 2007 WAS AS FOLLOWS:

CLASSIFIED LOANS	2008		2007	
	OUTSTANDING BALANCE	PERCENT	OUTSTANDING BALANCE	PERCENT
Substandard	2,226	18.05	2,603	23.07
Doubtful	2,092	16.97	2,278	20.19
Doubtful of loss	8,011	64.98	6,400	56.74
Total	12,329	100.00	11,281	100.00

The non-performing loans of Thanachart Capital and its subsidiaries increased from 11,281 million baht as at 31 December 2007 to 12,329 million baht as at 31 December 2008. Taking into account the overall loan portfolios as at 31 December 2008, the non-performing loans accounted for 4.40 percent of the total loan and accrued interest receivables, which decreased from 4.71 percent as at the end of 2007. The composition of the non-performing loans classified by type of business was as follows:

NON-PERFORMING LOANS BY TYPES OF BUSINESS

TYPES OF BUSINESS	2008		2007	
	OUTSTANDING BALANCE	PERCENT	OUTSTANDING BALANCE	PERCENT
Agricultural and mining	41	0.33	37	0.33
Manufacturing and commerce	1,312	10.64	1,170	10.37
Real estate and construction	1,762	14.29	1,923	17.05
Public utilities and service	569	4.62	1,145	10.15
Personal consumption				
Housing loans	688	5.58	685	6.07
Securities business	300	2.43	308	2.73
Hire purchases	5,130	41.61	3,799	33.68
Others	2,527	20.50	2,214	19.62
Total non-performing loans	12,329	100.00	11,281	100.00

As at 31 December 2008, Thanachart Capital and its subsidiaries were not faced with any credit risk arising from non-performing loans whose collateral did not fully cover the remaining loan amounts (after provision for loan loss). This was due to the fact that, in line with the International Accounting Standards 39 (IAS 39) requirements, Thanachart Capital and its subsidiaries 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 OF THANACHART CAPITAL AND ITS SUBSIDIARIES WHICH ARE FINANCIAL INSTITUTIONS

	2008	2007	INCREASE (DECREASE)
Non-performing loans	11,640	10,783	857
Loans not fully covered by collateral	7,731	6,204	1,527
Provision for loan loss	7,823	6,640	1,183
Loans not fully covered by collateral (after the loan loss provision)	(92)	(436)	344
General provision	270	523	(253)

RESTRUCTURING OF PROBLEM LOANS

	2008	2007
Number of debtors	831	747
Outstanding principal balance and accrued interest receivables	4,846	5,242
Loans not fully covered by collateral	1,571	1,384
Revaluation allowance for debt restructuring	-	-
Total loans and accrued interest receivables	279,983	239,745
Ratio of restructured debts to total loans (percent)	1.73	2.19

The risk of debt restructuring arises from the re-entry of the non-performing 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 performance of Thanachart Capital and its subsidiaries. In terms of debt restructuring, as at 31 December 2008, the outstanding principal balance and the accrued interest receivables of the restructured loans amounted to 4,846 million baht, accounting for 1.73 percent of the total loans and accrued interest receivables. In this connection, the net restructured loans (Less: collateral) amounted to about 1,571 million baht.

1.3 RISK ARISING FROM COLLATERAL

For loans which are covered by collateral, the Company and its subsidiaries after careful analysis have classified their quality according to each type of collateral, taking into consideration the liquidity and level of risk of the collateral. The results of the analysis and classification represent a factor used in determining the risk of the loans. In this regard, the collateral in the form of either immovable or movable property whose value could be appraised is subject to price appraisal or valuation in line with the criteria of the BOT.

The automobile hire purchase services, which have been the main business of Thanachart Capital and its subsidiaries, have been expanded continuously. Automobiles are collateral assets whose ownership belongs to the Company and its subsidiaries. If the hire purchasers are unable to repay their loans, the Company and the subsidiaries are able to repossess the assets immediately for the purpose of reselling them in the used automobile market. As a result, Thanachart Capital and its subsidiaries might be faced with a risk arising from their inability

to repossess the collateral automobiles or from the repossessed automobile sale proceeds being not enough to cover the damage caused. However, the risk also depends on a number of risk factors such as the situation of the used automobile market and the condition of the repossessed automobiles.

1.4 RISK ARISING FROM THE DIMINUTION IN VALUE OF THE PROPERTY FORECLOSED

As at 31 December 2008, the net amount of property foreclosed of Thanachart Capital and its subsidiaries, which was the net accounting value at cost after deducting the allowance for impairment, was 7,554 million baht, accounting for 1.92 percent of the total assets. The allowance for impairment amounted to 917 million baht, accounting for 10.83 percent of the accounting value at cost.

In relation to a group of their property foreclosed worth 80 million baht (at cost), Thanachart Capital and its subsidiaries already entered into agreements to sell the property to the customers. However, the property was being paid for in installments or its ownership was being transferred. As a result, Thanachart Capital and its subsidiaries had not yet recognized the revenue from the sale of the property. The property was still recorded in the books as part of their property foreclosed.

1.5 RISK ARISING FROM GUARANTEES AND AVALS

As part of their services to customers, Thanachart Capital and its subsidiaries take on obligations in the form of avals, letters of credit and guarantees for loans. The risk arises when the Company and its subsidiaries are held responsible in place of their customers which are unable to fulfill their obligations. In relation to the risk arising from the guarantees and avals, Thanachart Capital and its subsidiaries manage and control the risk by carefully examining the supporting information as well as applying strict approval procedures. As well, Thanachart Capital and its subsidiaries control and monitor the obligations, using the same approach as the one applied to their normal loans.

As at 31 December 2008, the obligations of Thanachart Capital and its subsidiaries in the form of guarantees for loans as well as other obligations amounted to 4,352 million baht, accounting for 1.10 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 earnings and capital fund of Thanachart Capital and its subsidiaries. The market risk consists of three types of risk including price risk, interest rate risk and exchange rate risk. It is the policy of Thanachart Capital and its subsidiaries to control and manage the risks, ensuring that they are within appropriate levels and in line with the established policy of the Company and its subsidiaries on risk management.

2.1 PRICE RISK

The price risk arises when the earnings or shareholders' equity are adversely affected by any change in the price of debt and equity instruments, which decreases the value of the investments of Thanachart Capital and its subsidiaries in trading and available-for-sale securities.

Thanachart Capital and its subsidiaries have 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 and its subsidiaries require that the tool is subject to back-testing in line with the standard framework established by the Bank for International Settlement (BIS).

In addition, Thanachart Capital and its subsidiaries have 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 earnings and capital fund of the Company and its subsidiaries.

As at 31 December 2008, the investments of Thanachart Capital and its subsidiaries in trading and available-for-sale securities classified by type of investment included the following:

(Unit: Million Baht)		
	FAIR VALUE	
	2008	2007
Current investments		
Trading securities	-	-
Government and state enterprise securities	607	480
Private debt securities	-	11
Available-for-sale securities		
Government and state enterprise securities	4,290	2,881
Private debt securities	469	134
Domestic marketable equity securities	49	10
Total current investments in Trading and Available-for-sale securities	5,415	3,516
Long-term investments		
Available-for-sale investments	-	-
Government and state enterprise securities	697	478
Private debt securities	4,540	1,585
Domestic marketable equity securities	2,819	4,010
Total long-term investments in Trading and Available-for-sale securities	8,056	6,073
Total investments in Trading and Available-for-sale securities	13,471	9,589

As the interest rates were in decline, Thanachart Capital and its subsidiaries made more investments in long-term government and state enterprise securities as well as private debt securities. Moreover, in view of more volatility of the stock prices, Thanachart Capital and its subsidiaries reduced their investments in equity instruments. Overall, the price risk of Thanachart Capital and its subsidiaries was higher than the previous year.

2.2 INTEREST RATE RISK

The interest rate risk is the risk that the earnings or capital fund of Thanachart Capital and its subsidiaries are adversely affected by changes in interest rates of their rate-sensitive items including assets, liabilities and off-balance sheet items whose re-pricing periods are mismatched. The changes may also have a negative impact on the net interest income of Thanachart Capital and its subsidiaries.

It is the goal of Thanachart Capital and its subsidiaries to run their business operations with an effective interest rate risk management system over a long period of time. The system enables them to maintain at different time intervals an appropriate structural relationship between their rate-sensitive assets and liabilities. The relationship is kept at a level that is suitable for their business operations and gives the maximum benefit to the Company and its subsidiaries as well as their shareholders. To achieve this target, Thanachart Capital and its subsidiaries have 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 in each period of assets, liabilities and obligations. The objective is to make sure that the interest rate risk of the business operations of Thanachart Capital and its subsidiaries is at an acceptable level. The Company and its subsidiaries have 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 business plans of Thanachart Capital and its subsidiaries are implemented. The Committee which is responsible for overseeing the management of liquidity and interest rates has been assigned to closely control and monitor the interest rate risk. As well, the Committee has been requested to closely monitor economic situations, developments in the money and capital markets, as well as the direction of interest rates which could pose an interest rate risk. The information is used in establishing various measures aimed at accommodating the risk.

The followings are details of the financial assets and liabilities as at 31 December 2008, classified by the period when the interest rates would be re-priced in accordance with the agreements which Thanachart Capital and its subsidiaries entered into with the financial assets and liabilities:

ITEMS	THE PERIOD WHEN THE INTEREST RATE WILL BE RE-PRICED OR THE DUE DATE						TOTAL
	AT CALL	0 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS	NO INTEREST	
Financial assets							
Cash	-	-	-	-	-	4,018	4,018
Interbank and money market items	451	60,547	200	-	-	4,441	65,639
Securities purchased under resale agreement	-	-	-	-	-	-	-
Investments	2,318	8,797	8,932	13,887	1,598	6,238	41,770
Receivables from clearing house	-	-	-	-	-	50	50
Loans and receivables	43,508	6,666	14,663	170,655	42,165	2,038	279,695
Total financial assets	46,277	76,010	23,795	184,542	43,763	16,785	391,172
Financial liabilities							
Deposits	76,106	107,599	85,420	42	-	563	269,730
Interbank and money market items	5,382	1,060	237	-	-	614	7,293
Payable to clearing house	-	-	-	-	-	295	295
Securities business payable	-	-	-	-	-	855	855
Borrowings	2	37,456	9,194	13,811	5,000	-	65,463
Liabilities payable on demand	-	-	-	-	-	1,317	1,317
Total financial liabilities	5,384	38,516	9,431	13,811	5,000	1,764	73,906

2.3 EXCHANGE RATE RISK

The exchange rate risk is a risk that the earnings or capital fund of Thanachart Capital and its subsidiaries can be adversely affected by the volatility in exchange rates as a result of their possession of assets or liabilities in foreign currencies or the execution of their business transactions in foreign currencies.

Most transactions related to foreign exchange are executed as part of the services offered by Thanachart Bank, one of Thanachart Capital's subsidiaries. Thanachart Bank has assigned to its Asset Liability Management Committee (ALCO) 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. As well, Thanachart Bank has adopted a policy aimed at establishing a risk ceiling level to contain the effects caused by the volatility of exchange rates on its earnings and capital fund. In this connection, Thanachart Bank makes use of the VaR Model to measure and determine the risk level. However, in protecting against the risk that may arise, Thanachart Bank has established a policy of hedging the risk by making use of financial tools such as forward contracts.

As at 31 December 2008, the exchange rate risk faced by Thanachart Capital and its subsidiaries was relatively low as they had entered into forward contracts for most of their assets in foreign currencies in order to protect against the risk.

3. LIQUIDITY RISK

Liquidity risk arises from the inability of Thanachart Capital and its subsidiaries to repay their debts or honor their obligations upon maturity, as they are unable to convert their 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 earnings and capital fund of Thanachart Capital and its subsidiaries, both in the present and in the future. The risk management mechanisms will start from an assessment of the cash flows and the liquidity position for each period in which Thanachart Capital and its subsidiaries 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, Thanachart Capital and its subsidiaries have assigned to the Committee responsible for overseeing the liquidity and interest rates the duties of controlling and managing the liquidity risk.

The structures of Thanachart Bank's funds classified by sources of funds and maturity are as follows:

FUNDS CLASSIFIED BY SOURCES OF FUNDS

	2008	PERCENT	2007	PERCENT
Loans and deposits				
From the public	269,730	78.76	188,166	69.22
From financial institutions	7,286	2.13	3,702	1.36
From overseas	7	-	7	-
Bills of exchange and promissory notes	52,722	15.39	73,120	26.90
Debentures	12,741	3.72	6,845	2.52
Total	342,486	100.00	271,840	100.00

(Unit: Million Baht)

FUNDS CLASSIFIED BY MATURITY OF SOURCES OF FUNDS

	2008	PERCENT	2007	PERCENT
Less than 1 year	322,261	94.09	256,356	94.30
More than 1 year	20,225	5.91	15,484	5.70
Total	342,486	100.00	271,840	100.00

(Unit: Million Baht)

As at 31 December 2008, the total deposits and borrowings of Thanachart Capital and its subsidiaries amounted to 342,486 million baht. Most funds were from the public deposits with maturity of less than one year. This was a normal business structure of a financial institution. However, Thanachart Capital and its subsidiaries had introduced bills of exchange and debentures as additional alternative savings products for their customers.

THE DETAILS OF THE FINANCIAL ASSETS AND LIABILITIES OF THANACHART CAPITAL AND ITS SUBSIDIARIES, WHICH WERE GROUPED BY THEIR MATURITY, AS AT 31 DECEMBER 2008 WERE AS FOLLOWS:

(Unit: Million Baht)

ITEMS	DUE DATE OF THE FINANCIAL INSTRUMENTS				TOTAL
	AT CALL	NOT OVER 1 YEAR	OVER 1 YEAR	NOT SPECIFIED	
Financial assets					
Cash	4,018	-	-	-	4,018
Interbank and money market items	5,172	60,447	20	-	65,639
Securities purchased under resale agreement	-	-	-	-	-
Investments	2,318	11,778	21,476	6,198	41,770
Receivables from clearing house	-	50	-	-	50
Loans and receivables	15,951	83,090	180,654	-	279,695
Total financial assets	27,459	155,365	202,150	6,198	391,172
Financial liabilities					
Deposits	73,475	194,841	1,414	-	269,730
Interbank and money market items	5,996	1,297	-	-	7,293
Payables to clearing house	-	295	-	-	295
Securities business payable	-	855	-	-	855
Liabilities payable on demand	1,317	-	-	-	1,317
Borrowings	2	46,650	18,811	-	65,463
Total financial liabilities	80,790	243,938	20,225	-	344,953
Off-balance sheet items					
Avals to bills and guarantees of loans	10	106	12	-	128
Liability under unmatured import bills	-	360	83	-	443
Letters of credit	48	616	-	-	664
Other contingencies	4,311	1,909	-	1,061	7,281
Total off-balance sheet items	4,369	2,991	95	1,061	8,516

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 Thanachart Capital and its subsidiaries. The risk may also arise from the fact that their 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 earnings and capital fund of Thanachart Capital and its subsidiaries as well as their reputation and credibility.

Thanachart Capital and its subsidiaries have imposed a number of measures aimed at making sure that their internal control systems are efficient. As well, they have streamlined internal work processes, making the processes more flexible and more in line with their financial service businesses. The purpose is to maintain efficient work processes and to keep the operational risk at an acceptable level. These measures include the following:

- To develop their organizational structure, Thanachart Capital and its subsidiaries clearly specify roles, and the scope of duties and responsibilities for each job. Moreover, in order to have a system of checks and balances, the front offices are separated from the middle offices such as the Risk Control Department, which are responsible for controlling risks, and from the back offices which are responsible for recording transactions.

- Thanachart Capital and its subsidiaries 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.

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

- Thanachart Capital and its subsidiaries established the Audit Committee and the Risk Management Committee as well as an operational risk management unit. The purpose is to monitor, and assess the operational risk as well as identifying and correcting errors so that the operations become better controlled and more efficient.

- Thanachart Capital and its subsidiaries also improved their information management systems and information security systems, aiming to increase the capability of accommodating business expansion and gaining enhanced credibility from their customers in terms of both technology and information. Particular focus was given to protection against damage caused by unauthorized access to information.

- Thanachart Capital and its subsidiaries 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 regulations and by-laws of the Company and its subsidiaries as well as the regulations of the authorities concerned.

- Thanachart Capital and its subsidiaries 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 discontinuity. The Company and its subsidiaries 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.

However, Thanachart Capital and its subsidiaries also assessed the possible impact of operational risk, using the Basic Indicator Approach established by the BIS. The approach calculated the operational risk by using the average gross income of the Company and its subsidiaries.

5. 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 earnings, capital fund or survival of Thanachart Capital and its subsidiaries. In managing the strategic risk, the Company and its subsidiaries arrange 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 the business goals. The Boards of Directors of Thanachart Capital and its subsidiaries are responsible for regularly monitoring and appraising the performance of various work units against the established targets in the annual business plan.

6. REGULATION RISK

The risk arises from improvements or changes in regulations, laws or requirements of the authorities concerned, especially the BOT. Each change in the BOT's policy might affect the strategies and business operations of Thanachart Capital and its subsidiaries.

6.1 IMPACTS OF THE DEPOSIT PROTECTION AGENCY ACT (DPA)

The Deposit Protection Agency Act which took effect on 11 August 2008 affected deposits, both in baht and in foreign currencies, in the financial institution industry. Before the introduction of the Act, the Financial Institutions Development Fund (FIDF) gave a full blanket guarantee of the deposits for both principal and interest. The new Act gives protection within a clearly defined scope by specifying a protection limit, scope of guarantee, as well as type of deposits protected by the Act. The implementation of the new Act encourages depositors to become aware of the risk and to pay more attention to the examination of information and performance of the financial institutions, instead of just focusing on the rate of return. On the other hand, the financial institutions also have to streamline their business operations and strengthen their financial position so that they are acceptable to their customers. It was anticipated that, during the first phase of the implementation of the Act, Thanachart Bank which is one of Thanachart Capital's subsidiaries might be faced with shift of deposits by some of its depositors. It appeared that, during the period, the liquidity of Thanachart Bank was not affected at all. However, after the authorities concerned disseminated more information about the new Act to the general public and the economy became highly unstable during the latter part of the past year, the authorities decided to extend the full blanket guarantee of the deposits for another three years. This made depositors gradually shift their funds back to those banks which, they believed, had a strong financial position. However, Thanachart Bank already took steps to manage the risk that might arise from the future implementation of the new Act by increasing the number of branches with an aim of expanding its retail depositor base. As well, Thanachart Bank placed emphasis on development of new deposit products and investment vehicles that would meet the needs of high net worth customers. The Bank also promoted strict adherence to the principles of good corporate governance in order to achieve a sustainable growth for its business operations and to mitigate the effects caused by the shift of deposits by some high net worth customers when the new Act comes into force with the deposit guarantee being capped at 1 million baht per account.

6.2 IMPACTS OF FINANCIAL INSTITUTIONS BUSINESSES ACT B.E. 2551

According to the Financial Institution Businesses Act B.E. 2551 which took effect on 3 August 2008, the BOT announced notifications to supervise financial institutions, ensuring that they have a strong financial position and risk management systems on a par with the international standards. The Act also helps boost the confidence of the public and depositors in the overall financial institution system. As a result, Thanachart Capital and its subsidiaries had to review and improve their overall risk management processes, ensuring that they were in compliance with the Act. Focus was given to areas related to capital adequacy, assets, investments, the conduct of business affairs of Thanachart Capital and its subsidiaries, prohibitions against some types of transactions that might benefit related parties, as well as the governance of the business operations of member companies belonging to the same financial business group. The above-mentioned risk management is still under the risk management structure with the front offices being separated from the back offices in order to have a system of checks and balances. The risk management is also supported by the middle offices or risk management units such as the compliance unit, which are responsible for controlling the risks and ensuring the compliance with the risk management policy before the execution of transactions.

CORPORATE SOCIAL RESPONSIBILITY

Apart from its business operations that place emphasis on maximizing shareholder return, Thanachart Group pays great attention to corporate governance and corporate social responsibility. Representing the Group's main objectives, they are part of the CEO's Six-point Agenda, which every work unit has to follow.

Throughout its 28 years of business operations, Thanachart Group has taken a responsible attitude towards society. The Group believes that conducting its business affairs which are underpinned by a sense of social responsibility, will help to make its business more sustainable in the long term. Although there is not any compulsory requirement to do this, the Group has taken on the responsibility voluntarily. The top management of the Group has played an important role in promoting the principles of social responsibility. These principles fall under the umbrella of the Group's Corporate Social Responsibility (CSR) that places emphasis on "sustainable growth with moral righteousness". Supported by its staff, business alliances, local communities and society, the Group is prepared to consistently participate in activities that support or help local communities and society in a long term manner with understanding and sincerity.

In this regard, Thanachart Group's socially responsible activities can be divided into two main categories as follows:

1. Socially Responsible Business The conduct of its business affairs with social responsibility is based on the principles of CSR that focus on "sustainable growth with moral righteousness". Throughout its 28 years of business operations, Thanachart Group has strictly adhered to the principle of rejecting any business that is ethically questionable or socially harmful. Its mainstream business practices that reflect a sense of social responsibility include the following:

1.1 The conduct of business affairs of all member companies of Thanachart Group does not support any business or organization that is illegal or immoral. Nor do the companies involve themselves in such businesses or organizations.

1.2 Staff at all levels of Thanachart Group strictly adhere to ethical and moral principles.

1.3 In selling or offering any product or service, full information about its limitations or conditions has to be disclosed to customers from the outset clearly and completely.

1.4 Private information of customers has to be protected. As well, all the member companies strictly comply with the legal requirements relating to the private information of customers.

1.5 All staff is provided with a safe work environment.

1.6 The Group promotes energy conservation, environmental protection and a reduction in the use of paper to eliminate waste.

1.7 The Group promotes a reduction in the use of materials that cause air pollution or are harmful to health.

1.8 The Group supports the well-being of its staff.

2. CSR Activities The Group may initiate socially beneficial activities on its own or invite experts to help organize them. To achieve the objectives efficiently, it may have to establish relationships with stakeholders that can help implement the activities. It may also invite other groups of stakeholders to participate in the socially beneficial activities in order to achieve a broader impact. Furthermore, bearing in mind the benefits to be gained by the beneficiaries, the Group has adopted the beneficiary-centered approach in designing the activities. The CSR activities can be divided into three sub-categories as follows:

1. Mr. Vicha Kulkobkiat, Senior Vice President of Communication and Brand Management Division, Thanachart Bank, donated 300,000 baht to sponsor the purchase of bulletproof helmet for scout volunteers who guard the border of Thailand-Cambodia.

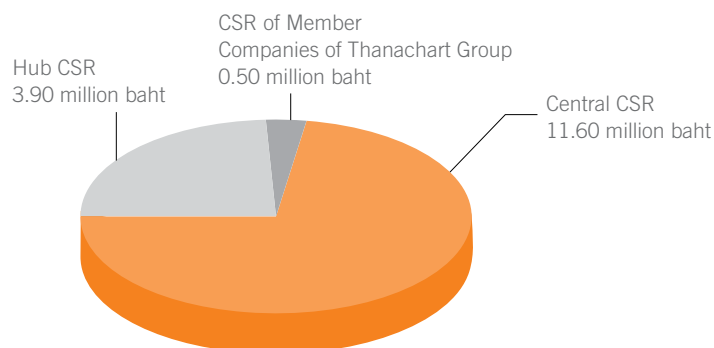


2.1 Central CSR Activities The headquarters will be responsible for initiating and implementing these CSR activities with the support from its hubs in Bangkok and upcountry. The scope of Thanachart Group's social responsibility is based on activities that are related to its businesses. As a general guideline for implementation, the activities can be divided into the following four main groups: (a) Education and youth development, (b) Creation of opportunities for the underprivileged in society, (c) Road traffic safety, (d) Environmental maintenance and protection.

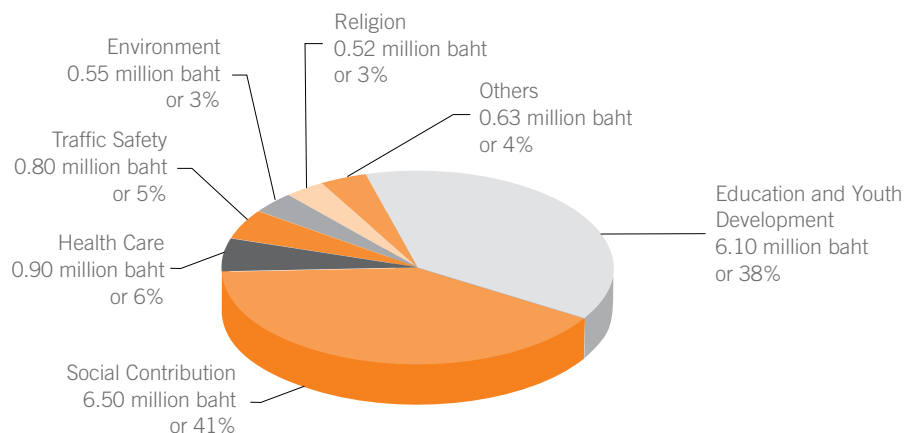
2.2 Hub CSR Activities The objective is to make Thanachart Bank Public Company Limited an integral part of local communities and to create acceptance in the areas in which it operates its business. As a result, the activities undertaken by each hub are different. In designing the activities, the needs or culture of the local community will be taken into consideration. The activities initiated by each hub will be considered and approved by the headquarters. Each hub will be responsible for implementing the activities with the support of the headquarters.

2.3 CSR Activities of Member Companies of Thanachart Group The objective is to make all member companies of Thanachart Group taking part in CSR.

In 2008, Thanachart Group spent 16 million baht on CSR. The expenditure can be divided into three main categories as follows:



The expense can also be classified by types of CSR activities supported by Thanachart Bank as follows:



2. Mr. Suphadej Poonpipat, Chief Executive Officer of Thanachart Bank, donated 285,000 baht to support the purchase of medical equipments for the National Cancer Institute of Thailand with Doctor Theerawuth Khuaprama, Head Director of National Cancer Institute, as a receiver.

3. Thanachart Bank employees conversing with an elder while participating in the Ban Bang Khae for Older Persons 2 visit, one of the “Ri Rerm..Term Tem” Project.



MAJOR CSR ACTIVITIES IN 2008

CENTRAL CSR ACTIVITIES

Thanachart Bank's central CSR activities in 2008 could be divided into two major groups including main activities under the “Ri Rerm..Term Tem” (Initiate and Fulfill) Project and other small-scale activities. Most central CSR activities are of a large scale with joint efforts put in by the headquarters, its branches and hubs nationwide. The key objective of Thanachart Bank's CSR activities is to enable its staff, executives, customers and all concerned to participate in the activities and contribute whatever they can, both in cash and in kind.

RI RERM..TERM TEM (INITIATE AND FULFILL) PROJECT-AN ACTIVITY TO CREATE OPPORTUNITIES FOR THE UNDERPRIVILEGED IN THE SOCIETY

“Initiate and Fulfill” Project is Thanachart Bank's key CSR activity in 2008. The Project places emphasis on identifying the real needs of Thai society-something that the society actually lacks and needs. The objective is to make sure that the “contributions to be made” will fulfill the real needs. While Thanachart Bank makes its own contributions, it also acts as an intermediary for contributions by producing a short documentary called **“Initiate and Fulfill by Thanachart Bank Year 1”**. The purpose is to provide members of the general public as well as private and public organizations with an opportunity to make contributions to the underprivileged in various forms. In addition to cash donations, the contributions may take the form of tools, equipment, appliances or non-materials such as sharing of knowledge, love, friendliness, consideration and helpfulness. The contributions may also be in other forms that the donors are prepared to give. The documentary was broadcast as part of “Jood Plien” (Turning Point) Programme on TV Channel 9 (Modern Nine TV) at 13:00 hours every Saturday from October to December 2008. The documentary was also broadcast as part of “Khon Khon Khon” (variety/talk show) Programme on TV Channel 9 (Modern Nine TV) at 22:15 hours every Tuesday from January to February 2009. The Project has been a proven success with many organizations and foundations having received contributions from Thanachart Bank and other contributors. The recipients include, among others, the following:

- **National Cancer Institute of Thailand** Thanachart Bank made a cash donation worth 285,000 baht to National Cancer Institute of Thailand for the purchase of highly advanced blood pressure gauges. They were used to diagnose patients afflicted with cancer.
- **Ban Bang Khae Social Welfare Development Center for Older Persons 2** Thanachart Bank organized physical activities for the elderly at Ban Bang Khae 2, who lacked support from their families. They were also given a free lunch. Many staff members of the Bank's Petchakasem Hub participated in the activities which the elderly enjoyed very much.

4. Mr. Vicha Kulkobkiat, Senior Vice President of Communication and Brand Management Division, Thanachart Bank, and Thanachart Bank presenters donated computers together with internet access to the children in Baan Nok Kamin Foundation to serve as a knowledge source in the occasion of "Ri Rerm..Term Tem" Project opening.

5. Mr. Suphadej Poonpipat, Chief Executive Officer of Thanachart Bank, donated 500,000 baht which was contributed by customers, employees and the Bank to Associated Professor, Dr. Churee Wichitwathakarn, the Chairman of the Foundation for Slum Children Care.



- **Foundation for Children with Disabilities** (Soi Ladprao 47) The autistic and physically handicapped children at the Foundation need special clothing that facilitates their movement. As part of an organized activity, many staff members of Thanachart Bank's Ratchadapisek Hub participated in making clothes for these children.

- **Mangrove Forestation** (Operation and Learning Center, Mahachai East Coast, Tambon Kokkam, Amphur Muang, Samut Sakhon Province) The organized activity was aimed at inculcating a sense of concern in the staff and an affinity with nature. The participants learned how to grow mangrove trees properly so that their offspring would survive and not be washed away by the sea. This knowledge helped conserve the mangrove forest and protect the environment.

- **Foundation for Children** (Amphur Sampran, Nakhon Pathom Province) The Foundation looks after more than one hundred orphans. During the rainy season, washing nappies and clothes are often troublesome. Dealing with damp clothes also presents a big problem. As a result, Thanachart Bank has donated washing and drying machines to the Foundation.

- **Thai Blind People's Foundation** (Soi Boonyu, Dindaeng Road) The Foundation has built up its own audio library for the blind. The visually impaired can study by listening to audiobooks in the form of CDs available at the library. As part of the related activity, Thanachart Bank donated CDs for recordings to the Foundation. Some staff members of the Bank also assisted in producing audiobooks for visually handicapped persons. Moreover, Thanachart Bank made a cash donation to the "White Walking Stick" project. The proceeds from the donation would be used to buy walking sticks and distribute them to the visually handicapped people living in Petchaburi Province.

- **Presenting monks with dentures** (Monks Hospital) The activity demonstrates another means of merit-making at Monks Hospital, in addition to offering food to the monks. One of the things which old monks need most is dentures. They enable the monks to eat a normal diet and give a sermon as before.

- **Vocational Training for Veterans** (Veterans General Hospital) The activity helps make the public aware of the fact that, in addition to treating patients, Veterans General Hospital provides the physically handicapped veterans with vocational training, the expenses of which are not normally covered by the regular budget. Thanachart Bank made a cash donation worth 20,000 baht.

- **Baan Nok Kamin Foundation** Baan Nok Kamin Foundation helps care for children who have no family. They range from infants to teens. The Foundation also provides them with education so that they will not become a burden on society. To support the Foundation's worthy causes, Thanachart Bank donated two computers with Internet access. The equipment would enable the children at Baan Nok Kamin Foundation to access a resource of online information and acquire knowledge under the supervision of teachers.

6.-7. Mr. Suphadej Poonpipat, Chief Executive Officer of Thanachart Bank, donated 20 scholarships to exemplary students who lack financial support and awarded 5 schools in Nakhon Si Thammarat province with financial aids for academic and athletic support in the occasion of presenting Royal Kathin Robes at Wat Phra Mahathat Woramahawiharn Temple, Nakhon Si Thammarat province.



OTHER CSR ACTIVITIES

- **Donations to Foundation for Slum Child Care under the Royal Patronage of HRH Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra** Thanachart Bank delivered donations worth 500,000 baht in total to Foundation for Slum Child Care. The proceeds of the donations were collected from Thanachart Bank, its customers, executives, and staff. A donation box was placed at all of its branches for those who were interested in making donations to Foundation for Slum Child Care. The Bank has been giving its support to the Foundation for years, which included, among others, donations of a small bus for a mobile library service, cash donations, basic necessities for children, washing machines, as well as offers of food to children by its staff members during important festivals.

- **Main Supporter of “123 Unity Thailand 2008” Project** Thanachart Bank and Thai PBS Channel were major sponsors of “123 Unity Thailand 2008” Project which aimed at promoting classical music among the youth. They were given opportunities to practice and play classical music under the expert guidance of several well-known conductors including Mr. Bundit Ungrangsee, the world’s top conductor. The activity helped develop and raise the professional standards of young Thai musicians to a level on par with international standards. The Project also featured a music camp where a selected group lived together for almost one week for the purpose of learning and developing their skills in classical music. They were also given an opportunity to practice for a concert and participated in an orchestra performance given at Thammasart Auditorium which attracted great public interest.

- **Presentation of Royal Krathin Robes and Making Cash Donations to Schools and Students** Thanachart Bank and other member companies of Thanachart Group jointly hosted the presentation of royal Krathin robes at Wat Phra Mahathat Woramahawiharn, Amphur Muang, Nakhon Si Thammarat for the year 2008. In this connection, cash donations for educational purposes were also made to five schools. In addition, scholarships were granted to 20 students. The total donations collected from the customers, executives, and staff of member companies of Thanchart Group amounted to 4,819,181.80 baht.

- **Supporting One-Thousand-Baht-One-Birthday Project of Chulalongkorn University Alumni, which was initiated by Her Royal Highness Princess Maha Chakri Sirindhorn** Thanachart Bank contributed in the donations for the Project, the proceeds of which were given to a charity fund started by His Majesty the King, in commemoration of the celebrations on the auspicious occasion of His Majesty the King’s Birthday Anniversary on 5th December. All branches of Thanchart Bank served as a channel, through which those interested in participating in the donations for the Project could make their contributions.

HUB CSR ACTIVITIES

Thanachart Bank has altogether 22 hubs nationwide - both upcountry and in Bangkok and its vicinities. The local needs and culture of these hubs are different. As a result, each of them initiated their own CSR projects, taking into consideration the results of local needs assessments. Supported by the CSR Committee, the central unit is responsible for approving and administering these projects. The activities implemented by hubs in 2008 included the following:

8. Mr. Udom Chaiyathap, Assistant Vice President of Northern Hub 1 (Chiangmai), Thanachart Bank, donated 200 bicycles for children in the scarce area in Chiangmai Province to commute to school.



- **Chiangmai Hub: “Bicycles for young children” Project** A total of 200 bicycles were given to rural schools located in Amphur Jomthong and Amphur Fang in Chiangmai Province. Students who lived far away from the schools could borrow the bicycles and ride them to school and back. Enjoying the convenience, the students spent less time on commuting between the school and their home. The project also helped maintain these bicycles in good condition. Moreover, customers, executives, and staff members of Thanachart Group came together to donate coats, blankets, and learning equipments to those schools.

- **Phuket Hub: “Thanachart building conserves environment” Project** The hub supported the construction of a multi-purpose building for Ban Pa Yang School located in the rural area of Amphur Muang, Phang Nga Province. The building was used for both educational and recreational activities of the students, as well as for activities of local communities around the school. Staff members of the hub also helped the local communities in the construction of the building.

- **Khon Kaen Hub: “Blood donation Year 1 (2008) for Mother of the Nation on the auspicious occasion of Her Majesty the Queen’s Birthday” Project and “Blood donation Year 2 (2008) for Father of the Nation on the auspicious occasion of His Majesty the King’s Birthday” Project** The projects received support from Thai Red Cross Society, hospitals, Khon Kaen Center, Central Blood Bank, and the Faculty of Medicine of Khon Kaen University. Receiving 248,300 cc of blood in total, the blood donating activity is in its 6th year. In addition, Thanachart Bank provided blood donors with free physical medical checkups, blood checks, as well as personal finance checkups. The blood donors were also given seedlings, from which they could grow trees to conserve the environment.

- **Nakhon Sawan Hub, Ayuthaya Hub, Phitsanulok Hub: Survival bags for flood victims** To help alleviate the plight of flood victims in Nakorn Sawan, Ayuthaya, Phitsanulok province in Amphur Wang Thong, Amphur Ma Prang, Amphur Chartrakarn, and Lop Buri province in Amphur Muang, Amphur Kok Samrong, and Amphur Ban Mee, 4,000 survival bags were given by Nakorn Sawan Hub, Ayuthaya Hub, and Phitsanulok Hub.

- **Hat Yai Hub: “Thanachart cares children wear safety helmet Year 2” Project** The project launched a campaign encouraging elementary school students who commuted to school on the back of their parent’s motorcycles to wear safety helmets in order to reduce traffic accidents. 1,200 crash helmets were given to students in schools located in Songkhla Province. The participating schools also helped set aside storage space for keeping the helmets. As well, the traffic police organized a training activity for the parents, teaching them how to drive motorcycles safely.

- **Surat Thani Hub: “Thanachart Cup 1” Project** The project promoted soccer playing among young people. Importantly, it helped inculcate the wise use of leisure time into the young people and encouraged them to stay away from drugs. As the soccer events were very popular among the local communities, the project represented a good opportunity to produce soccer stars at a provincial level. It was hoped that some of them could develop themselves into stars at a national level in the future. A total of 24 teams participated in the soccer competition that lasted for five weeks in total.

9. Mr. Nophadon Ruengchinda, Managing Director of Thanachart Insurance Company, as the representative of Thanachart Insurance Company and Thanachart Bank donated a total of 150,000 baht to Pediatric Cardiac Surgery Foundation, Institute of Cardio Vascular Disease, Rajvithi Hospital, with Miss Chintana Treengern, Assistant Director and Secretariate of the Foundation, as a receiver.

10. Southern Hub 4 (Hat Yai) of Thanachart Bank has organized a campaign entitled “Thanachart Bank Cares, Children Wear Safety Helmets.” The Hub donated 1,200 safety helmets to the children in Songkhla Province to encourage parents to recognize the importance of their children’s safety and to reduce accidents for the students who commute with motorcycle.



- **Ngam Wong Wan Hub: “Ride bicycles to fight air pollution and global warming” Project**

The Project built parking lots for bicycles at various places in several localities of Nonthaburi Municipality. The purpose was to provide greater convenience to members of the public who commuted by bicycle. The Project also launched a campaign aimed at encouraging members of the public to commute by bicycle in order to fight global warming. It was part of the on-going project which had been jointly implemented in various formats for many years by the Hub and Nonthaburi Municipality in order to fight global warming. Among the activities organized previously were “Beautiful Canal...Clean Water” Project and “Cool Earth in Nonthaburi Municipality” Project.

CSR ACTIVITIES OF MEMBER COMPANIES OF THANACHART GROUP

Thanachart Insurance Company Limited donated 100,000 baht in cash to Pediatric Cardiac Surgery Foundation (PCSF) of Rajavithi Hospital. The proceeds of the donation were for treating children with heart disease, particularly those suffering congenital heart disease and requiring cardiac surgery without delay.

Thanachart Life Assurance Company Limited under its project entitled “Ri Rerm Term Rak” (Initiate and Fulfill with Love), supported students who had good academic records but lacked financial resources. A total of 60 scholarships were awarded to students studying at the secondary education levels (Matayomsuksa Levels 1-6) at schools under the jurisdiction of the Department of General Education. The scholarships would pay for the education of the same students from Matayomsuksa Level 1 to Level 6.

Thanachart Securities Public Company Limited established a CSR project entitled “Help Young Ones (4th Year)”. The Project received cash donations worth 290,593 baht as well as educational materials and textbooks, which were delivered to Ban San Heep School in Sukhothai Province. The proceeds of the donations were used for renovating the dormitory for students who lived far away from the school as well as for those students who had to live in the school regularly. The proceeds were also used for renovating the library as well as building more toilets for the school.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR FINANCIAL REPORT

Thanachart Capital's Board of Directors is responsible for the separate and consolidated financial statements and for financial information presented in this annual report. The aforementioned financial statements were prepared in accordance with the generally accepted accounting principles, applying appropriate and consistent accounting policies and with careful judgments and best estimates. Important information is adequately and transparently disclosed to shareholders and other investors in the notes to financial statements.

Thanachart Capital's Board of Directors has established and maintained appropriate and effective risk management and internal control system in order to rationally assure that the accounting information is correctly and completely recorded and adequate to sustain Thanachart Capital's assets, as well as to prevent any material irregular operation or fraud.

Thanachart Capital's Board of Directors has appointed an Audit Committee comprising independent Directors responsible for revision of accounting policies and the quality of financial statements, internal control, internal audit and risk management system, as well as the disclosure of related party transaction. The Committee's comments on these issues are included in the Audit Committee Report in this annual report.

Thanachart Capital's separate and consolidated financial statements were audited by the Certified Public Auditor of Ernst & Young Office Limited. The Board of Directors had provided the auditing team all information and document supports in order that the Auditor would be able to audit and address his/her opinion to the auditing standards. The Auditor's opinion included in the Report of Independent Auditor in this annual report.

Thanachart Capital's Board of Directors is of the opinion that the Company's overall internal control is at a satisfying level and provides reliability on its separate and consolidated financial statements for the year ended December 31, 2008 which is in compliance with the generally accepted accounting principles and relevant rules and regulations.



Mr. Banterng Tantivit
Chairman



Mr. Suphadej Poonpipat
Chairman of the Executive Committee

REPORT OF THE AUDIT COMMITTEE

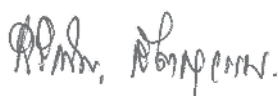
The Audit Committee consists of three members appointed by Thanachart Capital's Board of Directors. All of them are independent directors who are qualified experts in accounting and finance with extensive work experience in financial institutions and large-sized corporations. They include:

- | | | |
|------------------|-------------|---------------------------------|
| 1. Mr. Sommart | Poonpakdee | Chairman of the Audit Committee |
| 2. Mrs. Siripen | Sitasuwan | Member |
| 3. Mrs. Chantima | Chaturaphat | Member* |

The Audit Committee has duties and responsibilities assigned by Thanachart Capital, which are in the charter established by the Audit Committee. In 2008, The Audit Committee held seven meetings and two extraordinary meetings with the related units including, among others, the Audit Office, Audit Group, Compliance Department, Thanachart Capital Accounting Department, Risk Management Department, and auditor. The meetings were for informing and considering all related issues and the Audit Committee reported the results of all meetings to Thanachart Capital's Board of Directors. The Audit Committee also participated in the Board of Directors' meeting so as to be informed of the performance of various units in Thanachart Capital and those of Thanachart Group's member companies.

The Audit Committee is of the opinion that the business management of the Thanachart Capital and member companies of Thanachart Group is in line with the principles of good corporate governance. It is also of the opinion that Thanachart Capital's financial statements disclose complete, accurate, reliable information and are in line with the accepted accounting principles. Moreover, the operation of Thanachart Capital must comply with the laws because it is one of the most important policies of Thanachart Capital. The internal control systems are sufficiently tight and show continuous improvement. As well, Thanachart Capital'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. Thanachart Capital 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 Thanachart Capital'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 Thanachart Capital businesses and is supported by qualified personnel with knowledge and experience. Therefore, the Audit Committee considers it appropriate that Thanachart Capital proposes to its shareholders that Ernst & Young remain as Thanachart Capital auditor in 2009.



Siripen Sitasuwan
Member of the Audit Committee



Somkiat Sukdheva
Member of the Audit Committee

Note: * Mrs. Chantima Chaturaphat resigned from her directorship on 10 October 2008.
Mr. Somkiat Sukdheva has been appointed to be a member of the Audit Committee since 8 January 2009.

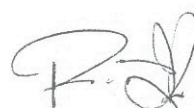
REPORT OF INDEPENDENT AUDITOR

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 2008 and 2007, 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 2008 and 2007, the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.



Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited
Bangkok: 26 February 2009

BALANCE SHEETS

Thanachart Capital Public Company Limited and its subsidiaries
As at 31 December 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Assets					
Cash		4,017,994,398	3,274,646,674	40,000	40,000
Interbank and money market items	6				
Domestic					
Interest bearing		40,977,469,318	1,369,192,055	3,366,782,963	822,452,538
Non-interest bearing		3,945,117,314	3,310,826,238	111,212,539	249,224,880
Foreign					
Interest bearing		20,372,080,617	35,600,519,727	-	-
Non-interest bearing		495,714,325	181,005,967	-	-
Total interbank and money market items - net		65,790,381,574	40,461,543,987	3,477,995,502	1,071,677,418
Securities purchased under resale agreements	7	-	2,500,000,000	-	-
Investments					
Current investments - net	8	11,823,115,615	5,296,660,463	2,999,343,403	-
Long-term investments - net	8	26,157,767,934	22,269,203,345	5,562,867,577	6,155,936,302
Investments in subsidiaries - net	9	-	-	16,903,296,764	16,840,417,694
Investments in an associated company - net	10	1,404,443,616	1,308,475,772	657,994,072	657,994,072
Total investments - net		39,385,327,165	28,874,339,580	26,123,501,816	23,654,348,068
Receivables from clearing house		50,185,586	243,570,359	-	-
Loans and accrued interest receivables	11				
Loans		277,553,638,314	237,306,778,789	8,627,833,429	24,793,914,227
Securities business receivables		1,896,481,321	1,930,104,554	-	-
Total loans and receivables		279,450,119,635	239,236,883,343	8,627,833,429	24,793,914,227
Accrued interest receivable		323,639,772	252,786,998	181,348	13,779,451
Total loans and accrued interest receivable		279,773,759,407	239,489,670,341	8,628,014,777	24,807,693,678
Less: Allowance for doubtful accounts	12	(9,920,939,383)	(8,371,854,678)	(1,302,142,043)	(1,651,568,121)
Less: Revaluation allowance for debt restructuring	13	(86,795,159)	(84,025,462)	(272,113)	(393,052)
Total loans and accrued interest receivable - net		269,766,024,865	231,033,790,201	7,325,600,621	23,155,732,505
Property foreclosed - net	15	7,554,495,386	8,074,114,289	2,440,979,948	2,867,334,573
Property, premises and equipment - net	16	2,522,254,110	2,308,196,743	209,231,156	220,236,517
Intangible assets - software - net	17	419,172,975	216,292,664	2,424,444	3,728,279
Leasehold right - net		552,383,624	430,465,286	247,209,909	150,096,832
Goodwill		44,274,108	44,274,108	-	-
Value added tax refundable		398,585,716	1,095,149,691	-	-
Financial derivative assets		1,369,064,034	364,009,659	-	-
Other assets - net	18	2,265,567,186	2,335,758,850	97,299,088	129,165,157
Total assets		394,135,710,727	321,256,152,091	39,924,282,484	51,252,359,349

The accompanying notes are an integral part of the financial statements.

BALANCE SHEETS (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries
As at 31 December 2008 and 2007

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2008	2007	2008	2007
Liabilities and shareholders' equity					
Deposits	19				
Deposits in Baht		269,660,018,831	187,537,866,185	-	-
Deposits in foreign currencies		70,367,617	628,475,240	-	-
Total deposits		269,730,386,448	188,166,341,425	-	-
Interbank and money market items	20				
Domestic					
Interest bearing		6,679,211,369	3,113,262,261	4,501,864,428	12,500,064,786
Non-interest bearing		607,157,923	588,938,459	-	-
Foreign					
Non-interest bearing		6,450,786	6,679,965	-	-
Total interbank and money market items - net		7,292,820,078	3,708,880,685	4,501,864,428	12,500,064,786
Payable to clearing house		294,804,300	-	-	-
Securities business payable		854,589,048	1,243,919,399	-	-
Liabilities payable on demand		1,316,693,276	1,329,027,334	-	-
Borrowings	21				
Short-term borrowings		46,652,604,936	65,848,267,154	2,944,305,375	8,230,300,000
Long-term borrowings		18,810,500,000	14,116,546,400	8,000,000,000	4,500,000,000
Total borrowings		65,463,104,936	79,964,813,554	10,944,305,375	12,730,300,000
Accrued interest payable		1,774,584,759	1,499,245,735	70,886,986	86,007,980
Life premium reserve		7,821,623,453	5,593,424,455	-	-
Unearned premium reserve		1,465,630,973	1,207,394,714	-	-
Corporate income tax payable		301,189,486	941,425,140	70,220,357	620,943,529
Other liabilities	22	5,459,115,503	5,339,410,742	416,663,548	706,420,670
Total liabilities		361,774,542,260	288,993,883,183	16,003,940,694	26,643,736,965

The accompanying notes are an integral part of the financial statements.

BALANCE SHEETS (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries
As at 31 December 2008 and 2007

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2008	2007	2008	2007
Shareholders' equity					
Share capital	23				
Registered, issued and paid-up					
15,856 preference shares of Baht 10 each					
(2007: 19,336 preference shares of Baht 10 each)		158,560	193,360	158,560	193,360
1,333,138,147 ordinary shares of Baht 10 each					
(2007: 1,333,134,667 ordinary shares of Baht 10 each)		13,331,381,470	13,331,346,670	13,331,381,470	13,331,346,670
		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		1,141,663,553	1,141,663,553	-	-
Amount by which the value of investment in subsidiary					
is lower than attributable net book value	2.2	226,460,173	-	-	-
Revaluation surplus on investments	24	380,736,772	510,938,562	99,597,575	355,674,041
Revaluation deficit on investments	24	(1,699,455,335)	(528,018,466)	(543,784,863)	(54,979,876)
Retained earnings					
Appropriated - statutory reserve	25	803,178,954	734,878,415	803,178,954	734,878,415
- treasury stock reserve		110,260,325	-	110,260,325	-
Unappropriated		10,342,356,392	8,951,655,999	8,164,165,206	8,175,864,886
Total shareholders' equity before treasury stock					
and minority interest		26,702,385,752	26,208,302,981	24,030,602,115	24,608,622,384
Less: Treasury stock	23	(110,260,325)	-	(110,260,325)	-
Equity attributable to the Company's shareholders		26,592,125,427	26,208,302,981	23,920,341,790	24,608,622,384
Minority interest - equity attributable to minority					
shareholders of subsidiaries		5,769,043,040	6,053,965,927	-	-
Total shareholders' equity		32,361,168,467	32,262,268,908	23,920,341,790	24,608,622,384
Total liabilities and shareholders' equity		394,135,710,727	321,256,152,091	39,924,282,484	51,252,359,349
Off-balance sheet items - commitments	36.1				
Avals to bills and guarantees of loans		128,025,575	33,887,500	10,000,000	10,000,000
Obligation under unmatured import bills		442,517,702	25,150,252	-	-
Letter of credit		664,174,238	399,286,956	-	-
Other contingencies		94,516,146,613	85,246,622,627	8,000,560,088	10,600,966,747

The accompanying notes are an integral part of the financial statements.

INCOME STATEMENTS

Thanachart Capital Public Company Limited and its subsidiaries
For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2008	2007	2008	2007
Interest and dividend income					
Loans		3,792,822,588	3,063,653,516	52,150,519	166,731,917
Interbank and money market items		1,570,454,164	1,274,549,060	79,616,398	13,642,660
Hire-purchase and financial leases		14,735,660,791	13,118,259,526	951,117,371	2,276,261,880
Investments		1,313,893,064	1,342,781,396	907,201,319	527,539,750
Total interest and dividend income		21,412,830,607	18,799,243,498	1,990,085,607	2,984,176,207
Interest expenses					
Deposits		6,999,255,765	7,113,468,932	-	-
Interbank and money market items		183,897,580	120,116,245	287,320,057	1,275,447,740
Short-term borrowings		1,675,476,084	1,478,629,894	240,395,896	248,390,910
Long-term borrowings		647,662,475	994,954,840	154,956,164	329,728,263
Total interest expenses		9,506,291,904	9,707,169,911	682,672,117	1,853,566,913
Net interest and dividend income		11,906,538,703	9,092,073,587	1,307,413,490	1,130,609,294
Reversal of bad debt and doubtful accounts					
(Bad debt and doubtful accounts)	26	(3,579,667,767)	(2,051,231,770)	237,081,083	852,729,039
Loss on debt restructuring	27	(13,549,829)	(339,015)	(197,938)	(4,285)
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		8,313,321,107	7,040,502,802	1,544,296,635	1,983,334,048
Non-interest income					
Brokerage fees		756,390,129	713,717,596	-	-
Gain (loss) on investments	28	(302,267,769)	819,236,623	77,476,605	1,765,762,512
Share of income from investments in associated company accounted for under equity method	10	334,979,289	270,890,523	-	-
Fees and service income					
Acceptances, aval and guarantees		34,500,005	21,780,855	-	-
Discounted income on insurance premium		546,811,955	709,260,467	208,620	402,876
Others		1,840,453,159	1,421,742,661	396,271,335	455,582,124
Gain on exchange and financial derivatives		222,700,412	50,604,465	-	-
Gain (loss) on property foreclosed and other assets	29	248,667,857	250,792,045	(69,549,214)	48,773,809
Gain on debt settlements/disposals		240,888,950	493,878,162	17,344,359	59,232,032
Insurance premium/Life insurance premium income		7,340,117,864	5,389,475,019	-	-
Other income		643,959,569	504,613,425	333,436,931	344,408,117
Total non-interest income		11,907,201,420	10,645,991,841	755,188,636	2,674,161,470

The accompanying notes are an integral part of the financial statements.

INCOME STATEMENTS (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries
For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Non-interest expenses					
Personnel expenses		3,660,134,901	2,894,603,867	70,523,076	87,297,704
Premises and equipment expenses		1,576,323,775	1,287,629,189	139,811,156	142,998,757
Taxes and duties		222,246,926	363,849,820	3,878,180	22,636,214
Fees and service expenses		271,646,962	251,784,630	11,810,847	15,764,832
Directors' remuneration	30	41,306,048	31,199,766	20,088,386	19,390,232
Fund contributed to the Financial Institutions					
Development Fund/Deposits Protection Fund		822,569,724	814,591,364	-	-
Insurance/Life insurance expenses		5,818,093,457	4,460,895,992	-	-
Other expenses		3,466,208,622	2,708,399,184	434,942,531	559,072,283
Total non-interest expenses		15,878,530,415	12,812,953,812	681,054,176	847,160,022
Income before corporate income tax		4,341,992,112	4,873,540,831	1,618,431,095	3,810,335,496
Corporate income tax	31	(999,509,115)	(1,704,551,296)	(252,420,316)	(1,060,152,537)
Net income for the year		3,342,482,997	3,168,989,535	1,366,010,779	2,750,182,959
Net income attributable to					
The Company		2,768,410,852	2,817,748,523	1,366,010,779	2,750,182,959
Minority interests of the subsidiaries		574,072,145	351,241,012	-	-
		3,342,482,997	3,168,989,535	1,366,010,779	2,750,182,959
Earnings per share	33				
Basic earnings per share					
Net income attributable to the Company		2.08	2.11	1.03	2.06
Diluted earnings per share					
Net income attributable to the Company		2.08	2.11	1.03	2.06

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Thanachart Capital Public Company Limited and its subsidiaries

For the years ended 31 December 2008 and 2007

(Unit: Baht)

Consolidated financial statements													
Equity attributable to the Company's shareholders													
Amount by which													
Issued and paid-up share capital			Share premium of a subsidiary company	the value of investment in subsidiary is		Revaluation surplus (deficit) on investments	Retained earnings				Total equity attributable to the parent's shareholders	Minority interest - equity attributable to minority shareholders	
	Preference shares	Ordinary shares		lower than attributable net book value			Appropriated	Statutory reserve	Treasury stock reserve	Unappropriated		of subsidiaries	Total
Balance as at 1 January 2007	195,460	13,331,344,570	2,065,644,888	-	-	(766,159,929)	597,369,267	-	-	7,336,945,260	22,565,339,516	865,485,764	23,430,825,280
Increase in share premium of a subsidiary company	-	-	-	1,141,663,553	-	-	-	-	-	-	1,141,663,553	-	1,141,663,553
Decrease in revaluation deficit on investments	-	-	-	-	-	749,080,025	-	-	-	-	749,080,025	-	749,080,025
Income recognised directly in equity	-	-	-	1,141,663,553	-	749,080,025	-	-	-	-	1,890,743,578	-	1,890,743,578
Net income for the year	-	-	-	-	-	-	-	-	-	2,817,748,523	2,817,748,523	351,241,012	3,168,989,535
Total income for the year	-	-	-	1,141,663,553	-	749,080,025	-	-	-	2,817,748,523	4,708,492,101	351,241,012	5,059,733,113
Conversion of preference shares to ordinary shares	(2,100)	2,100	-	-	-	-	-	-	-	-	-	-	-
Dividend paid (Note 23)	-	-	-	-	-	-	-	-	-	(1,066,523,202)	(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	-	994,566
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	-	-	137,509,148	-	-	(137,509,148)	-	-	-
Increase in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	4,837,239,151	4,837,239,151
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	26,208,302,981	6,053,965,927	32,262,268,908
Balance as at 1 January 2008	193,360	13,331,346,670	2,065,644,888	1,141,663,553	-	(17,079,904)	734,878,415	-	-	8,951,655,999	26,208,302,981	6,053,965,927	32,262,268,908
Increase in revaluation deficit on investments	-	-	-	-	-	(1,301,638,659)	-	-	-	-	(1,301,638,659)	-	(1,301,638,659)
Amount by which the value of investment in subsidiary is lower than attributable net book value	-	-	-	-	226,460,173	-	-	-	-	-	226,460,173	-	226,460,173
Income (expenses) recognised directly in equity	-	-	-	-	226,460,173	(1,301,638,659)	-	-	-	-	(1,075,178,486)	-	(1,075,178,486)
Net income for the year	-	-	-	-	-	-	-	-	-	2,768,410,852	2,768,410,852	574,072,145	3,342,482,997
Total income (expenses) for the year	-	-	-	-	226,460,173	(1,301,638,659)	-	-	-	2,768,410,852	1,693,232,366	574,072,145	2,267,304,511
Conversion of preference shares to ordinary shares (Note 23)	(34,800)	34,800	-	-	-	-	-	-	-	-	-	-	-
Cash payment for treasury stock (Note 23)	-	-	-	-	-	-	-	-	-	(110,260,325)	(110,260,325)	-	(110,260,325)
Dividend paid (Note 23)	-	-	-	-	-	-	-	-	-	(1,199,838,602)	(1,199,838,602)	-	(1,199,838,602)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	689,007	689,007	-	689,007
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	-	-	68,300,539	-	-	(68,300,539)	-	-	-
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	-	-	-	110,260,325	(110,260,325)	-	-	-
Decrease in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(858,995,032)	(858,995,032)
Balance as at 31 December 2008	158,560	13,331,381,470	2,065,644,888	1,141,663,553	226,460,173	(1,318,718,563)	803,178,954	110,260,325	10,342,356,392	(110,260,325)	26,592,125,427	5,769,043,040	32,361,168,467

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Separate financial statements								
	Issued and paid-up share capital			Revaluation surplus (deficit) on investments	Retained earnings		Unappropriated	Treasury stock	Total
	Preference	Ordinary	Share premium		Appropriated				
	shares	shares			Statutory reserve	Treasury stock reserve			
Balance as at 1 January 2007	195,460	13,331,344,570	2,065,644,888	(66,516,946)	597,369,267	-	6,628,719,710	-	22,556,756,949
Increase in revaluation surplus on investments	-	-	-	367,211,111	-	-	-	-	367,211,111
Income recognised directly in equity	-	-	-	367,211,111	-	-	-	-	367,211,111
Net income for the year	-	-	-	-	-	-	2,750,182,959	-	2,750,182,959
Total income for the year	-	-	-	367,211,111	-	-	2,750,182,959	-	3,117,394,070
Conversion of preference shares to ordinary shares	(2,100)	2,100	-	-	-	-	-	-	-
Dividend paid (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	-	-	-	-	-	-	994,567	-	994,567
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	137,509,148	-	(137,509,148)	-	-
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
Balance as at 1 January 2008	193,360	13,331,346,670	2,065,644,888	300,694,165	734,878,415	-	8,175,864,886	-	24,608,622,384
Increase in revaluation deficit on investments	-	-	-	(744,881,453)	-	-	-	-	(744,881,453)
Expenses recognised directly in equity	-	-	-	(744,881,453)	-	-	-	-	(744,881,453)
Net income for the year	-	-	-	-	-	-	1,366,010,779	-	1,366,010,779
Total income (expenses) for the year	-	-	-	(744,881,453)	-	-	1,366,010,779	-	621,129,326
Conversion of preference shares to ordinary shares (Note 23)	(34,800)	34,800	-	-	-	-	-	-	-
Cash payment for treasury stock (Note 23)	-	-	-	-	-	-	-	(110,260,325)	(110,260,325)
Dividend paid (Note 23)	-	-	-	-	-	-	(1,199,838,602)	-	(1,199,838,602)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	689,007	-	689,007
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	68,300,539	-	(68,300,539)	-	-
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	110,260,325	(110,260,325)	-	-
Balance as at 31 December 2008	158,560	13,331,381,470	2,065,644,888	(444,187,288)	803,178,954	110,260,325	8,164,165,206	(110,260,325)	23,920,341,790

The accompanying notes are an integral part of the financial statements.

CASH FLOWS STATEMENTS

Thanachart Capital Public Company Limited and its subsidiaries
For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Cash flows from operating activities				
Net income before tax	4,341,992,112	4,873,540,831	1,618,431,095	3,810,335,496
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities				
Share of income from investments accounted for under equity method	(334,979,289)	(270,890,523)	-	-
Depreciation and amortisation	591,221,423	445,550,561	55,126,181	55,721,348
Bad debt and doubtful accounts and loss on debt restructuring (reversal)	3,593,217,596	2,051,570,785	(236,883,145)	(852,724,754)
Increase in provision for impairment of property foreclosed	222,211,352	32,282,661	175,653,364	27,734,974
Increase (decrease) in provision for impairment of equipment/other assets	22,325,329	34,537,179	(16,116,691)	(1,401,144)
Increase in provision for impairment/revaluation of investments	271,493,156	99,296,814	18,461,193	43,287,541
Amortisation of deferred gain on disposal of property foreclosed	(262,113,076)	(94,423,716)	(578,798)	-
Amortisation of goodwill/amount by which value of investments is lower than book value - net	-	(7,895,861)	-	-
Loss (gain) on foreign exchange and financial derivatives	(63,415,644)	93,316,444	-	-
Increase in unearned premium reserve/life insurance premium reserve	2,500,684,257	2,263,029,327	-	-
Gain on transfers of assets for debt repayment	(16,123,706)	(34,798,095)	(10,250,543)	-
Gain on sales of/capital return from investments in subsidiaries	-	(885,275,270)	(27,362,015)	(1,981,314,592)
Loss (gain) on disposal of equipment	11,339,578	15,712,026	(2,053,257)	(4,844,234)
Amortisation of deferred income	(5,143,845)	(38,835,093)	-	-
Decrease (increase) in accrued other income receivable	104,380,634	(224,025,554)	(5,155,310)	28,704,516
	10,977,089,877	8,352,692,516	1,569,272,074	1,125,499,151
Net interest and dividend income	(11,906,538,703)	(9,092,073,587)	(1,307,413,490)	(1,130,609,294)
Cash received from interest on operating activities	20,029,226,286	17,477,808,625	1,071,658,755	2,422,977,374
Cash paid for interest on operating activities	(6,791,372,482)	(8,017,438,775)	(287,320,057)	(1,275,447,740)
Cash paid for income tax	(1,834,568,370)	(1,073,789,018)	(803,143,488)	(528,410,610)
Income from operating activities before changes in operating assets and liabilities	10,473,836,608	7,647,199,761	243,053,794	614,008,881
Operating assets (increase) decrease				
Interbank and money market items	(25,244,741,544)	(13,447,260,777)	(2,405,297,116)	(794,732,853)
Securities purchased under resale agreements	2,500,000,000	3,800,000,000	-	-
Investments in trading securities	(113,015,594)	(77,472,844)	-	-
Receivables from clearing house	193,384,773	(242,784,059)	-	-
Loans	(48,608,207,276)	(36,504,192,650)	15,840,844,273	24,213,577,614
Property foreclosed	6,567,269,825	5,254,341,364	348,442,312	927,706,649
Other assets	(70,165,484)	(73,431,391)	48,778,517	42,050,063

The accompanying notes are an integral part of the financial statements.

CASH FLOWS STATEMENTS (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries
For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Cash flows from operating activities (continued)				
Operating liabilities increase (decrease)				
Deposits	81,564,045,023	(7,900,582,720)	-	-
Interbank and money market items	3,583,939,393	261,522,753	(7,998,200,357)	(27,100,363,961)
Payable to clearing house	294,804,300	(609,006,654)	-	-
Securities business payable	(389,330,351)	598,493,832	-	-
Liability payable on demand	(12,334,058)	(132,595,448)	-	-
Other liabilities	436,668,268	81,973,271	(308,646,005)	(163,010,276)
Net cash flows provided by (used in) operating activities	31,176,153,883	(41,343,795,562)	5,768,975,418	(2,260,763,883)
Cash flows from investing activities				
Decrease (increase) in long-term investments	(12,372,090,746)	6,694,954,216	(3,134,960,106)	(99,312,338)
Cash received from disposal of investments in subsidiaries	-	2,572,221,636	-	6,730,459,084
Capital returned from subsidiaries	-	-	209,750,790	2,188,990
Cash paid for purchase of investments in subsidiaries/associated	(245,267,845)	(204,078,076)	(245,267,845)	(472,853,838)
Cash received from interest and dividend	1,477,355,869	1,245,127,506	875,753,740	524,912,980
Cash paid for purchase of premises and equipment/intangible assets	(889,784,152)	(957,728,381)	(13,163,134)	(40,344,068)
Cash received from disposal of equipment/intangible assets	16,901,413	13,336,271	2,124,605	233,626,210
Net cash flows provided by (used in) investing activities	(12,012,885,461)	9,363,833,172	(2,305,761,950)	6,878,677,020
Cash flows from financing activities				
Cash received from new issuance shares of a subsidiary	-	4,522,428,584	-	-
Cash received from borrowings	15,692,268,621	45,165,811,768	10,692,268,621	-
Cash paid for borrowings	(30,264,447,509)	(13,783,696,000)	(12,542,281,165)	(2,935,000,000)
Cash paid for interest expenses	(2,372,995,236)	(2,048,286,895)	(350,340,243)	(616,535,779)
Dividend payment	(1,153,451,026)	(1,066,377,358)	(1,153,451,026)	(1,066,377,358)
Cash paid for treasury stock	(109,409,655)	-	(109,409,655)	-
Dividend paid to minority interest	(211,885,893)	(1,396,975)	-	-
Net cash flows provided by (used in) financing activities	(18,419,920,698)	32,788,483,124	(3,463,213,468)	(4,617,913,137)
Net increase in cash	743,347,724	808,520,734	-	-
Cash at beginning of the year	3,274,646,674	2,466,125,940	40,000	40,000
Cash at end of the year	4,017,994,398	3,274,646,674	40,000	40,000
Supplemental cash flows information				
Non-cash transactions				
Conversion of preference shares to ordinary shares	34,800	2,100	34,800	2,100
Property foreclosed transferred from loans, other receivables and investments in receivables purchased	6,379,826,380	4,905,459,240	213,578,318	624,104,513
Leasehold transferred from property foreclosed	126,087,811	-	126,087,811	-
Accounts payable for purchase of fixed assets	153,821,746	73,016,701	1,967,832	5,988,314
Bad debt written off	1,880,676,167	1,490,128,073	108,515,804	256,813,973

The accompanying notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Thanachart Capital Public Company Limited and its subsidiaries
For the years ended 31 December 2008 and 2007

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. On 15 January 2008, the Stock Exchange of Thailand granted permission to delist the common shares of Thanachart Bank Public Company Limited (a subsidiary company), as volunteered by the Bank which was in accordance with a resolution of the Extraordinary Meeting of the Shareholders of the Bank held on 1 October 2007.

1.2 Restructuring of financial institution operations

- a) During the year 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. The Company and the Bank successfully changed the structure in the year 2007. In this regard, the Company has to calculate capital funds at the consolidated level by applying full consolidated supervision, whereby direct and indirect investments in companies in the financial business group at the amount 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, Thanachart Group Leasing Company Limited and T-Leasing Company Limited (formerly known as "Thanachart Leasing 2000 Company Limited"), with the Bank's direct and indirect shareholdings being deducted in the same way as those of the Company.

- b) On 19 July 2007, the Bank offered additional issued shares for selling to The Bank of Nova Scotia Asia Limited (“BNSAL”) and the Company sold existing ordinary shares of the Bank to BNSAL. As a result, BNSAL’s shareholding in the Bank reached 24.98% of its total issued capital (in accordance with the relaxation of the rule granted by the minister of Ministry of Finance, allowing BNSAL to hold the Bank’s shares not to exceed 24.99% of the total paid-up capital, permitting the Bank to have non-Thai shareholding of up to 49% of its total paid-up capital, and allowing non-Thai nationals directors to comprise more than one fourth, but no more than one half of the total number of directorships, and no more than the proportion of non-Thai shareholding).

In addition, 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 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 initial 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.

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 Finance, 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.

- c) On 3 February 2009, the Company sold an additional 416,526,737 ordinary shares of the Bank to BNS at a price of Baht 18.38 per share (1.6 times the net book value per share because BNS announced exercise of its option to purchase the shares within the obligation period), or a total of Baht 7,656 million. This accords with the conditions of the Shareholders' Agreements. As a result of the sale, BNS's shareholding in the Bank is total 49%.

1.3 Financial crisis

The financial crisis experienced by the United States of America over the past year has had a far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, a tight squeeze on credit and failures of large financial institutions. The governments of many countries have made continuous efforts to remedy the liquidity crisis, and financial institutions have increased their share capital in order to resolve the problem and to build confidence. However, the global economy remains uncertain. These financial statements have been prepared on the bases of facts currently known to the Company and its subsidiaries, and on estimates and assumptions currently considered appropriate. However, they could be affected by an array of future events.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and with reference to the guidelines stipulated by the BOT. The presentation of the financial statements has been made in compliance with the Notification of the BOT relating to the preparation and format of the financial statements of commercial banks and holding company of financial business groups, dated 3 August 2008.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from such financial statements in Thai language.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

These consolidated financial statements include the financial statements of Thanachart Capital Public Company Limited (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter referred to as “the subsidiaries”) as follows:

	Percentage of shares held by the Company		Percentage of shares held by the subsidiaries	
	2008	2007	2008	2007
<u>Subsidiaries directly held by the Company</u>				
Thanachart Bank Plc.	74.93	74.92	-	-
NFS Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	83.44	58.45	-	-
NASSET Property Fund 6	99.80	99.80	0.06	0.06
Thiravanit Co., Ltd.	99.90	99.90	-	-
Thanachart SPV 01 Co., Ltd.	100.00	100.00	-	-
Pasara Co., Ltd.	-	100.00	-	-
Sinkahakarn Co., Ltd.	-	95.12	-	-
Bangkok Home Co., Ltd.	-	99.87	-	-
<u>Subsidiaries indirectly held through Thanachart Bank</u>				
Thanachart Securities Plc.	-	-	100.00	100.00
Thanachart Insurance Co., Ltd.	-	-	100.00	100.00
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 & Services Co., Ltd.	-	-	100.00	100.00
Thanachart Legal and Appraisal Co., Ltd.	-	-	100.00	100.00
T Leasing Co., Ltd.	-	-	100.00	100.00
National Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Training & Development Co., Ltd.	-	-	100.00	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 2008 and 2007 and for the years then ended, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Total income	
	2008	2007	2008	2007
Thanachart Bank Plc.	351,272	265,968	20,635	16,867
NFS Asset Management Co., Ltd.	5,585	5,596	464	680
Max Asset Management Co., Ltd.	1,778	1,933	244	304
Thanachart Life Assurance Co., Ltd.	7,148	5,665	4,967	3,473
Thanachart Insurance Co., Ltd.	2,443	2,164	2,566	2,136
Thanachart Securities Plc.	2,662	3,035	887	832

- a) On 30 April 2008, Thanachart Group Leasing Co., Ltd. sold ordinary shares of T-Leasing Co., Ltd. to Thanachart Bank Plc. for a total of Baht 191 million. The gain on disposal in Thanachart Group Leasing's financial statements amounting to Baht 11 million has been eliminated from the consolidated financial statements.
- b) On 28 November 2008, the Company purchased shares of Max Asset Management Co., Ltd. from another shareholder for Baht 242 million. As a result, the Company's shareholding in that company increased from 58.45% to 83.44% of its issued shares. The amount by which the purchase price which was lower than the net book value of such subsidiary company, amounting to Baht 226 million, was separately presented in shareholders' equity because the additional shares purchased is not treated as a business combination under accounting standards.
- c) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control.
- d) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent significant accounting policies. In case where there are different in accounting policies, the Company has adjusted the effect of these in the consolidated financial statements.

- e) The outstanding balances and significant intercompany transactions between the Company and its subsidiaries have been eliminated in the consolidated financial statements. The investments in subsidiaries as recorded in the Company's and its subsidiaries' books of accounts have been eliminated against the shareholders' equity of the subsidiaries.
- f) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

2.3 The separate financial statements, which present investments in subsidiaries and associated company under the cost method, have been prepared solely for the benefit of the public.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

3.1 Accounting standards which are effective for the current year

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of new accounting standards as follows.

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 become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 29 does not have any impact on the current year's financial statements because the Company and its subsidiaries have applied since 2007. TAS 31, TAS 33 and TAS 49 are not relevant to the businesses of the Company and its subsidiaries. The remaining accounting standards do not have any significant impact on the financial statements for the current year, except for TAS 43 regarding business combinations, which stipulates that goodwill acquired in a business combination is not required to be amortised, but is to be tested for impairment, and that goodwill is to be presented at cost less accumulated impairment losses. This accounting standard applies to goodwill arising from business combinations for which the agreement date is on or after 1 January 2008. Previously recognised goodwill can be accounted for prospectively, with the discontinuation of and the effecting of accumulated amortisation reversed against the previously recorded amount of goodwill. The balance of goodwill should be tested for impairment as from the beginning of the first fiscal year starting on or after 1 January 2008.

3.2 Accounting standards which are not effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards.

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Revenue recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis, based on the amount of principal outstanding. Interest on hire-purchases and financial lease agreements is recognised under the effective rate method.

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 settlement of such overdue balance has been received.

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 interest on loans that are subject to monitoring for compliance with restructuring conditions, which the Company and its subsidiaries recognise as 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 of the portfolio by the new book value (acquisition cost) of the outstanding balances of receivables. After the restructuring, 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 value of notes receivable or loans are recorded as deferred interest and taken up as income evenly throughout the term of the notes or loans or in proportion of debt repayment.

Deferred interest income on hire-purchases, represents discounts on interest granted to debtors by dealers, is recognised as income based on the effective interest rate method, in the same manner as interest income recognised on hire-purchases receivable.

b) Interest and dividends from investments

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 services income

Fees and services 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.

Insurance premium income is presented at the net amount from unearned premium reserve in the income statement.

- 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.

4.2 Expense recognition

a) Interest expense

Interest expense is charged to expenses on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

b) Commission and expenses charged on hire-purchase/financial lease

For hire-purchase/financial lease contracts originating on or after 1 January 2007, initial direct expenses at the inception of a hire-purchase/financial lease contract (i.e. commission expenses and stamp duty expenses) are to be deferred and amortised using the effective interest method, with amortisation deducted from interest income throughout the contract period, in order to reflect the effective rate of return on the contracts.

Unearned income on hire-purchases/financial leases is presented net of commission expenses and initial direct costs at the inception of the contracts.

4.3 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.

4.4 Investments

Investments in securities held for trading are determined at fair value. The Company and its subsidiaries recognise changes in the value of such securities as income (losses) in the income statements.

Investments in available-for-sale securities, both held for short-term and long-term investments, are determined at fair value. The Company and its subsidiaries recognise changes in the value of the securities as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.

Investments in debt securities, both due within one year and expected to be held to maturity, are stated at amortised cost. Premiums/discounts on debt securities are amortised by the effective rate method, which the amortisation amount is 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 treat the investments in mutual fund as being investments in subsidiary or associated companies because 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 in accordance with the details of each fund project and the funds are under the supervision of the Securities and Exchange Commission.

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.

The Company and its subsidiaries recognise loss on impairment (if any) of available-for-sale securities, held-to-maturity debt securities and other investments in the income statement.

The weighted average method is used for computation of the cost of investment.

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 statement 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 investments which is reclassified.

4.5 Investments in receivables purchased and allowance for impairment

Investments in receivables purchased, which are classified as other investments, are presented at their acquisition cost net of allowance for impairment (if any). Loss on impairment is recognised as an expense in the income statement.

In case that 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 investments in receivables purchased as at the transfer date or as at the date of restructuring.

Allowance for impairment of investments in receivables purchased is determined based on the fair value, with reference to the collateral value.

4.6 Investments in subsidiary and associated companies

Investments in subsidiaries, jointly controlled entities and associated companies in the separate financial statements are accounted for under the cost method net of allowance for impairment (if any). Loss on impairment is recognised as expenses in the income statement.

Investments in associated company in the consolidated financial statements are accounted for under the equity method. Under this method, investments are initially recorded at acquisition cost and are adjusted to reflect the attributable share of the income from the operations of associated company in proportion to the investment.

4.7 Securities purchased under resale agreements

2008

The subsidiary company entered into agreements with a private company to purchase securities, whereby there is an agreement to resell the securities at certain dates and at a fixed price. Amounts paid for securities purchased are presented as assets under the caption of “Interbank and money market items” or “Loan”, depending on the counter party and the underlying securities are treated as collateral to such receivables.

2007

The subsidiary company entered into agreements to purchase securities, whereby there is a condition to resell at certain dates and at a fixed price. Amounts paid for securities purchased subject to 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 to such receivables.

4.8 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.

4.9 Loans

Loans are presented at the principal amounts, excluding accrued interest receivable, except for overdrafts which are presented at the principal amount plus accrued interest receivable. Unrecognised deferred income/discounts on loans are deducted from the loan balances.

Hire-purchase and finance lease receivables are stated at the contract value of the hire-purchase and 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 business 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 amounts in cash accounts and securities receivables which are under legal proceedings, are undergoing restructuring, or are being settled in installments.

4.10 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 an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral. Increase (decrease) in an allowance for doubtful accounts is recognised as expenses during the year.

The Company and its subsidiaries set provision for normal loans (including restructured receivables) and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivable) after net of collateral value, as required by the BOT's guidelines. Collateral values included vehicles under hire purchase/financial lease contracts. For non-performing loans, the Company and the subsidiaries provide provision 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 a discount rate and assumptions as to the time needed to dispose of the collateral, in accordance with the BOT's guideline.

- b) A securities subsidiary has provided an allowance for doubtful accounts based on a review of the debtors' repayment capability, taking into consideration the risk of recovery and the value of collaterals. 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 receivables of subsidiaries have provided allowance for doubtful accounts at a percentage of the amount of principal outstanding net of unearned income, based on the number of months overdue (with reference to the classification of loans under BOT's guidelines). Allowance for doubtful accounts is set for normal and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances after deducting collateral, and at 100% of the balance of non-performing loans without deducting collateral.
- d) Allowance for doubtful accounts of other receivables is based on the amount of debts that may not be collectible, determined from a review of the current status of the receivables as at the balance sheet date.

- e) The Company and its subsidiaries write off debtors when the relevant criteria under tax law are met. A subsidiary company engaged in commercial bank business writes off hire-purchase receivables when full allowance for doubtful accounts has been made for such receivables.
- f) Amounts written off as bad debts or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

4.11 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 flows, discounted by the market minimum loan rate for credit to large 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 restructuring period. Such allowance is reviewed based on the net present value of future cash flows over the remaining period to maturity, recognising adjustments 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 legally claimable from the debtors (including interest of which recognition has ceased until the restructuring date). 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 for the year, as the case may be. In case of the assets transferred with the conditions that the debtor must repurchase or has the option to repurchase the assets at prices within a period specified in the agreement, the Company and its subsidiaries record such assets at the lower of their fair value or book value.

Losses arising from debt restructuring through waivers of part of principal or recorded accrued interest receivable are recognised in the income statement when incurred.

4.12 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 for both assets and liabilities, and presents only those assets which belong to a subsidiary company.

4.13 Property foreclosed

Property foreclosed is stated at the lower of cost (fair value with reference to appraisal value less estimated selling expenses, providing this does not exceed the legally claimable amount of debt) or net realisable value, which is determined with reference to the latest appraisal value less estimated selling expenses.

Gains on disposal of property foreclosed are recognised in the income statement on disposal date, unless the purchase is made with a loan from the Company or its subsidiaries. In such cases, gains are recognised in accordance with the BOT's guideline. Losses on disposal and impairment are recognised as expenses in the income statement.

4.14 Property, 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.

4.15 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

The Company and its subsidiaries amortised intangible assets on a systematic basis over their economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense and impairment of losses are charged to the income statement.

The intangible assets with finite useful lives have useful lives of approximately 5 - 10 years.

4.16 Goodwill

Since 1 January 2008, goodwill has been initially measured at cost, which is the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair value of the net assets, liabilities and contingent liabilities is higher than the acquisition cost, the difference is recognised directly in the income statement. Goodwill is carried at cost less any accumulated impairment losses, and is tested for impairment annually and when circumstances indicate that the carrying value may be impaired (before 1 January 2008, goodwill was the excess of the cost of the business combination over the net book value of the acquired company and was stated at cost less accumulated amortisation, with the amortised amount being recognised as expenses in the income statements over 5 - 10 years, by the straight - line basis).

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

4.17 Long-term leases

Leases that transfer substantially all the risks and rewards of ownership to the Company and its subsidiaries 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 statement over the lease period. Assets acquired under finance leases are depreciated over their estimated useful lives.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. The Company and its subsidiaries record advance payments made under operating leases as leasehold rights, and amortise them as expenses in the income statement over the term of the leases on the straight - line basis.

4.18 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.

4.19 Sales of commercial paper

Commercial paper with an aval by a 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 avaled 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”.

4.20 Loss reserve and outstanding claims/Benefits payment to life policy

Loss reserves are taken up in the accounts when the subsidiary company receives claims advices from the insured, based on estimates made by independent appraisers or the relevant officers of the subsidiary company 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 the 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.

Benefits paid under life policy are provided for upon receipt of the claims advices from the insured or in accordance with the conditions of the policy.

4.21 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.

4.22 Impairment of assets

The Company and its subsidiaries assess at each balance sheet date whether there are indications that an asset may be impaired. If any such indication exists or when annual impairment testing of an asset is required, the Company and its subsidiaries recognise impairment of loss when the asset's recoverable amount is less than the carrying amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An asset's fair value less costs to sell reflects the amount that could be obtained from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company and its subsidiaries recognise impairment loss in the income statement.

At the reporting date, for assets other than goodwill, an assessment is made whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company and its subsidiaries estimate the asset's recoverable amount and impairment loss recognised in prior periods for assets other than goodwill is reversed.

4.23 Employee benefits

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

4.24 Foreign currencies

Foreign currency transactions occurring during the year have been translated into Baht at the rates ruling at the transaction dates. Assets and liabilities in foreign currencies and off-balance sheet transactions, which were outstanding on the balance sheet date, are translated into Baht at the rates ruling at the balance sheet date.

Exchange gains and losses arising from trading or translation of foreign currencies are included in determining income.

4.25 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.

4.26 Income tax

Income tax is provided in the accounts based on taxable profits determined in accordance with tax legislation.

4.27 Financial derivatives

The Company and its subsidiaries have entered into off-balance sheet transactions involving derivative financial instruments in order to manage foreign exchange and interest rate risk and in response to customer needs.

Forward foreign currency contracts which 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 statement.

Forward foreign currency contracts, interest rate swap contracts and 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 statement. 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 the balance sheet.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. The significant accounting judgments and estimates are as follow:

5.1 Assessment of risk and rewards

In considering the recognition and derecognition of assets or liabilities, the management is required to use judgment in assessing risk and rewards. Although management uses its best knowledge of current events and actions in making such assessments of risk and rewards, actual risks and rewards may ultimately differ.

5.2 Allowance for doubtful accounts for loans and allowance for impairment of investments in receivables purchased

Allowance for doubtful accounts for loans and allowance for impairment of investments in receivables purchased are intended to adjust the value of loans and receivables for probable credit losses. The management uses the Bank of Thailand's regulation regarding the provision of allowance for doubtful accounts, and judgments to estimate losses on outstanding loans when there is any doubt about the borrower's capability to repay the principal and/or the interest. The allowances are determined through a combination of specific reviews, probability of default, value of collateral and current economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowances for doubtful accounts and allowance for impairment, and adjustments to the allowances may therefore be required in the future.

5.3 Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques. The input to the models used is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

5.4 Allowance for impairment of investments

The Company and its subsidiaries review an impairment of investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The management uses judgment to establish reserves for estimated losses on investments based on an evaluation of the current status of each investment transaction.

5.5 Allowance for impairment of property foreclosed

The Company and its subsidiaries assess allowance for impairment of property foreclosed when net realisable value falls below the book value. The management uses judgment to estimate impairment losses, taking into consideration the latest appraisal value, the type and the nature of the assets. However, the use of different estimates and assumptions could affect the amounts of the allowance for impairment and adjustments to the allowance may therefore be required in the future.

5.6 Property, premises and equipment and depreciation

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and salvage values and to review estimate useful lives and salvage values when there are any changes.

5.7 Goodwill and intangible assets

The initial recognition and measurement of goodwill and intangible assets requires the management to make estimates of the recoverable amount to be generated by the asset using the discounted cash flows method. The estimated cash flows may differ as a result of competitive forces, or changes in revenue trends, cost structures, and the discount rate, industry circumstances or related market conditions.

5.8 Financial leases/Operating leases

In determining whether a lease is to be classified as an operating lease or finance lease, management is required to use judgment regarding whether significant risk and rewards of ownership of the leased assets have been transferred to the lessee. Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as financial leases. In the other hand, leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating lease.

5.9 Share of losses arising from the transfer of non-performing loans to TAMC

In estimating the share of losses from the transfer of non-performing loans to the Thai Asset Management Corporation ("TAMC"), the Company and its subsidiaries use the latest information received from TAMC and projections of the amounts expected to be received from the debtors or from collateral. The management use judgment in determining the assumptions as to the percentage on amount expected to be recovered from the receivable under the debt restructuring agreement, or as to collateral value. The management considers these assumptions to appropriate given the currently available information and current situation. However, the use of different estimates and assumptions could affect the losses sharing arising from the transfer of non-performing loans recorded in the accounts.

5.10 Life insurance premium reserve

Life insurance premium reserve is calculated under the actuarial method, based on the current assumptions or on assumptions established at inception of the contract which reflect the best estimate at the time increased with a margin for risk and adverse deviation. The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates.

5.11 Loss reserve and outstanding claims

Part of loss reserve and outstanding claims are estimated from claims advices from insured, based on estimates made by independent appraisers or the relevant officers of the subsidiary company, depending on the particular case. The estimated value of losses is derived from actual losses but not more than the sum insured of the related insurance policies. The other part is for losses incurred but not yet reported (IBNR) and is estimated based on statistical data and historical experience. The actual results could differ from the estimates.

5.12 Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The management has used judgment to assess of the results of the litigation cases, and in case where they believe that there will be no losses, they will provide no contingent liabilities at the balance sheet date. However, actual results could differ from the estimates.

6. INTERBANK AND MONEY MARKET ITEMS (ASSETS)

(Unit: Million Baht)

	Consolidated financial statements					
	2008			2007		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institution Development Fund	3,422	35,800	39,222	2,571	-	2,571
Commercial banks	689	4,490	5,179	1,218	453	1,671
Other banks	118	50	168	107	200	307
Other financial institutions	18	320	338	42	113	155
Total	4,247	40,660	44,907	3,938	766	4,704
Add: Accrued interest receivable	1	40	41	1	17	18
Less: Allowance for doubtful accounts	-	(26)	(26)	(42)	-	(42)
Total domestic items	4,248	40,674	44,922	3,897	783	4,680
Foreign						
US Dollar	286	20,236	20,522	34	35,447	35,481
Euro	98	-	98	73	-	73
Others	112	-	112	74	-	74
Total	496	20,236	20,732	181	35,447	35,628
Add: Accrued interest receivable	-	136	136	-	157	157
Less: Allowance for doubtful accounts	-	-	-	-	(3)	(3)
Total foreign items	496	20,372	20,868	181	35,601	35,782
Total - net	4,744	61,046	65,790	4,078	36,384	40,462

(Unit: Million Baht)

	Separate financial statements					
	2008			2007		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	201	3,250	3,451	236	800	1,036
Other banks	6	-	6	15	-	15
Other financial institutions	-	20	20	-	20	20
Total	207	3,270	3,477	251	820	1,071
Add: Accrued interest receivable	-	1	1	-	1	1
Total - net	207	3,271	3,478	251	821	1,072

As at 31 December 2008, deposits of Baht 300 million of a subsidiary company are deposited with a financial institution that is in the process of proposing a restructuring of its debts, plans to increase share capital and plans to enter into a rehabilitation process. The subsidiary company has set aside partial allowance for doubtful accounts of Baht 25 million for this amount.

As at 31 December 2008, a subsidiary company has deposit in foreign financial institutions amounting to Baht 20,732 million, of which Baht 20,098 million have been covered by forward exchange contracts, as presented in Note 36.1 to the financial statements (2007: Baht 35,628 million and Baht 33,140 million, respectively).

Moreover, as at 31 December 2008, the Company had deposits of Baht 3,250 million with Thanachart Bank Plc. (a subsidiary company) in the form of bill of exchange, maturing in January 2009 and bearing interest at a rate of 2.13 percent per annum (2007: Baht 800 million).

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

As at 31 December 2007, total amount of securities purchased under resale agreements were investments in government bonds and the Bank of Thailand's bonds.

8. INVESTMENTS

8.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2008		2007		2008		2007	
	Cost/ Amortised		Cost/ Amortised		Cost/ Amortised		Cost/ Amortised	
	cost	Fair value	cost	Fair value	cost	Fair value	cost	Fair value
Current investments								
Trading securities								
Government and state								
enterprise securities	604	607	480	480	-	-	-	-
Private debt securities	-	-	11	11	-	-	-	-
	604	607	491	491	-	-	-	-
Add: Allowance for change in value	3		-		-		-	
	607		491		-		-	
Available-for-sale securities								
Government and state								
enterprise securities	4,264	4,290	2,882	2,881	-	-	-	-
Private debt securities	463	469	133	134	-	-	-	-
Domestic marketable equity securities	49	49	10	10	-	-	-	-
	4,776	4,808	3,025	3,025	-	-	-	-
Add: Allowance for change in value	32		-		-		-	
	4,808		3,025		-		-	
Held-to-maturity debt securities - due within 1 year								
Government and state								
enterprise securities	5,783		966		2,999		-	
Private debt securities	101		75		-		-	
Foreign debt securities	524		675		-		-	
	6,408		1,716		2,999		-	
Other investments								
Investments in property fund	-		65		-		-	
	-		65		-		-	
Total current investments - net								
	11,823		5,297		2,999		-	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2008		2007		2008		2007	
	Cost/ Amortised		Cost/ Amortised		Cost/ Amortise		Cost/ Amortised	
	cost	Fair value	cost	Fair value	d cost	Fair value	cost	Fair value
Long-term investments								
Available-for-sale securities								
Government and state								
enterprise securities	618	697	486	478	-	-	-	-
Private debt securities	4,360	4,540	1,582	1,585	-	-	-	-
Domestic marketable equity								
securities	4,492	2,819	3,647	4,010	1,505	1,050	1,217	1,518
	9,470	8,056	5,715	6,073	1,505	1,050	1,217	1,518
Add (less): Allowance for								
change in value	(1,168)		358		(444)		301	
Less: Allowance for								
impairment	(246)		-		(11)		-	
	8,056		6,073		1,050		1,518	
Held-to-maturity debt securities								
Government and state								
enterprise securities	10,688		12,220		418		480	
Private debt securities	792		786		3,000		3,000	
Foreign debt securities	4,323		675		-		-	
	15,803		13,681		3,418		3,480	
Less: Allowance for impairment	(557)		(557)		(183)		(183)	
	15,246		13,124		3,235		3,297	
Other investments								
Investments in receivables								
purchased	2,318		2,278		1,227		1,283	
Investments in property fund	658		884		-		-	
Domestic non-marketable								
equity securities	329		331		230		230	
	3,305		3,493		1,457		1,513	
Less: Allowance for impairment	(449)		(421)		(179)		(172)	
	2,856		3,072		1,278		1,341	
Total long-term investments								
- net	26,158		22,269		5,563		6,156	

8.2 Classified by due date of debt securities

(Unit: Million Baht)

Consolidated financial statements								
	2008				2007			
	Maturity				Maturity			
	Not over 1 year	1 - 5 years	Over 5 years	Total	Not over 1 year	1 - 5 years	Over 5 years	Total
Trading securities								
Government and state enterprise securities	604	-	-	604	430	50	-	480
Private debt securities	-	-	-	-	11	-	-	11
Total	604	-	-	604	441	50	-	491
Add: Allowance for change in value	3	-	-	3	-	-	-	-
Total	607	-	-	607	441	50	-	491
Available-for-sale securities								
Government and state enterprise securities	4,264	43	575	4,882	2,882	13	473	3,368
Private debt securities	463	4,060	300	4,823	133	1,582	-	1,715
Total	4,727	4,103	875	9,705	3,015	1,595	473	5,083
Add (less): Allowance for change in value	32	159	100	291	-	4	(9)	(5)
Total	4,759	4,262	975	9,996	3,015	1,599	464	5,078
Held-to-maturity debt securities								
Government and state enterprise securities	5,783	10,484	204	16,471	966	10,043	2,177	13,186
Private debt securities	101	273	519	893	75	167	619	861
Foreign debt securities	524	4,323	-	4,847	675	675	-	1,350
Total	6,408	15,080	723	22,211	1,716	10,885	2,796	15,397
Less: Allowance for impairment	-	(557)	-	(557)	-	(557)	-	(557)
Total	6,408	14,523	723	21,654	1,716	10,328	2,796	14,840
Total debt securities	11,774	18,785	1,698	32,257	5,172	11,977	3,260	20,409

(Unit: Million Baht)

Separate financial statements								
	2008				2007			
	Maturity				Maturity			
	Not over 1 year	1 - 5 years	Over 5 years	Total	Not over 1 year	1 - 5 years	Over 5 years	Total
Held-to-maturity debt securities								
Government and state enterprise securities	2,999	418	-	3,417	-	480	-	480
Private debt securities	-	3,000	-	3,000	-	-	3,000	3,000
Total	2,999	3,418	-	6,417	-	480	3,000	3,480
Less: Allowance for impairment	-	(183)	-	(183)	-	(183)	-	(183)
Total debt securities	2,999	3,235	-	6,234	-	297	3,000	3,297

8.3 As at 31 December 2008, a revaluation surplus and a revaluation deficit in the consolidated shareholders' equity, amounting to Baht 30 million and Baht 331 million, respectively, are as a result of the recategorisation of debt securities (2007: outstanding revaluation surplus amounting to Baht 36 million and outstanding revaluation deficit amounting to Baht 426 million in the consolidated financial statements).

8.4 As at 31 December 2008, long-term investments in held-to-maturity debt securities include Baht 1,169 million of non-transferable, 10-year promissory notes received from Thai Asset Management Corporation ("TAMC") as a result of the transfer of non-performing loans to TAMC (separate financial statements: Baht 418 million) (2007: Baht 1,465 million in the consolidated financial statements and Baht 480 million in the separate financial statements). However, the agreed transfer price received in the form of promissory notes could be revised up or down after TAMC reviews the prices, or assesses the collateral or adjusts the prices.

As at 31 December 2008, 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) (2007: Baht 557 million in the consolidated financial statements and Baht 183 million in the separate financial statements).

During the year ended 31 December 2008, the Company and its subsidiaries have recognised interest on TAMC's promissory notes amounting to Baht 22 million and have received payment under promissory notes and interest amounting to Baht 317 million (separate financial statements: Baht 8 million and Baht 72 million, respectively).

Moreover, the Company and its subsidiaries remain jointly liable with TAMC for their share of gains or losses arising from management of non-performing assets, as described in Note 36.2 to the financial statements.

8.5 As at 31 December 2008 and 2007, the Company has investments of Baht 3,000 million in 7-year subordinated debentures issued by Thanachart Bank Plc. (a subsidiary company) maturing on 8 December 2013 and bearing interest at a rate of 6.18 percent per annum.

8.6 As at 31 December 2008, investments in government and state enterprise bonds in the consolidated financial statements amounting to Baht 1,257 million, at amortised cost, have been placed as collateral for loans from commercial banks and as security with the Insurance Registrar (2007: Baht 949 million).

8.7 As at 31 December 2008, all foreign debt securities of a subsidiary company, amounting to Baht 4,847 million, have been hedged through cross currency interest rate swap contracts, an investments in private debt securities of the subsidiary companies amounting to Baht 800 million have been hedged through interest rate swap contracts. All of these contracts are presented in Note 36.1 to the financial statements (2007: all investments in foreign debt securities amounting to Baht 1,350 million of a subsidiary company have been hedged through cross currency interest rate swap contracts).

8.8 As at 31 December 2008 and 2007, 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			
		2008		2007	
		Net book value	Percentage of holding	Net book value	Percentage of holding
		Million Baht	Percent	Million Baht	Percent
<u>Manufacturing and commercial industries</u>					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	376	19.60	335	19.59
<u>Real estate and construction</u>					
HTR Corporation Limited	Office building for rent and property development	20	19.10	20	19.10
Preecha Group Plc.	Property development	15	9.91	26	10.00
<u>Others</u>					
The Thai Business Fund 3 ⁽¹⁾	Mutual fund invests in property	340	26.67	423	26.67
Sub Thawee Property Fund ⁽¹⁾	Mutual fund invests in property	156	56.00	196	56.00
Thai Pattana Fund 1 ⁽¹⁾	Mutual fund invests in property	-	-	184	20.00
Thanasarn Open-Ended Fund ⁽¹⁾	Mutual fund invests in debt securities	267	28.99	268	29.14
Thanachart Tuntawee 1 ⁽¹⁾	Mutual fund invests in equity and debt securities	-	-	200	21.94
Nasset Long Term Equity Dividend Fund	Mutual fund invests in equity securities	20	7.28	42	12.26
Thanachart Infrastructure and Natural Resource Fund of Fund	Mutual fund invests in foreign equity securities	-	-	123	11.26
1 A.M. Global Emerging Market Equity Fund	Mutual fund invests in foreign equity securities	-	-	52	15.93
Tri Ra Sombat Open End Fund ⁽¹⁾	Mutual fund invests in debt securities	40	5.09	31	23.55
The Krung Thai Dividend Fixed-Income Fund	Mutual fund invests in debt securities	-	-	130	14.81
Thanachart Premium Brand Fund	Mutual fund invests in foreign equity securities	-	-	114	18.96
Thanachart VALUexU.S. Fund	Mutual fund invests in foreign equity securities	-	-	172	13.37
Saturn Inc.	Joint venture	-	12.49	-	12.49

(1) The Company and its subsidiaries do not consider the investments in the mutual funds as being investments in subsidiaries or associated company 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 in accordance with the details of each fund project and the funds are under the supervision of the Securities and Exchange Commission. Therefore, the Company and its subsidiaries account for their investment in these mutual funds as long-term available-for-sale or other investments which depend on the investment objectives.

Name	Nature of business	Separate financial statements			
		2008		2007	
		Net	Percentage	Net	Percentage
		book value	of holding	book value	of holding
		Million Baht	Percent	Million Baht	Percent
<u>Manufacturing and commercial industries</u>					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	188	9.79	167	9.79
<u>Real estate and construction</u>					
HTR Corporation Limited	Office building and property development	20	10.00	20	10.00
Preecha Group Plc.	Property development	15	9.91	26	10.00
<u>Others</u>					
Nasset Long Term Equity Dividend Fund	Mutual fund invests in equity securities	20	7.28	35	10.22

8.9 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 2008 and 2007 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Investments in receivables	2,318	2,278	1,227	1,283
Less: Allowance for impairment	(322)	(301)	(81)	(74)
Investments in receivables - net	1,996	1,977	1,146	1,209

	2008				2007			
	Number of debtors	Balance per agreement	Purchase price	Yield	Number of debtors	Balance per agreement	Purchase price	Yield
		Million Baht	Million Baht	Percent		Million Baht	Million Baht	Percent
<u>Consolidated financial statements</u>								
Total accumulated investments in receivables	1,662	33,559	7,793	6.50 - 18.97	1,653	33,265	7,621	6.50 - 18.97
Outstanding investments in receivables as at the balance sheet date	933	14,868	2,318		966	14,797	2,278	
<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	495	6,983	1,227		522	7,073	1,283	

During the year ended 31 December 2008, a subsidiary company purchased additional investments in receivable of Baht 172 million. Moreover, the Company and its subsidiaries have restructured investments in receivable purchased, by means of various types of restructuring, as summarised below.

Type of restructuring	Number of debtors	Outstanding loan balance before restructuring	Outstanding loan balance after restructuring	Type of assets to be transferred	Value of assets to be transferred per agreements
		Million Baht	Million Baht		Million Baht
<u>Consolidated financial statements</u>					
Modification of terms	16	3	3		
Transfer of assets and/or equity securities and/or modification of terms	1	-	-	Condominium	1
Total	17	3	3		
<u>Separate financial statements</u>					
Modification of terms	5	1	1		
Transfer of assets and/or equity securities and/or modification of terms	1	-	-	Condominium	1
Total	6	1	1		

The remaining years 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 balances after restructuring	Number of receivables	Outstanding loan balances after restructuring
		Million Baht		Million Baht
Due within 2008	16	3	6	1
Less than 5 years	1	-	-	-
Total	17	3	6	1

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 considered to be fair value. Therefore, as at 31 December 2008, there were no outstanding restructured receivables in the investments in receivables account.

8.10 As at 31 December 2008 and 2007, 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								
	Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts	
	2008	2007	2008	2007	2008	2007	2008	2007
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Equity securities - common shares								
1. Companies which have loan settlement problems or have defaulted the repayment of debts	2	2	1	1	1	1	-	-
2. Companies which auditors' reports cited going concern issues	13	14	134	134	36	36	98	98
3. Financial institutions that are in the process of proposing plans in order to enter the rehabilitation process	1	-	8	-	-	-	8	-
Investments in receivables purchased								
1. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	3	3	-	-	3	3
2. Companies which have loan settlement problems or have defaulted the repayment of debts	351	356	1,672	1,622	2,481	2,593	207	203

Separate financial statements								
	Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts	
	2008	2007	2008	2007	2008	2007	2008	2007
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Equity securities - common shares								
1. Companies which have loans settlement problems or have defaulted the repayment of debts	1	1	1	1	1	1	-	-
2. Companies which auditors' reports cited going concern issues	5	5	113	113	35	35	77	77
Investments in receivables purchased								
1. Companies which have loan settlement problems or have defaulted the repayment of debts	161	165	907	948	1,401	1,502	36	39

9. INVESTMENTS IN SUBSIDIARIES

9.1 As at 31 December 2008 and 2007, investments in subsidiaries in the separate financial statements which are recorded under the cost method comprise of investments in ordinary shares of the following subsidiaries:

(Unit: Million Baht)

Company's name	Nature of business	Separate financial statements						Dividend income for the year ended	
		Paid-up share capital		Percentage of holding (%)		Value of investment under the cost method		31 December	
		2008	2007	2008	2007	2008	2007	2008	2007
Thanachart Bank Plc.	Commercial bank	17,346	17,346	74.93	74.92	14,409	14,406	559	215
NFS 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	83.44	58.45	576	334	-	-
NASSET Property Fund 6	Investment in non-performing assets and collection rights	900	900	99.80	99.80	898	898	-	-
Thiravanit Co., Ltd.	Liquidating	6	6	99.90	99.90	34	34	-	-
Thanachart SPV 01 Co., Ltd.	Not yet operation	2	2	100.00	100.00	2	2	-	-
Pasara Co., Ltd.	Ceased operation	-	30	-	100.00	-	181	-	-
Bangkok Home Co., Ltd.	Ceased operation	-	15	-	99.87	-	46	-	-
Sinkhakarn Co., Ltd.	Ceased operation	-	25	-	95.12	-	20	-	-
						16,919	16,921	559	215
Less: Allowance for impairment						(16)	(81)		
Investments in subsidiaries - net						16,903	16,840		

9.2 The consolidated balance sheet as at 31 December 2008 and the consolidated income statement for the year then ended included assets of Thanachart Life Assurance Co., Ltd., a subsidiary company of Thanachart Bank Plc., amounting to Baht 7,148 million, income of Baht 4,967 million and net income of Baht 501 million (2007: assets of Baht 5,665 million and income of Baht 3,473 million and net income of Baht 239 million). The auditor of the subsidiary company issued a qualified report on the financial statements of that company for the year ended 31 December 2007 with respect to the effect of any adjustments which might be required as a result of a scope limitation imposed on the audit of insurance income and related expenses. Such issue has continued to have an effect in the current year. However, the Company's management believes that there is no material impact to the consolidated financial statements.

9.3 The consolidated balance sheet as at 31 December 2008 included Baht 6 million of assets, Baht 0.2 million of liabilities and 0.1 million of net loss of Thiravanit Co., Ltd. which registered its dissolution and is currently in the liquidation process. The financial statement of this subsidiary was prepared by its management and was not audited by its auditor.

During the year ended 31 December 2008, the Company received the refund of capital amounting to Baht 210 million from 3 subsidiaries, comprising with Pasara Co., Ltd., Bangkok Home Co., Ltd. and Sinkahakarn Co., Ltd.. The gain on the capital refund, totaling Baht 27 million (after reversing allowance for impairment of Baht 65 million), has been eliminated in the consolidated financial statements.

9.4 In November 2008, the Company purchased 14,294,280 shares of Max Asset Management Co., Ltd. from a shareholder for Baht 242 million. As a result, the Company's shareholding is 83.44 percent.

9.5 Cash flows information of asset management companies which are subsidiaries

Cash flows information of asset management companies which are subsidiaries for the year ended 31 December 2008 and 2007 are as follows:

(Unit: Million Baht)				
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.	
	2008	2007	2008	2007
Cash flows from operating activities				
Net income before corporate income tax	366	194	212	206
Adjustments to reconcile net income to net cash provided by (paid for) operating activities				
Interest income on operating activities	(122)	(137)	(26)	(72)
Interest expense	166	327	18	45
Gain on assets transferred from receivables	(14)	(40)	(48)	(51)
Loss on impairment of investments in receivables (reversal)	12	(1)	(1)	(21)
Loss on transfer of receivables to TAMC	5	-	-	-
Gain on disposal of investments	-	(12)	-	(7)
Reversal of diminution of property foreclosed	(13)	(25)	(5)	(5)
Reversal of allowance for impairment of investments	-	33	-	-
Bad debts and doubtful accounts (reversal)	(217)	80	(10)	(9)
Others	(22)	(73)	-	2
Income from operating activities before changes in operating assets and liabilities	161	346	140	88

(Unit: Million Baht)

	NFS Asset		Max Asset	
	Management Co., Ltd.		Management Co., Ltd.	
	2008	2007	2008	2007
Operating assets (increase) decrease				
Current investments	(645)	2,760	-	-
Investments in receivables	(158)	(88)	55	87
Loans	652	669	18	69
Property foreclosed	204	457	95	92
Other assets	11	(32)	18	(27)
Operating liabilities increase (decrease)				
Other liabilities	53	(200)	(32)	(51)
Cash flow from operating activities	278	3,912	294	258
Cash received for interest income on operating activities	112	122	25	71
Cash paid for corporate income tax	(82)	(88)	(104)	(142)
Net cash flows from operating activities	308	3,946	215	187
Cash flows from investing activities				
Proceeds from sales of long-term investments	229	292	-	11
Cash received from interest income	16	23	-	-
Cash paid for equipments	(3)	-	(1)	-
Cash received from disposal of fixed assets	1	-	-	-
Net cash flows from (used in) investing activities	243	315	(1)	11
Cash flows from financing activities				
Cash paid for borrowings	(429)	(3,957)	(269)	(160)
Cash paid for interest expenses	(166)	(327)	(30)	(52)
Net cash flows used in financing activities	(595)	(4,284)	(299)	(212)
Net decrease in cash and cash equivalents	(44)	(23)	(85)	(14)
Cash and cash equivalents at beginning of the year	75	98	322	336
Cash and cash equivalents at end of the year	31	75	237	322

10. INVESTMENTS IN AN ASSOCIATED COMPANY

10.1 As at 31 December 2008 and 2007, the Company and its subsidiaries have investments in ordinary shares of MBK Public Company Limited which is registered under Thai laws and engages in property rental, hotel and services. Information of the associated company is as follow:

(Unit: Million Baht)

Company's name	Paid-up share capital		Percentage of holding (%)		Investment value				Dividend income for the years ended		Consolidated financial statements Share of income for the years ended	
					Cost method		Equity method		for the years ended		for the years ended	
									31 December		31 December	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Consolidated financial statements												
MBK Plc.	1,886	1,886	18.06	18.06	992	992	1,404	1,308	157	147	335	271
Separate financial statements in which the cost method is applied												
MBK Plc.	1,886	1,886	10.00	10.00	658	658			75	59		

The Company and its subsidiaries classify investments in ordinary shares of MBK Public Company Limited 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 Company and its subsidiaries have significant influence over that associated company.

10.2 Summarised financial information of associated company

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for the years ended		Net income for the years ended	
	as at 30 September		as at 30 September		as at 30 September		30 September		30 September	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
MBK Plc.	1,886	1,886	22,846	19,027	12,173	8,951	6,410	5,868	1,424	1,408

The share of income is 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 2008 and 2007 and for the year 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 2008 is not materially different from that income for the year ended 31 December 2008.

10.3 As at 31 December 2008, the fair values of the investment in MBK Plc. which is a listed in the Stock Exchange of Thailand, on a portion held by the Company and its subsidiaries is Baht 1,938 million (separate financial statements: Baht 933 million).

11. LOANS AND ACCRUED INTEREST RECEIVABLE

11.1 Classified by loan types

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
<u>Loans</u>				
Overdrafts	2,511	1,468	-	-
Loans	43,691	35,026	235	509
Notes receivable	17,636	8,549	394	1,216
Hire-purchases receivables	211,828	191,025	7,999	23,069
Financial leases receivables	1,888	1,239	-	-
Total loans	277,554	237,307	8,628	24,794
Add: Accrued interest receivable	324	252	-	14
Less: Allowance for doubtful accounts	(9,623)	(8,066)	(1,302)	(1,652)
Less: Revaluation allowance for debt restructuring	(87)	(84)	-	-
Loans and accrued interest receivable - net	268,168	229,409	7,326	23,156
<u>Securities business receivables</u>				
Customers' accounts	884	770	-	-
Credit balances in receivables	598	853	-	-
Other receivables	414	307	-	-
Total securities business receivables	1,896	1,930	-	-
Add: Accrued interest receivable	-	1	-	-
Less: Allowance for doubtful accounts	(298)	(306)	-	-
Securities business receivables and accrued interest receivable - net	1,598	1,625	-	-
Loans and accrued interest receivable - net	269,766	231,034	7,326	23,156

11.2 Classified by remaining period of contract

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
At call *	8,798	7,215	1,139	1,808
Not over 1 year	31,041	17,164	7,448	4,331
Over 1 year	240,144	215,366	41	18,669
Total loans and accrued interest receivable	279,983	239,745	8,628	24,808
Less: Intercompany profits from loans transferred	(209)	(255)	-	-
Total loans and accrued interest receivable	279,774	239,490	8,628	24,808

* Includes expired contracts

11.3 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Baht				
- Domestic	278,704	239,016	8,628	24,808
- Foreign	256	330	-	-
US Dollar Currency - Domestic	955	399	-	-
Other Currency - Domestic	68	-	-	-
Total loans and accrued interest receivable	279,983	239,745	8,628	24,808
Less: Intercompany profits from loans transferred	(209)	(255)	-	-
Total loans and accrued interest receivable	279,774	239,490	8,628	24,808

11.4 Classified by type of business and loans classification

(Unit: Million Baht)

Consolidated financial statements						
2008						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,146	-	-	9	32	1,187
Manufacturing and commercial	11,439	653	25	372	915	13,404
Real estate and construction	13,405	429	318	25	1,419	15,596
Public utilities and services	12,020	1,240	312	14	243	13,829
Personal consuming						
Housing loans	6,473	563	93	130	465	7,724
Securities	1,597	-	4	296	-	1,897
Hire-purchase	183,872	22,826	1,155	961	3,014	211,828
Others	6,510	718	318	285	725	8,556
Others	4,750	13	1	-	1,198	5,962
Total loans and accrued interest receivable	241,212	26,442	2,226	2,092	8,011	279,983
Less: Intercompany profits from loans transferred						(209)
Total loans and accrued interest receivable						279,774

(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)

Separate financial statements						
2008						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries	386	-	-	-	-	386
Manufacturing and commercial	-	-	-	-	2	2
Public utilities and services	-	-	-	-	2	2
Personal consuming						
Housing loans	3	4	2	14	15	38
Hire-purchase	6,107	885	98	66	843	7,999
Others	3	8	69	3	118	201
Total loans and accrued interest receivable	6,499	897	169	83	980	8,628

(Unit: Million Baht)

Separate financial statements						
2007						
	Normal	Special- mention	Sub- standard	Doubtful	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	1	30	47
Hire-purchase	18,731	3,027	180	163	968	23,069
Others	17	10	91	17	103	238
Total loans and accrued interest receivable	20,207	3,039	274	181	1,107	24,808

11.5 Non-performing loans

As at 31 December 2008 and 2007, 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		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Non-performing loans (excluding accrued interest receivable)				
The Company	1,232	1,562	1,232	1,562
Banking business	7,167	5,213	-	-
Asset management business	3,176	3,947	-	-
Securities business	299	307	-	-

The above non-performing loans do not include loans which have already restructured and are now qualified for classification as normal debts or special mentioned debts.

Additionally, the Company and its financial institutions subsidiaries (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	
	2008	2007	2008	2007
The Company	1,198	1,665	1,198	1,665
Banking business	7,251	4,927	-	-
Securities business	299	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 2008 and 2007, unearned income is summarised as follows:

(Unit: Million Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	2008	2007	2008	2007
Unearned interest income	75	86	-	-
Unearned income from hire-purchase/ financial lease	31,446	28,650	352	1,378

11.7 Hire-purchases/Financial leases receivables

As at 31 December 2008, the Company and its subsidiaries have net receivables under hire-purchases and financial leases agreements amounting to Baht 207,928 million. Most of the hire-purchase/financial leases agreements were made for car and motorcycle and they generally have terms of between 3 and 6 years, with interest charged at a fixed rate (separate financial statements: Baht 6,972 million).

(Unit: Million Baht)

Consolidated financial statements				
2008				
Amount due under lease agreement				
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	83,204	156,810	5,148	245,162
Unearned financial income	(13,754)	(17,513)	(179)	(31,446)
Present value of minimum lease payments receivable	69,450	139,297	4,969	213,716
Allowance for doubtful accounts				5,788

* Includes non-performing loans

(Unit: Million Baht)

Consolidated financial statements				
2007				
Amount due under lease agreement				
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	75,062	141,907	3,945	220,914
Unearned financial income	(12,489)	(16,028)	(133)	(28,650)
Present value of minimum lease payments receivable	62,573	125,879	3,812	192,264
Allowance for doubtful accounts				4,313

* Includes non-performing loans

(Unit: Million Baht)

Separate financial statements				
2008				
Amount due under lease agreement				
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	6,969	1,382	-	8,351
Unearned financial income	(319)	(33)	-	(352)
Present value of minimum lease payments receivable	6,650	1,349	-	7,999
Allowance for doubtful accounts				1,027

* Includes non-performing loans

(Unit: Million Baht)

Separate financial statements				
2007				
Amount due under lease agreement				
	Less than 1 year *	1 - 5 years	Over 5 years	Total
Gross investment in the lease	16,082	8,365	-	24,447
Unearned financial income	(1,050)	(328)	-	(1,378)
Present value of minimum lease payments receivable	15,032	8,037	-	23,069
Allowance for doubtful accounts				1,359

* Includes non-performing loans

11.8 Troubled debt restructuring

During the year ended 31 December 2008, the Company and its subsidiaries entered into debt restructuring agreements with loans. The details are as followed.

Type of restructuring	Number of receivables	Outstanding loan	Outstanding loan	Type of assets to be transferred	Value of
		balance before restructuring ⁽¹⁾	balance after restructuring ⁽¹⁾		assets to be
		Million Baht	Million Baht		transferred per agreements
Consolidated financial statements					
Transfer of assets	1	1	1	Land	4
Modification of terms	347	1,028	1,024		
Transfer of assets and/or equity securities and/or modification of terms	15	23	23	Land and premises thereon	33
Total	363	1,052	1,048		
Separate financial statements					
Modification of terms	53	16	16		
Transfer of assets and/or equity securities and/or modification of terms	3	7	7	Land and premises thereon	13
Total	56	23	23		

(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	Number of receivables	Outstanding loan balances
		after restructuring		after restructuring
		Million Baht		Million Baht
Defaulted after debt restructuring	128	513	16	14
Due within 2008	147	290	22	8
Less than 5 years	59	170	17	1
5 - 10 years	14	31	1	-
10 - 15 years	4	6	-	-
More than 15 years	11	38	-	-
Total	363	1,048	56	23

Supplemental information for the current year relating to restructured receivables is as follows:

(Unit: Million Baht)

	Consolidated financial statements	Separate financial statements
Interest income recognised in income statements	277	7
Gain on debt repayment/disposals recognised in income statements	155	7
Gain on transfers of assets for debt repayment recognised in income statements	16	10
Loss on debt restructuring recognised in income statements	14	-
Cash proceeds from collection of debts	1,666	31
Assets transferred from debtors	57	17

As at 31 December 2008, the subsidiaries have an outstanding balance of assets that are to be transferred under debt restructuring agreements totaling Baht 101 million.

As at 31 December 2008, 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 of outstanding receivables	Number of receivables	Outstanding	Outstanding loans
			loans balance	balance, net of collateral
			Million Baht	Million Baht
Thanachart Capital Plc.	94,989	63	138	37
Thanachart Bank Plc.	707,430	381	2,645	883
NFS Asset Management Co., Ltd.	6,692	276	1,545	444
Thanachart Securities Plc.	1,579	8	134	134
Max Asset Management Co., Ltd.	73	73	348	73
NASSET Property Fund 6	30	30	36	-

11.9 As at 31 December 2008 and 2007, the Company has the following loans to the subsidiary companies:

Company	Type of credit	Contract period	Interest rate	Outstanding balance	
		as at	as at		
		31 December 2008	31 December 2008	2008	2007
				Million Baht	Million Baht
Max Asset Management Co., Ltd.	Long-term loan	5 years (maturing August 2010)	Fixed at 11.51% per annum	-	224
National Leasing Co., Ltd.	Promissory note	At call	Fixed at 5.25% per annum	112	259
Thanachart Group Leasing Co., Ltd.	Promissory note	At call	Fixed at 5.25% per annum	-	846
NFS Asset Management Co., Ltd.	Promissory note	At call	The Company's cost of funds	264	93
Thanachart Legal and Appraisal Co., Ltd.	Promissory note	At call	Floating rate of 1 year fixed deposit plus fix rate per annum	10	10
Total				386	1,432

11.10 Classification of loans under the Bank of Thailand's guidelines

As at 31 December 2008 and 2007, 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 as summarise below.

(Unit: Million Baht)

	Consolidated financial statements ⁽¹⁾						
	Debt balance/ book value		Debt balance after collateral ⁽³⁾		Minimum percentage	Allowance for doubtful accounts	
	2008	2007	2008	2007		2008	2007
Loans and accrued interest							
<u>receivable (including interbank and</u>							
<u>money market items)</u> ⁽²⁾							
Normal ⁽⁴⁾	274,523	199,066	64,078	45,023	1	912	528
Special mention	25,107	22,100	9,253	7,053	2	185	141
Substandard	2,093	2,492	1,436	1,333	100	1,475	1,685
Doubtful	1,719	2,244	1,230	1,085	100	1,230	1,085
Doubtful of loss	7,828	6,047	5,065	3,786	100	5,118	3,870
Total	311,270	231,949	81,062	58,280		8,920	7,309
Additional allowance for possible uncollectible debts	-	-	-	-		270	523
	311,270	231,949	81,062	58,280		9,190	7,832
Less: Revaluation	(87)	(84)					
allowance for debt restructuring							
Intercompany gain	(209)	(255)					
Total loans and accrued							
interest receivable	310,974	231,610					

(1) Only the Company and those subsidiaries under control of the BOT.

(2) Debt balance/book value of normal and special mention loans excluding accrued interest receivable.

(3) The debt balance after collateral for substandard, doubtful and doubtful of loss loans 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.

(4) As at 31 December 2008, debt balance/book value, debt balance after collateral and allowance for doubtful accounts of normal loans in the above table are presented after eliminated transactions amounting to Baht 13,004 million, Baht 13,004 million and Baht 130 million, respectively (2007: Baht 22,476 million, Baht 22,476 million and Baht 225 million, respectively).

(Unit: Million Baht)

	Separate financial statements						
	Debt balance/ book value		Debt balance after collateral ⁽²⁾		Minimum percentage	Allowance for doubtful accounts	
	2008	2007	2008	2007		2008	2007
<u>Loans and accrued interest receivable</u>							
<u>(including interbank and money</u>							
<u>market items)</u> ⁽¹⁾							
Normal	6,519	20,213	1,740	4,407	1	17	44
Special mention	897	3,039	346	904	2	7	18
Substandard	169	274	109	188	100	109	188
Doubtful	83	181	73	180	100	73	180
Doubtful of loss	980	1,107	956	1,082	100	956	1,082
Total	8,648	24,814	3,224	6,761		1,162	1,512
Additional allowance for possible uncollectible debts	-	-	-	-		140	140
Total loans and accrued							
interest receivable	8,648	24,814	3,224	6,761		1,302	1,652

(1) Debt balance/book value of normal and special mention loans excluding accrued interest receivable.

(2) The debt balance after collateral for substandard, doubtful and doubtful of loss loans remained after deducting the present value of expected future cash flows from debt collection or from collateral disposal, as the case may be.

11.11 Loans to companies which have settlement problems

As at 31 December 2008 and 2007, 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 of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2008	2007	2008	2007	2008	2007	2008	2007
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Closed financial institutions	4	5	-	42	-	-	-	42
2. Listed companies vulnerable to delisting from the SET	4	4	294	294	124	116	206	194
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	13	15	858	903	809	1,533	284	269
4. Companies which have loan settlement problems or have defaulted on the repayment of debts	980	787	2,696	2,646	2,288	2,360	1,124	1,018
5. Companies whose auditors' reports cited going concern issues	2	3	51	51	-	-	51	51

Separate financial statements								
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2008	2007	2008	2007	2008	2007	2008	2007
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Companies which have loan settlement problems or have defaulted on the repayment of debts	268	320	173	193	75	89	106	118

11.12 Classification of securities business receivables in accordance with the Notification of the Office of the Securities and Exchange Commission

As at 31 December 2008 and 2007, a subsidiary company operating in the securities business classifies its securities business receivables and accrued interest receivable and provides 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	
	2008	2007	2008	2007	2008	2007
Doubtful	296	301	296	301	296	301
Substandard	4	7	-	-	2	5
Total	300	308	296	301	298	306

The above substandard receivables represent receivable balances with a value equivalent to these of their collaterals.

11.13 Hire-purchase receivables/financial lease receivables of subsidiaries separate by aging

As at 31 December 2008 and 2007, 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 (after eliminating intercompany transactions) as follows:

(Unit: Million Baht)

	2008	2007
Current or overdue less than 90 days	5,177	5,795
Overdue 91 – 365 days	207	137
Overdue more than 1 year	45	19
Debtors under legal actions	136	31
Total	5,565	5,982
Allowance for doubtful accounts	433	237

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

(Unit: Million Baht)

Consolidated financial statements									
For the year ended 31 December 2008									
The Company and its financial institution subsidiaries									
(Banking and asset management business)									
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total	Other subsidiaries	Consolidated
Balance - beginning of the year	525	141	1,685	1,085	3,870	523	7,829	543	8,372
Add: Increase (decrease)									
during the year	387	44	(210)	145	3,057	(253)	3,170	393	3,563
Bad debt recovery	-	-	-	-	54	-	54	1	55
Less: Bad debt written-off	-	-	-	-	(1,634)	-	(1,634)	(206)	(1,840)
Reversal from the disposals	-	-	-	-	(229)	-	(229)	-	(229)
Balance - end of the year	912	185	1,475	1,230	5,118	270	9,190	731	9,921

(Unit: Million Baht)

Consolidated financial statements									
For the year ended 31 December 2007									
The Company and its financial institution subsidiaries									
(Banking and asset management business)									
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total	Other subsidiaries	Consolidated
Balance - beginning of the year	1,555	188	953	777	3,731	486	7,690	406	8,096
Add: Increase (decrease)									
during the year	(1,030)	(47)	732	308	1,949	(13)	1,899	162	2,061
Reversal from revaluation allowance for debt restructuring	-	-	-	-	-	50	50	-	50
Bad debt recovery	-	-	-	-	8	-	8	-	8
Less: Bad debt written-off	-	-	-	-	(1,465)	-	(1,465)	(25)	(1,490)
Reversal from the disposals	-	-	-	-	(353)	-	(353)	-	(353)
Balance - end of the year	525	141	1,685	1,085	3,870	523	7,829	543	8,372

As at 31 December 2008, the allowance for debts classified as normal loans in the consolidated financial statements is presented after deducting allowance for doubtful accounts amounting to Baht 130 million for intercompany loans (2007: Baht 225 million).

(Unit: Million Baht)

Separate financial statements							
For the year ended 31 December 2008							
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of the year	44	18	188	180	1,082	140	1,652
Add: Decrease during the year	(27)	(11)	(79)	(107)	(13)	-	(237)
Bad debt recovery	-	-	-	-	11	-	11
Less: Bad debt written-off	-	-	-	-	(109)	-	(109)
Reversal from the disposals	-	-	-	-	(15)	-	(15)
Balance - end of the year	17	7	109	73	956	140	1,302

(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 the disposals	-	-	-	-	(353)	-	(353)
Balance - end of the year	44	18	188	180	1,082	140	1,652

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	
	2008	2007	2008	2007
Balance - beginning of the year	84	150	-	-
Add: Increase during the year	8	-	-	-
Less: Amortised during the year	(5)	(12)	-	-
Transfer to allowance for doubtful accounts	-	(50)	-	-
Reversal from hair cut	-	(4)	-	-
Balance - end of the year	87	84	-	-

14. CLASSIFICATION OF ASSETS

As at 31 December 2008 and 2007, the quality of assets of the Company and its financial business subsidiaries classified in accordance with the announcements of the Bank of Thailand are as follows:

(Unit: Million Baht)

	Consolidated financial statements									
	Loans and accrued				Property				Total	
	interest receivable		Investments		foreclosed		Other assets		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Normal	274,523	199,066	-	-	-	-	67	90	274,590	199,156
Special mention	25,107	22,100	-	-	-	-	82	95	25,189	22,195
Substandard	2,093	2,492	-	-	-	-	6	9	2,099	2,501
Doubtful	1,719	2,244	-	-	-	-	7	7	1,726	2,251
Doubtful of loss	7,828	6,047	1,547	948	906	723	242	214	10,523	7,932
Total	311,270	231,949	1,547	948	906	723	404	415	314,127	234,035
Less: Revaluation	(87)	(84)								
allowance for debt										
restructuring										
Intercompany gain	(209)	(255)								
from loans										
transferred										
	310,974	231,610								

(Unit: Million Baht)

	Separate financial statements									
	Loans and accrued				Property				Total	
	interest receivable		Investments		foreclosed		Other assets		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Normal	6,519	20,213	-	-	-	-	10	22	6,529	20,235
Special mention	897	3,039	-	-	-	-	14	28	911	3,067
Substandard	169	274	-	-	-	-	2	5	171	279
Doubtful	83	181	-	-	-	-	1	2	84	183
Doubtful of loss	980	1,107	933	491	519	379	126	138	2,558	2,115
Total	8,648	24,814	933	491	519	379	153	195	10,253	25,879

15. PROPERTY FORECLOSED

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	For the year ended 31 December 2008				For the year ended 31 December 2008			
	Balance - beginning of the year	Additions	Disposals/ Transfer	Balance - end of the year	Balance - beginning of the year	Additions	Disposals/ Transfer	Balance - end of the year
Assets acquired from settlement of debts								
Immovable assets	5,980	86	(894)	5,172	2,747	51	(375)	2,423
Movable assets	830	6,355	(5,844)	1,341	68	207	(216)	59
Assets acquired from auction bidding on the open market								
Immovable assets	1,995	225	(262)	1,958	431	81	(34)	478
Total property foreclosed	8,805	6,666	(7,000)	8,471	3,246	339	(625)	2,960
Less: Allowance for impairment	(731)	(605)	419	(917)	(379)	(213)	73	(519)
Property foreclosed - net	8,074	6,061	(6,581)	7,554	2,867	126	(552)	2,441

As at 31 December 2008, the Company and its subsidiaries have entered into sales agreements with customers to sell property foreclosed of approximately Baht 80 million (at cost) (separate financial statements: Baht 7 million), 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.

In addition, the Company and its subsidiaries have property foreclosed acquired through bidding at auction on the open market totaling approximately Baht 110 million. Those property have not been registered in the name of the Company and its subsidiaries because the debtors have filed suit petitioning for cancellation of the sale with the Legal Execution Department (separate financial statements: Baht 4 million). However, the management believes that the Company and its subsidiaries will win the lawsuit, and therefore such property foreclosed is recorded as asset of the Company and its subsidiaries and deducted against the outstanding balance receivable.

16. PROPERTY, 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 2007	461	389	2,494	209	27	3,580
Additions	-	2	610	23	101	736
Disposals/Transfers	-	-	(25)	(26)	(33)	(84)
31 December 2008	461	391	3,079	206	95	4,232
<u>Accumulated depreciation</u>						
31 December 2007	-	45	1,118	109	-	1,272
Disposals/Transfers	-	(1)	(34)	(23)	-	(58)
Depreciation during the year	-	22	443	31	-	496
31 December 2008	-	66	1,527	117	-	1,710
<u>Net book value</u>						
31 December 2007	461	344	1,376	100	27	2,308
31 December 2008	461	325	1,552	89	95	2,522

Depreciation charge included in the income statements

for the year ended 31 December

2007	374
2008	496

(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 2007	63	147	87	37	5	339
Additions	-	-	5	-	4	9
Disposal/Transfers	-	-	7	(6)	(9)	(8)
31 December 2008	63	147	99	31	-	340
<u>Accumulated depreciation</u>						
31 December 2007	-	31	61	27	-	119
Disposals	-	-	(2)	(5)	-	(7)
Depreciation during the year	-	8	9	2	-	19
31 December 2008	-	39	68	24	-	131
<u>Net book value</u>						
31 December 2007	63	116	26	10	5	220
31 December 2008	63	108	31	7	-	209

Depreciation charge included in the income statements

for the year ended 31 December

2007	24
2008	19

As at 31 December 2008, the Company and its subsidiaries have motor vehicles acquired under financial leases with net book values amounting to approximately Baht 84 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 324 million (separate financial statements: Baht 7 million and Baht 50 million, respectively).

17. INTANGIBLE ASSETS - SOFTWARE

(Unit: Million Baht)

Consolidated financial statements					
For the year ended 31 December 2008					
	Remaining useful life	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Computer software	0 – 10 years	339	235	(27)	547
Less: Amortisation		(123)	(29)	24	(128)
Intangible assets - net		216	206	(3)	419
Amortised expenses included in the income statement for the year					29

(Unit: Million Baht)

Separate financial statements					
For the year ended 31 December 2008					
	Remaining useful life	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Computer software	0 – 5 years	8	-	-	8
Less: Amortisation		(4)	(2)	-	(6)
Intangible assets - net		4	(2)	-	2
Amortised expenses included in the income statement for the year					2

As at 31 December 2008, 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 56 million (separate financial statements: Baht 1 million).

18. OTHER ASSETS

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Premium receivable from direct insurance	516	752	-	-
Accrued interest	247	223	25	24
Accrued income	98	181	17	11
Other receivable - VAT paid in advance for customers	201	211	25	53
Other receivables	749	774	121	146
Deposits	152	120	7	8
Others	578	327	32	33
Total	2,541	2,588	227	275
Less: Allowance for impairment	(275)	(252)	(130)	(146)
Total other assets - net	2,266	2,336	97	129

19. DEPOSITS

19.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
At call	563	419	-	-
Savings	72,713	57,727	-	-
Promissory notes	68	3,440	-	-
Fixed				
- Less than 6 months	64,704	48,574	-	-
- 6 months and up to 1 year	82,934	39,270	-	-
- Over 1 year	48,748	38,736	-	-
Total deposits	269,730	188,166	-	-

19.2 Classified by the remaining period of contract

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Not over 1 year*	268,316	186,799	-	-
Over 1 year	1,414	1,367	-	-
Total deposits	269,730	188,166	-	-

*Include matured contracts

19.3 Classified by currency and location

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Domestic				
Baht	269,660	187,538	-	-
US Dollars	65	628	-	-
Other currencies	5	-	-	-
Total deposits	269,730	188,166	-	-

As at 31 December 2008 and 2007, deposits amounting to Baht 6,000 million in the consolidated financial statements are covered by interest rate swap agreements, as disclosed in Note 36.1 to financial statements.

20. INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

(Unit: Million Baht)

	Consolidated financial statements					
	2008			2007		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions						
Development Fund	-	-	-	-	108	108
Commercial banks	63	-	63	4	-	4
Finance and securities companies	3,921	493	4,414	1,903	505	2,408
Other financial institutions	2,005	804	2,809	816	366	1,182
Total - Domestic	5,989	1,297	7,286	2,723	979	3,702
Foreign						
Baht	7	-	7	7	-	7
Total - Foreign	7	-	7	7	-	7
Total	5,996	1,297	7,293	2,730	979	3,709

(Unit: Million Baht)

	Separate financial statements					
	2008			2007		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	4,502	-	4,502	12,500	-	12,500
Total	4,502	-	4,502	12,500	-	12,500

As at 31 December 2008, Baht 4,500 million of interbank and money market items in the separate financial statements are borrowed from a subsidiary company (Thanachart Bank Plc.). The interest rate charged is based on the Bank's cost of funds plus a fixed percentage per annum. Principal is payable at call but not later than December 2009 (2007: Baht 12,500 million).

21. BORROWINGS

(Unit: Million Baht)

(Unit: Million Baht)						
Type of borrowing	Interest rate per annum (As at 31 December 2008)	Maturity year	Consolidated		Separate	
			financial statements	financial statements	financial statements	financial statements
			2008	2007	2008	2007
<u>Short-term borrowings</u>						
Subordinated debenture issued in accordance with the plan to establish the Restricted Bank		2008	-	1,943	-	-
Unsubordinated and unsecured debentures		2008	-	1,000	-	1,000
Bills of exchange	Fixed rate of 2.13 - 4.25 percent	2009	43,752	54,225	2,444	-
Bills of exchange	Floating rate of the average MLR of 4 commercial banks minus 3.55 percent	2009	1,650	1,000	-	-
Bills of exchange	Floating rate of US-LIBOR-BBA six-month plus 0.64 percent	2009	500	-	-	-
Bills of exchange	Fixed rate of 4.62 percent when US-LIBOR-BBA six-month is in the range of 0 - 7.00 percent	2009	200	-	-	-
Bills of exchange	Floating rate of THB-THBFIX-REUTERS plus 0.80 percent when THB-THBFIX-REUTERS is in the range of 0 - 7.50 percent	2009	50	-	-	-
Bills of exchange		2008	-	450	-	-
Promissory notes	Floating rate of the average MLR of 4 commercial banks minus 3.60 percent	2009	500	7,080	500	7,080
Promissory note		2008	-	150	-	150
Total short-term borrowings			46,652	65,848	2,944	8,230

(Unit: Million Baht)

(Unit: Million Baht)						
Type of borrowing	Interest rate per annum (As at 31 December 2008)	Maturity year	Consolidated financial statements		Separate financial statements	
			2008	2007	2008	2007
<u>Long-term borrowings</u>						
Subordinated debentures (TIER II)	Fixed rate of 5.10 percent	2015	5,000	-	-	-
Unsubordinated and unsecured debentures	Floating rate of the average MLR of 4 commercial banks minus the fix rate	2010	3,865	3,902	4,000	4,000
Unsubordinated and unsecured debentures	Fixed rate of 5.25 and 4.75 percent	2010 - 2011	3,876	-	4,000	-
Loan agreement		2010	-	45	-	-
Bills of exchange	Fixed rate of 4.64 - 4.80 percent	2010	3,000	4,200	-	-
Bills of exchange	Floating rate of US-LIBOR- BBA six-month plus 0.42 - 0.70 percent	2010	2,320	2,820	-	-
Bills of exchange	Floating rate of THB-THBFIX-REUTERS plus 0.45 - 0.47 percent	2010	750	750	-	-
Bills of exchange		2009	-	1,650	-	-
Bills of exchange		2009	-	200	-	-
Bills of exchange		2009	-	50	-	-
Promissory note		2009	-	500	-	500
Total long-term borrowings			18,811	14,117	8,000	4,500
Total borrowings			65,463	79,965	10,944	12,730

As at 31 December 2008, borrowings of Baht 9,020 million in the consolidated financial statement are covered by interest rate swap agreements, as disclosed in Note 36.1 to the financial statements (separate financial statements: Baht 4,000 million) (2007: Baht 13,315 million in the consolidated financial statements and Baht 5,150 million in the separate financial statements).

22. OTHER LIABILITIES

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Financial derivative liabilities	296	59	-	-
Insurance premium payable	269	631	5	6
Value added tax payable	141	148	62	123
Deferred gain on disposal of property foreclosed	40	219	-	1
Loss reserves and outstanding claims from				
insurance/life assurance	786	617	-	-
Unearned income from hire-purchase	233	231	21	45
Accrued personnel expenses	390	397	8	7
Suspense account receivable	892	1,166	125	283
Payables for property foreclosed	156	201	47	62
Provision for corporate income tax	421	165	-	-
Other expenses payable	408	354	20	22
Others	1,427	1,151	129	157
Total	5,459	5,339	417	706

23. SHARE CAPITAL/TREASURY STOCKS/DIVIDENDS

During the year 2008, preference shareholders converted 3,480 preference shares to the Company's ordinary shares. Therefore, as at 31 December 2008, 15,856 preference shares, with each preference share convertible to 1 ordinary share, remained unconverted. The conversion rights are unconditional and do not expire.

During the year 2008, the Company purchased 16,289,600 of its own common shares for a total of Baht 110.26 million at an average price of Baht 6.77 per share from the shareholders. Such treasury stocks were not disposed of during the year and are to be disposed of within 3 years counting from the purchasing date.

Moreover, during the year ended 31 December 2008 and 2007, the Company has dividend payment as below.

Dividends	Approved by	Dividend payment	Dividend per share	Payment date
		Million Baht	Baht	
Interim dividend on earnings for the first half-year of 2008	The Company's Board of Directors on 25 September 2008	400	0.30	24 October 2008
Dividend on earnings for the second half-year of 2007	The Annual General Meeting of shareholders on 28 April 2008	800	0.60	27 May 2008
Total dividend during the year 2008		1,200	0.90	
Interim dividend on earnings for the first half-year of 2007	The Company's Board of Directors on 4 October 2007	400	0.30	2 November 2007
Dividend on earnings for the second half-year of 2006	The Annual General Meeting of shareholders on 30 April 2007	667	0.50	29 May 2007
Total dividend during the year 2007		1,067	0.80	

24. REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Revaluation surplus on investments				
Available-for-sale investments				
Debt instruments	220	32	-	-
Equity instruments	131	430	100	356
Held-to-maturity debt securities	30	36	-	-
Surplus recognised for an associated company - under equity method	-	13	-	-
Total	381	511	100	356
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(1)	(19)	-	-
Equity instruments	(1,329)	(83)	(544)	(55)
Held-to-maturity debt securities	(331)	(426)	-	-
Deficit recognised for an associated company - under equity method	(39)	-	-	-
Total	(1,700)	(528)	(544)	(55)
Revaluation surplus (deficit) on investments	(1,319)	(17)	(444)	301

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 be used for dividend payment.

As at 31 December 2008, the Company allocated 68,300,539 Baht of net income for the year 2008 to the statutory reserve (2007: 137,509,148 Baht).

26. BAD DEBT AND DOUBTFUL ACCOUNTS

Bad debt and doubtful accounts in the income statements for the years ended 31 December 2008 and 2007 consists of:

(Unit: Million Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Bad debt and doubtful accounts (reversal of bad debt and doubtful accounts) from loans and interbank and money market items	3,585	2,063	(237)	(853)
Amortisation of revaluation allowance for debt restructuring during the year	(5)	(12)	-	-
Total bad debt and doubtful accounts (reversal)	3,580	2,051	(237)	(853)

27. LOSS FROM DEBT RESTRUCTURING

Loss from debt restructuring in the income statements for years ended 31 December 2008 and 2007 consists of:

(Unit: Million Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Loss from hair-cut	6	-	-	-
Increase in revaluation allowance for debt restructuring	8	-	-	-
Total loss from debt restructuring	14	-	-	-

28. GAIN (LOSS) ON INVESTMENTS

Gain (loss) on investments for the years ended 31 December 2008 and 2007 consists of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Unrealised gain on valuation adjustment	3	-	-	-
Allowance for impairment	(253)	(135)	(11)	(66)
Loss on price adjustment for loan transferred to TAMC	(5)	-	-	-
Reversal of allowance for impairment of investment in receivables (allowance for impairments)	(21)	35	(7)	23
Gain on debt settlement/assets transferred from investments in receivables purchased	120	133	52	41
Realised gain (loss) on sales of investments	(146)	786	43	1,768
Total	(302)	819	77	1,766

During the year ended 31 December 2007, the Company sold investments in eight subsidiaries to Thanachart Bank Plc., another subsidiary, with a gain of Baht 1,146 million in the separate income statement and such gain was eliminated in the consolidated financial statement. Moreover, the Company sold shares of Thanachart Bank Plc. to BNSAL with gain on the sale of Baht 835 million in the separate income statement (calculated under the cost method), and with gain of Baht 885 million in the consolidated income statement under the equity method.

29. GAIN (LOSS) ON PROPERTY FORECLOSED AND OTHER ASSETS

Gain (loss) on property foreclosed and other assets for the years ended 31 December 2008 and 2007 consists of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Gains on sales	471	284	106	78
Additional set up allowance for impairment	(222)	(33)	(176)	(29)
Total	249	251	(70)	49

30. 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, including the payment of director's remuneration amounting to approximately Baht 19 million to the directors of the Company and the subsidiary company which was approved by the Annual General Meeting of Shareholders (separate financial statement: Baht 12 million), exclusive of salaries and related benefits payable to director who hold executive positions.

31. CORPORATE INCOME TAX

Corporate income tax was calculated on net income for the year, after adding back expenses and allowances which are disallowable for tax computation purposes and deducting income which is exempted for tax computation purposes.

Corporate income tax in the consolidated income statement for the year ended 31 December 2008 is presented after netting the Baht 102 million cash refund received from the Revenue Department. This is a result of a subsidiary company changing its accounting method for recognising property foreclosed - movable assets in 2007, from recording the cost of such assets at the book value of the receivables on the transfer date, to recording them at fair value with reference to the appraisal value less estimated selling expenses, but not exceed the book value of such receivables. In this regard, the subsidiary company restated the year 2006 financial statements to reflect these changes, of which the effect was to decrease the corporate income tax of the year 2006. The subsidiary company therefore resubmitted a tax return to refund the over paid amount.

32. 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 Company and its subsidiaries at the same rate, and will be paid to employees upon termination in accordance with the rules of the funds. During the year ended 31 December 2008, Baht 84 million has been contributed to the funds by the Company and its subsidiaries (separate financial statements: Baht 2 million).

33. 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 attributable to the Company for the year by the weighted average number of ordinary shares outstanding during the year, netting of treasury stock held by the Company.

Diluted earnings per share is calculated by dividing net income attributable to the Company for the year by the total sum of the weighted average number of ordinary shares outstanding during the year, netting of treasury stock held by the Company, 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 number of ordinary shares		Earnings per share	
	2008	2007	2008	2007	2008	2007
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net income attributable to the Company	2,768,411	2,817,749	1,332,511	1,333,135	2.08	2.11
Effect of dilutive securities						
Preference shares convertible to ordinary shares	-	-	16	19		
Diluted earnings per share						
Net income of ordinary shareholders assuming conversion of dilutive securities	2,768,411	2,817,749	1,332,527	1,333,154	2.08	2.11

Separate financial statements						
For the years ended 31 December						
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2008	2007	2008	2007	2008	2007
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net income attributable to the Company	1,366,011	2,750,183	1,332,511	1,333,135	1.03	2.06
Effect of dilutive securities						
Preference shares convertible to ordinary shares	-	-	16	19		
Diluted earnings per share						
Net income of ordinary shareholders assuming conversion of dilutive securities	1,366,011	2,750,183	1,332,527	1,333,154	1.03	2.06

34. RELATED PARTY TRANSACTIONS

During the years, 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 and those companies, are summarised below.

(Unit: Million Baht)

	For the years ended 31 December				Pricing Policies (For the year 2008)
	Consolidated		Separate		
	financial statements		financial statements		
	2008	2007	2008	2007	
Subsidiary companies					
Sales of investments in subsidiaries (2007: with gain of Baht 1,146 million in the separate financial statements)	-	-	-	4,158	
Purchase of investments in an associated company	-	-	-	347	
Purchase of investments in debt securities	-	-	28,443	5,685	At market price
Purchase of assets	-	-	1	-	At book value
Sales of operating assets (2007: no gain on sales)	-	-	-	225	
Interest income from loans	-	-	39	128	At interest rates of 3.74 - 5.25 and 11.51 percent per annum
Interest income from cash at banks	-	-	70	13	At interest rates of 2.00 - 4.00 percent per annum
Interest income from investments in debt securities	-	-	186	186	At interest rates of 6.18 percent per annum
Rental and other service income	-	-	175	134	At the contracted rates
Fees and other income	-	6	6	47	At the contracted rates
Dividend income	-	-	559	215	As declared
Interest expenses	-	-	292	1,280	At interest rates of 3.42 - 5.25 percent per annum
Rental and other service expenses	-	14	180	205	At the contracted rates
Insurance expenses	-	-	2	2	As insurance policy
Associated company					
Interest income	3	5	-	-	At interest rates of 3.40 - 4.30 percent per annum
Dividend income	-	-	75	59	As declared
Other income	3	5	-	-	
Interest expenses	5	11	-	-	At interest rates of 1.00 - 2.75 and 11.51 percent per annum
Other expenses	53	48	29	31	

(Unit: Million Baht)

	For the years ended 31 December				Pricing Policies (For the year 2008)
	Consolidated		Separate		
	financial statements		financial statements		
	2008	2007	2008	2007	
Related companies					
Purchase of investments in debt securities	21,047	17,790	-	-	At market price
Sales of investments in debt securities (2008: with gain on sales of Baht 13 million, 2007: with loss on sales of Baht 1 million)	1,454	511	-	-	At market price
Purchase/sales of forward exchange contracts (2008: with loss by Baht 36 million)	132,786	-	-	-	At market price
Transfer of loans and receivable	-	824	-	-	
Transfer of deposits	-	53	-	-	
Purchase of fixed assets	-	4	-	-	
Interest income	192	189	-	-	At interest rates of 1.00 - 8.50 percent per annum
Dividend income	40	38	25	18	As declared
Gain on disposals of debts	-	168	-	-	
Other income	10	26	2	1	
Dividend payment	186	-	-	-	As declared
Interest expenses	61	76	-	-	At interest rates of 1.00 - 4.85 percent and 9.00 per annum
Project management expenses	59	57	29	30	At the contract price, calculated by reference to estimated usage time
Other expenses	87	67	4	7	

In addition to the transactions mentioned above, during the year ended 31 December 2008 Thanachart Bank Plc. transferred non-performing loans amounting to Baht 8 million to NFS Asset Management Co., Ltd. (2007: NFS Asset Management Co., Ltd. disposed its 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., the subsidiaries in Thanachart Group).

The outstanding balances of the above transactions during the year ended 31 December 2008 and 2007 are below shown at the average month end balance.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
<u>Subsidiary companies</u>				
Interbank and money market items (Assets)	-	-	2,036	568
Investments in debt securities	-	-	3,000	3,000
Loans	-	-	647	2,008
Deposits	-	30	-	-
Interbank and money market items (Liabilities)	-	-	7,389	25,095
Borrowings	-	-	129	88
<u>Associated companies</u>				
Investment in debt securities	48	108	-	-
Loans	51	183	-	-
Deposits	57	35	-	-
Borrowings	25	64	-	-
<u>Related companies</u>				
Interbank and money market items (Assets)	4,457	4,944	37	60
Investment in debt securities	842	787	-	-
Loans	812	1,377	-	2
Deposits	1,039	845	-	-
Interbank and money market items (Liabilities)	324	24	-	1
Borrowings	534	874	-	-

The significant outstanding balances with subsidiaries, associated company or related parties as at 31 December 2008 and 2007 are separately shown as follows:

(Unit: Million Baht)

Consolidated financial statements											
2008											
Assets						Liabilities					
Interbank		Investments	Accrued	Other	Deposits	Interbank		Accrued	Other		
and money	market					and money	market				
items	in debt	securities	interest	assets		items	Borrowings	interest	liabilities	Commitments	
Associated company											
MBK Plc.	-	-	-	-	10	65	-	-	-	6	64
Related companies											
Advanced Info											
Service Plc.	-	714	43	12	11	32	-	-	-	6	-
The Bank of Nova											
Scotia	7,743	-	-	8	3	-	8	-	-	4	1,194
Others	20	-	307	1	16	568	94	212	9	2	68
Total	7,763	714	350	21	40	665	102	212	9	18	1,326

(Unit: Million Baht)

Consolidated financial statements											
2007											
Assets						Liabilities					
Interbank		Investments	Accrued	Other	Deposits	Interbank		Accrued	Other		
and money	market					and money	market				
items	in debt	securities	interest	assets		items	Borrowings	interest	liabilities	Commitments	
Associated company											
MBK Plc.	-	271	-	5	9	14	-	45	2	-	56
Related companies											
Advanced Info											
Service Plc.	-	700	31	11	24	987	-	-	-	4	-
Siam Commercial											
Bank Plc.	601	169	-	1	-	-	-	-	-	-	15,452
Siam City Bank Plc.	61	-	-	-	-	-	-	750	3	-	-
The Bank of Nova											
Scotia	8,875	-	-	28	-	-	7	-	-	-	-
Others	20	35	777	3	15	652	20	148	5	30	112
Total	9,557	1,175	808	48	48	1,653	27	943	10	34	15,620

(Unit: Million Baht)

(Unit: million Baht)

Separate financial statements											
2008											
Assets						Liabilities					
Interbank and money market items		Investments in debt securities	Loans	Accrued interest receivable	Other assets	Interbank and money market items		Borrowings	Accrued interest payable	Other liabilities	Commitments
Subsidiaries											
Thanachart Bank Plc.	3,413	3,000	-	13	11	4,502	-	-	-	22	-
Thanachart Securities Plc.	-	-	-	-	2	-	-	-	-	9	-
National Leasing Co., Ltd.	-	-	112	-	-	-	-	-	-	9	-
NFS Asset Management Co., Ltd.	-	-	264	-	-	-	-	-	-	1	-
Thanachart Legal and Appraisal Co., Ltd.	-	-	10	-	-	-	-	-	-	-	-
Thanachart Insurance Co., Ltd.	-	-	-	-	1	-	123	1	-	-	-
Thanachart Life Assurance Co., Ltd.	-	-	-	-	-	-	137	1	-	-	-
Associated company											
MBK Plc.	-	-	-	-	3	-	-	-	-	5	-
Related companies											
Others	20	-	-	-	1	-	-	-	-	1	10
Total	3,433	3,000	386	13	18	4,502	260	2	47	10	

(Unit: Million Baht)

Separate financial statements										
2007										
Assets						Liabilities				
Interbank and money market items	Investments in debt securities	Loans	Accrued interest receivable	Other assets	Interbank and money market items	Borrowings	Accrued interest payable	Other liabilities	Commitments	
Subsidiaries										
Thanachart Bank Plc.	931	3,000	-	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	-	-	-	-	-
NFS Asset Management Co., Ltd.	-	-	93	-	-	-	-	-	1	-
Thanachart Legal and Appraisal Co., Ltd.	-	-	10	-	-	-	-	-	1	-
Thanachart Insurance Co., Ltd.	-	-	-	-	1	-	98	1	2	-
Associated company										
MBK Plc.	-	-	-	-	3	-	-	-	-	-
Related companies										
Siam Commercial Bank Plc.	29	-	-	-	-	-	-	-	-	8,000
Others	29	-	-	-	1	-	-	-	1	10
Total	989	3,000	1,432	26	12	12,500	98	1	65	8,010

As at 31 December 2008, the Company and its subsidiaries have investments amounting to approximately Baht 439 million (separate financial statements: Baht 219 million) in companies in which they are related by means of members of their management being shareholders and/or directors of those companies (2007: Baht 1,285 million in the consolidated financial statements and Baht 1,085 million in separate financial statements).

The Company and its subsidiaries have related party transactions with executive employees of the Company and companies in Thanachart Group from department manager level up, including the related persons who together with these employees. The outstanding balances as at 31 December 2008 and 2007 are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Loans	69	52	2	4
Deposits	496	399	-	-

Remunerations to key management personnel

During the year ended 31 December 2008, the Company and its subsidiaries paid salaries, meeting allowance and gratuities to their key management personnel, including directors totaling Baht 273 million (separate financial statements: Baht 51 million) (2007: Baht 240 million in the consolidated financial statements and Baht 44 million in the separate financial statements).

35. FINANCIAL INFORMATION BY SEGMENT

Financial information presented in the consolidated financial statements as at 31 December 2008 and 2007 and for the year then ended, is presented below by segment.

(Unit: Million Baht)

For the year ended 31 December 2008								
	Asset						Eliminations	Total
	The Company	Banking business	management business	Securities business	Life Insurance	Other business		
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,544	6,921	215	112	348	285	(1,112)	8,313
Share of income from investments accounted for under equity method	-	-	-	-	-	-	335	335
Non-interest income	755	2,213	484	1,239	4,688	3,187	(994)	11,572
Non-interest expenses	(681)	(7,715)	(121)	(1,036)	(4,518)	(3,004)	1,197	(15,878)
Corporate income tax	(252)	(76)	(199)	(95)	(168)	(210)	-	(1,000)
Net income	1,366	1,343	379	220	350	258	(574)	3,342

(Unit: Million Baht)

For the year ended 31 December 2007								
	Asset						Eliminations	Total
	The Company	Banking business	management business	Securities business	Life Insurance	Other business		
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,983	5,132	(160)	126	221	233	(494)	7,041
Share of income from investments accounted for under equity method	-	-	-	-	-	-	271	271
Non-interest income	2,674	1,941	736	1,304	3,324	2,670	(2,274)	10,375
Non-interest expenses	(847)	(6,041)	(177)	(926)	(3,298)	(2,577)	1,053	(12,813)
Corporate income tax	(1,060)	(41)	(221)	(144)	(69)	(170)	-	(1,705)
Net income	2,750	991	178	360	178	156	(1,444)	3,169

(Unit: Million Baht)

As at 31 December 2008

	Asset						Eliminations	Total
	The Company	Banking business	management business	Securities business	Life Insurance	Other business		
Investments - Net	26,124	26,586	2,147	701	5,787	2,878	(24,838)	39,385
Loans and accrued interest receivable - Net (including interbank and money market items)	10,803	330,534	2,263	2,436	2,840	6,213	(19,533)	335,556
Land, premises and equipment - Net	209	2,015	2	107	139	50	-	2,522
Other assets	2,788	9,176	3,372	175	285	1,130	(253)	16,673
Total assets	39,924	368,311	7,784	3,419	9,051	10,271	(44,624)	394,136

(Unit: Million Baht)

As at 31 December 2007

	Asset						Eliminations	Total
	The Company	Banking business	management business	Securities business	Life Insurance	Other business		
Investments - Net	23,654	19,968	1,621	1,020	5,042	2,643	(25,074)	28,874
Loans and accrued interest receivable - Net (including interbank and money market items)	24,227	259,286	2,846	2,493	1,440	6,805	(25,601)	271,496
Land, premises and equipment - Net	220	1,783	1	131	117	56	-	2,308
Other assets	3,151	10,061	3,615	357	434	1,194	(234)	18,578
Total assets	51,252	291,098	8,083	4,001	7,033	10,698	(50,909)	321,256

36. COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2008 and 2007, the significant commitments and contingent liabilities consisted of the following:

36.1

(Unit: Million Baht)

	Consolidated financial statements					
	2008			2007		
	Foreign			Foreign		
	Baht	currencies	Total	Baht	currencies	Total
Avals to bills	118	-	118	24	-	24
Guarantees of loans	10	-	10	10	-	10
Liabilities under unmatured import bills	69	374	443	-	25	25
Letters of credit	1	663	664	-	399	399
Other commitments						
Interest rate swap agreements						
Bought contracts	16,270	-	16,270	19,465	-	19,465
Sold contracts	16,270	-	16,270	19,465	-	19,465
Forward foreign exchange contracts						
Bought contracts	-	8,519	8,519	-	1,555	1,555
Sold contracts	-	36,161	36,161	-	37,776	37,776
Cross currency and interest rate swap contracts						
Bought contracts	-	5,169	5,169	-	-	-
Sold contracts	-	4,846	4,846	-	1,350	1,350
Committed but not drawn down overdraft	4,164	-	4,164	2,673	-	2,673
Other guarantees	3,083	34	3,117	2,468	495	2,963
Total	39,985	55,766	95,751	44,105	41,600	85,705

(Unit: Million Baht)

	Separate financial statements					
	2008			2007		
	Foreign			Foreign		
	Baht	currencies	Total	Baht	currencies	Total
Guarantees of loans	10	-	10	10	-	10
Other commitments						
Interest rate swap agreements						
Bough contracts	4,000	-	4,000	5,300	-	5,300
Sold contracts	4,000	-	4,000	5,300	-	5,300
Other	1	-	1	1	-	1
Total	8,011	-	8,011	10,611	-	10,611

36.2 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 2008, 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 promissory notes (2007: Baht 557 million and Baht 183 million, respectively).

36.3 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. As at 31 December 2008, the maximum commitment is approximately Baht 5 million in the consolidated financial statements and Baht 3 million in separate financial statements.

36.4 As at 31 December 2008, 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, as follows:

(Unit: Million Baht)

Year	Consolidated financial statements	Separate financial statements	
	Other companies	Other companies	Subsidiaries
2009	521	28	3
2010	320	5	3
2011 onward	497	29	4

The Company also has commitments under support service agreement with a subsidiary company which had expired on 31 December 2007. However, subsequent to the balance sheet date, the Company still to be received such services and in the process of drawing up a new service agreement. Moreover, the Company has an obligation to pay an administrative service fee to another subsidiary company at actual cost plus margin based on the period in the agreement.

36.5 As at 31 December 2008, 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 2009

36.6 Under the agreements among the Company, the Bank and BNSAL (on 11 January 2008, BNSAL transferred rights and obligations under the agreements to BNS), 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 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 BNS before it purchases shares, the Company and the Bank will jointly compensate BNS for its losses in accordance with the principles stipulated in the agreements, but not beyond the prescribed period stipulated by Thai laws for each damages claim.

In addition, under the Shareholders' Agreement between the Company and BNS there are mutual agreements whereby the Company and its subsidiaries and BNS 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.

37. LITIGATION

As at 31 December 2008, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 1,360 million as a result of litigation (separate financial statements: Baht 836 million). The cases are not yet finalised. However, the Company and its subsidiaries' management believe that no losses will result and therefore no liabilities are currently recorded.

38. BANK GUARANTEE

As at 31 December 2008, there are outstanding bank guarantees of approximately Baht 6 million (separate financial statements: Baht 6 million) issued by banks on behalf of the Company and its subsidiaries as guarantees for the use of electricity and the rental of land.

39. 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.

39.1 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, other guarantees and derivative contracts.

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 customers' 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.

39.2 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 2008 and 2007, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Consolidated financial statements								
Outstanding balances of financial instruments								
2008					2007			
Floating interest rate	Fixed interest rate	Non- interest bearing	Total		Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets								
Cash	-	-	4,018	4,018	-	-	3,275	3,275
Interbank and money market items	322	60,876	4,441	65,639	606	36,192	3,534	40,332
Securities purchased under resale agreements	-	-	-	-	-	2,500	-	2,500
Investments	2,318	33,214	6,238	41,770	2,278	21,903	5,313	29,494
Receivables from clearing house	-	-	50	50	-	-	244	244
Loans (include intercompany gain on loan transferred) ⁽¹⁾	41,831	235,826	2,038	279,695	33,154	204,966	1,415	239,535
Financial liabilities								
Deposits	76,102	193,065	563	269,730	60,200	127,547	419	188,166
Interbank and money market items	5,332	1,347	614	7,293	2,134	979	596	3,709
Payables from clearing house	-	-	295	295	-	-	-	-
Securities business payable	-	-	855	855	-	-	1,244	1,244
Liabilities payable on demand	-	-	1,317	1,317	-	-	1,329	1,329
Borrowings	-	65,463	-	65,463	-	79,965	-	79,965

⁽¹⁾ The outstanding balances of loans which have floating interest rates or fixed interest rate include loans on which interest recognition has been ceased.

(Unit: Million Baht)

Separate financial statements								
Outstanding balances of financial instruments								
2008					2007			
Floating interest rate	Fixed interest rate	Non- interest bearing	Total		Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets								
Interbank and money market items	116	3,250	111	3,477	22	800	249	1,071
Investments	1,227	6,417	19,312	26,956	1,283	3,480	19,026	23,789
Loans ⁽¹⁾	136	8,413	79	8,628	154	24,543	97	24,794
Financial liabilities								
Interbank and money market items	2	4,500	-	4,502	-	12,500	-	12,500
Borrowings	-	10,944	-	10,944	-	12,730	-	12,730

⁽¹⁾ The outstanding balances of loans which have floating interest rates or fixed interest rate include loans on which interest recognition has been ceased.

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							(Unit: Million Baht)
2008							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
							Percentage
Financial assets							
Interbank and money market items	129	60,547	200	-	-	60,876	2.59 - 3.89
Investments	-	8,797	8,932	13,887	1,598	33,214	2.23 - 4.59
Loans (include intercompany gain on loan transferred)	1,677	6,666	14,663	170,655	42,164	235,825	6.61 - 9.99
Financial liabilities							
Deposits	4	107,599	85,420	42	-	193,065	3.49
Interbank and money market items	50	1,060	237	-	-	1,347	3.56
Borrowings	2	37,456	9,194	13,811	5,000	65,463	3.71 - 4.03

(Unit: Million Baht)

(Unit: Million Baht)							
Consolidated financial statements							
2007							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
							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 on loan transferred)	1,239	4,752	8,799	157,484	32,692	204,966	6.65 - 10.36
<u>Financial liabilities</u>							
Deposits	8	65,579	61,379	581	-	127,547	3.11
Interbank and money market items	-	787	192	-	-	979	2.84
Borrowings	-	49,860	19,388	10,717	-	79,965	3.32 - 4.18

(Unit: Million Baht)

Separate financial statements							
2008							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Percentage							
<u>Financial assets</u>							
Interbank and money market items	-	3,250	-	-	-	3,250	2.13
Investments	-	3,417	-	3,000	-	6,417	4.08
Loans	1,184	337	2,424	4,468	-	8,413	6.61
<u>Financial liabilities</u>							
Interbank and money market items	4,500	-	-	-	-	4,500	4.06
Borrowings	-	2,426	518	8,000	-	10,944	4.03

(Unit: Million Baht)

Separate financial statements							
2007							
Transactions	Repricing or maturity date					Total	Weighted average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Percentage							
<u>Financial assets</u>							
Interbank and money market items	-	800	-	-	-	800	3.80
Investments	-	480	-	-	3,000	3,480	5.57
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 years ended 31 December 2008 and 2007, and the average rate of interest income and expense, can be summarised as follows:

(Unit: Million Baht)

Consolidated financial statements						
	2008			2007		
	Average balances	Interest and dividend	Average rate	Average balances	Interest and dividend	Average rate
Interest bearings financial assets						
Interbank and money market items	40,815	1,539	3.77	22,972	828	3.61
Securities purchased under resale agreements	962	31	3.24	11,415	446	3.91
Investments	30,283	1,314	4.34	34,376	1,343	3.91
Loans/hire-purchase and finance lease	268,670	18,529	6.90	212,448	16,182	7.62
Interest bearings financial liabilities						
Deposits	228,417	6,999	3.06	197,072	7,113	3.61
Interbank and money market items	6,882	184	2.67	5,078	120	2.37
Borrowings	62,037	2,323	3.74	58,710	2,474	4.21

(Unit: Million Baht)

Separate financial statements						
	2008			2007		
	Average balances	Interest and dividend	Average rate	Average balances	Interest and dividend	Average rate
Interest bearings financial assets						
Interbank and money market items	2,233	80	3.57	568	13	2.40
Investments	24,263	907	3.74	25,614	528	2.06
Loans/hire-purchase and finance lease	14,261	1,003	7.04	35,487	2,443	6.88
Interest bearings financial liabilities						
Interbank and money market items	7,390	287	3.89	25,099	1,275	5.08
Borrowings	11,169	396	3.54	15,091	579	3.83

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 exposure to foreign exchange risk. However, 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 which strictly comply with the Bank of Thailand's regulation.

The status of the subsidiaries' foreign currency balances in the consolidated financial statements as at 31 December 2008 and 2007 are as follows:

(Unit: Million Baht)

	Consolidated financial statements							
	Outstanding balances of financial instruments							
	2008				2007			
	US dollar	Euro	Yen	Others	US dollar	Euro	Yen	Others
<u>Foreign currency - in balance sheets</u>								
Cash	50	98	88	36	107	60	3	44
Interbank and money market items	20,658	98	65	47	35,635	73	18	56
Investments	699	-	-	4,148	1,350	-	-	-
Loans	955	68	-	-	399	-	-	-
Other assets	8	-	-	12	14	-	-	-
Total assets	22,370	264	153	4,243	37,505	133	21	100
Deposits	65	-	-	5	628	-	-	-
Total Liabilities	65	-	-	5	628	-	-	-
Net foreign currency in balance sheets	22,305	264	153	4,238	36,877	133	21	100
<u>Foreign currency - off balance sheets</u>								
Liabilities under unmatured import bills	291	-	83	-	16	9	-	-
Letters of credit	472	165	-	26	379	2	2	16
Foreign exchange contracts								
- Bought contracts	8,393	10	27	89	1,337	-	10	208
- Sold contracts	35,239	398	281	243	37,084	260	61	371
Cross currency interest rate swap contracts								
- Bought contracts	5,169	-	-	-	-	-	-	-
- Sold contracts	699	-	-	4,147	1,350	-	-	-
Others	34	-	-	-	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.

39.3 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 2008 and 2007 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements									
	2008					2007				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets										
Cash	4,018	-	-	-	4,018	3,275	-	-	-	3,275
Interbank and money market items	5,172	60,447	20	-	65,639	4,176	36,136	20	-	40,332
Securities purchased under resale agreements	-	-	-	-	-	-	2,500	-	-	2,500
Investments	2,318	11,778	21,476	6,198	41,770	2,278	5,237	16,701	5,278	29,494
Receivables to clearing house	-	50	-	-	50	-	244	-	-	244
Loans ⁽¹⁾	15,951	83,090	180,654	-	279,695	13,138	69,516	156,881	-	239,535
Financial liabilities										
Deposits	73,475	194,841	1,414	-	269,730	58,216	128,583	1,367	-	188,166
Interbank and money market items	5,996	1,297	-	-	7,293	2,730	979	-	-	3,709
Payables to clearing house	-	295	-	-	295	-	-	-	-	-
Securities business payable	-	855	-	-	855	-	1,244	-	-	1,244
Liabilities payable on demand	1,317	-	-	-	1,317	1,329	-	-	-	1,329
Borrowings	2	46,650	18,811	-	65,463	-	65,848	14,117	-	79,965
Off-balance sheet items										
Avals to bills and guarantee of loans	10	106	12	-	128	10	24	-	-	34
Liability under unmatured import bills	-	360	83	-	443	-	25	-	-	25
Letters of credit	48	616	-	-	664	8	391	-	-	399
Other commitments	4,311	51,611	37,533	1,061	94,516	2,768	49,342	31,841	1,296	85,247

(1) The outstanding balance of loans includes intercompany gain on loan transfers. Call loans include loans on which interest recognition has been ceased.

(Unit: Million Baht)

Transactions	Separate financial statements									
	2008					2007				
	At call	Less than	Over	Unspecified	Total	At call	Less than	Over	Unspecified	Total
		1 year	1 year				1 year	1 year		
Financial assets										
Interbank and money market items	207	3,250	20	-	3,477	251	800	20	-	1,071
Investments	1,227	2,999	3,418	19,312	26,956	1,283	-	3,480	19,026	23,789
Loans ⁽¹⁾	1,693	5,573	1,362	-	8,628	2,985	13,596	8,213	-	24,794
Financial liabilities										
Interbank and money market items	4,502	-	-	-	4,502	12,500	-	-	-	12,500
Borrowings	-	2,944	8,000	-	10,944	-	8,230	4,500	-	12,730
Off-balance sheet items										
Avals to bills and guarantee of loans	10	-	-	-	10	10	-	-	-	10
Other commitments	1	-	8,000	-	8,001	1	2,600	8,000	-	10,601

(1) Call loans include loans on which interest recognition has been ceased.

39.4 Fair value

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable and 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 2008 and 2007, there are no material differences between the book values of financial instruments and their fair values.

39.5 Financial derivatives

The Company and its subsidiaries engage in financial derivatives activities as required in the normal course of their business to manage risk. The subsidiaries are engaged in other financial derivatives activities to meet their clients' needs. These financial derivatives include forward foreign currency contracts, cross currency contracts and interest rate swap contracts.

The Company and its subsidiaries 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 subsidiaries 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 subsidiaries are able to maintain risk at acceptable levels.

As at 31 December 2008 and 2007, financial derivatives to which the Company and its subsidiaries are a party can be classified by period to maturity as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2008			2007		
	Less than		Total	Less than		Total
	1 year	Over 1 year		1 year	Over 1 year	
Foreign exchange contracts						
- Bought contracts	8,519	-	8,519	1,555	-	1,555
- Sold contracts	36,161	-	36,161	37,776	-	37,776
Cross currency interest rate swap contracts						
- Bought contracts	-	5,169	5,169	-	-	-
- Sold contracts	524	4,322	4,846	675	675	1,350
Interest rate swap contracts						
- Fixed interest rate payment	950	13,070	14,020	600	14,020	14,620
- Floating interest rate payment	1,450	800	2,250	3,395	1,450	4,845
- Fixed interest rate receipt	1,450	800	2,250	3,395	1,450	4,845
- Floating interest rate receipt	950	13,070	14,020	600	14,020	14,620

(Unit: Million Baht)

	Separate financial statements					
	2008			2007		
	Less than	Over 1	Total	Less than	Over 1	Total
	1 year	year		1 year	year	
Interest rate swap contracts						
- Fixed interest rate payment	-	4,000	4,000	150	4,000	4,150
- Floating interest rate payment	-	-	-	1,150	-	1,150
- Fixed interest rate receipt	-	-	-	1,150	-	1,150
- Floating interest rate receipt	-	4,000	4,000	150	4,000	4,150

40. RECLASSIFICATION

The Company and its subsidiaries reclassified certain amounts in the financial statements for the year ended 31 December 2007 to conform with the current year's classification and mostly to comply with the BOT regulations as announced in the year 2008, with no effect on previously reported net income and shareholders' equity. Reclassifications are as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Interbank and money market items (Assets)	-	-	1,072	271
Investment	-	-	23,654	24,454
Deposits	188,166	190,626	-	-
Interbank and money market items (Liabilities)	3,709	4,769	-	-
Short-term borrowings	65,848	65,398	-	-
Long-term borrowings	14,117	11,047	-	-
Interest expenses			-	-
- Deposits	7,113	7,228	-	-
- Interbank and money market items	120	169	-	-
- Short-term borrowings	1,479	1,444	-	-
- Long-term borrowings	995	861	-	-

41. SUBSEQUENT EVENTS

On 26 February 2009, 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 2008, a total of Baht 800 million, to the Annual General Meeting of Shareholders.

42. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2009.

REMUNERATION FOR THE AUDITOR

Ernst & Young Office Limited was the auditor of Thanachart Capital and its subsidiaries with Ms. Ratana Jala, Certified Public Accountant No. 3747, having been assigned to audit the accounts of Thanachart Capital.

Thanachart Capital and its subsidiaries made use of the audit services and other services of Ernst & Young Office Limited which charged the following fees for its services.

1. AUDIT FEE (PAID BY THANACHART CAPITAL AND ITS SUBSIDIARIES IN 2008)

- The payment worth 1,650,000 baht was made to Thanachart Capital's auditor. Other expenses related to the audit amounted to 67,728 baht
- The total payment worth 13,770,000 bath was made to the audit firm the Certified Public Accountant belonged to, and to the persons or businesses related to the Certified Public Accountant and the audit firm. Other expenses related to the audit amounted to 398,975 baht.
- In addition, in 2008 one of Thanachart Capital's subsidiaries which was in the process of liquidation paid an audit fee worth 10,000 baht to DIA Audit Company Limited.

2. NON-AUDIT FEE

Thanachart Capital and its subsidiaries made payments to the following parties for other services including the performance of a special audit in line with the notification issued by the Bank of Thailand, the audit of annual financial statements, and the audit of the internal control systems submitted to the Office of Insurance Commission (OIC).

- The payment worth 350,000 baht was made to Ms. Ratana Jala, auditor of Thanachart Capital's subsidiaries, in the 2008 fiscal year.
- The payment worth 410,000 baht was made to the audit firm which the Certified Public Accountant belonged to, and to persons or businesses related to the Certified Public Accountant and the audit firm, in the 2008 fiscal year.

CORPORATE GOVERNANCE

Thanachart Capital Public Company Limited fully recognizes the important of putting in place a process to bring about good corporate governance since it is a basic factor which helps enhance the efficiency of Thanachart Capital's business operation. Importantly, it enables Thanachart Capital to achieve a sustainable growth which is widely acceptable both locally and globally. As a result, it will enable Thanachart Capital 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.

Since 2007, the Stock Exchange of Thailand (SET) has promoted the good corporate governance for all listed companies. The 15 principles of good corporate governance were reviewed and improved. The revised principles are divided into five groups including shareholders' rights, equitable treatment of shareholders, roles of stakeholders, information disclosure and transparency, and responsibilities of the Board of Directors. Thanachart Capital has adopted into full practice the SET'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 Thanachart Capital as a listed company on the SET and as a public company. According to the survey results of 448 companies presented in the Corporate Governance Report of Thai Listed Companies 2008 (CGR 2008) by Thai Institute of Directors (IOD), SET, and Securities and Exchange Commission (SEC), Thanachart Capital was rated "excellent" with scores ranging from 80-89. The achievement was in line with the overall level of corporate governance of Thai listed companies which showed the improvement. The actions undertaken by Thanachart Capital can be summarized as follows:

1. RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS

Thanachart Group respects 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 various business matters, the right to receive dividend, the right to express opinions and ask questions at shareholders' meetings, and the right to receive adequate information in a timely manner.

In holding the annual general meeting of the shareholders, Thanachart Capital will send the shareholders fourteen days in advance before the meeting, information about the date, time and venue of the meeting as well as information supporting the meeting agenda and the related opinions of the Board of Directors, specifying clearly which agenda item is for information only or for consideration. The same information is also made available on Thanachart Capital's website. The information will include details about the various agenda items as well as adequate supporting documents for decision making on various agenda items. Moreover, in order to protect the right of the shareholders to attend the meeting, the notification to the shareholders gives details

about the necessary documentation and evidence that have to be brought by them on the date of 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, Thanachart Capital makes an arrangement that the Chairman of the 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 Thanachart Capital.

In addition, Thanachart Capital makes an arrangement, through its website before the date of the annual general meeting, 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 Thanachart Capital's business operations to be discussed at the meeting. The established timeframe for such proposals was from 29 December 2008 to 27 January 2009. This represents another channel for facilitating communication between Thanachart Capital and the shareholders as well as investors in general. The shareholders' opinions and suggestions would be forwarded to the unit concerned. To support the exercise of the right of local and foreign shareholders to attend the meeting, Thanachart Capital continues to pay attention to disclosure of accurate and adequate information, both in Thai and English, to the shareholders in a timely and transparent manner.

SHAREHOLDERS' MEETING

Thanachart Capital's 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 responsible for giving the shareholders reception and handling registration, Barcode system for registration, tools and equipment used at the meeting, and printing of ballot papers for each agenda item. Importantly, the shareholders can make registration for attending the meeting over two hours in advance.

To provide the shareholders with greater convenience, Thanachart Capital uses video presentations at the meeting, in addition to the supporting documents. Before commencing the shareholders' meeting, Thanachart Capital also gives the shareholders clear clarifications on vote casting and counting procedures. During the course of the meeting, all the shareholders are given equitable treatment and an appropriate time to express their opinions and ask questions. Votes are cast and counted in a transparent and efficient manner. The Bank counts one share as one vote. Resolutions are adopted by a majority vote, with the exception of those resolutions which require at least two third or three fourth of the total votes of the shareholders who attend the meeting and are entitled to vote. In casting votes, the shareholders are required to use the ballot papers only when they wish to cast their votes against the resolution or wished to abstain from voting. These ballot papers will be kept for later verification. The Chairman and the management provide the shareholders with any information requested by the shareholders. As well, Thanachart Capital takes minutes of the meeting and records in detail the voting results of each agenda item as well as the related verbal discussions. The draft of the Annual General Meeting of Shareholders' report was sent to the SET and also made available to the shareholders through Thanachart Capital's website.

According to the evaluation of the quality of the Annual General Shareholders' Meeting in 2008 by IOD, SET, and SEC, the evaluation is for improving the quality of the Annual General Shareholders' Meeting of Thai listed companies, which has been evaluating since 2006. In 2008, there were 486 companies joined this program. Thanachart Capital was rated "excellent".

Thanachart Capital organized the Annual General Meeting of Shareholders for 2008 on 28 April 2008 at Pathumwan Princess Hotel with the meeting being called to order at 15:00 hours. The shareholders could make registration for attending the meeting since 13:00 hours. When the meeting commenced, there were 726 shareholders and proxies, accounting for 746,899,040 shares or 56.04 percent of the issued and paid-up share capital. The members of the Board of Directors who attended the meeting were as follows:

1. Mr. Banterng	Tantivit	Chairman (Non-Executive Director)
2. Mr. Suphadej	Poonpipat	Vice Chairman, Chairman of the Executive Committee, and President & Chief Executive Officer (Executive Director)
3. Mr. Sommart	Poonpakdee	Chairman of the Audit Committee (Independent Director)
4. Mr. Phimol	Rattapat	Director and Legal Advisor (Non-Executive Director)
5. Rear Admiral Vitura	Sangsingkeo	Director (Independent Director)
6. Mr. Somkiat	Sukdheva	Member of the Nomination Committee and Member of the the Remuneration Committee (Independent Director)
7. Mrs. Siripen	Sitasuwan	Member of the Audit Committee, Chairperson of the Nomination Committee, and Chairperson of the Remuneration Committee (Independent Director)
8. Ms. Suvarnapha	Suvarnaprathip	Vice Chairperson of the Executive Committee (Executive Director)
9. Mr. Taweesak	Saksirilarp	Member of the Executive Committee and Executive Vice President (Executive Director)
10. Mr. Anuwat	Luengtawekul	Member of the Executive Committee and Executive Vice President (Executive Director)

One member of the Board of Directors, Mrs. Chantima Chaturaphat, Member of the Audit Committee, Member of the Nomination Committee, and Member of the Remuneration Committee (Independent Director), was unable to participate in the meeting as she had to attend to important matters.

Thanachart Capital held the Extraordinary Meeting of Shareholders No. 1/2008 on 30 October 2008 at Pathumwan Princess Hotel with the meeting being called to order at 14:30 hours. The shareholders could make registration for attending the meeting since 12:30 hours. When the meeting commenced, there were 786 shareholders and proxies, accounting for 664,729,382 shares or 49.64 percent of the issued and paid-up share capital. The members of the Board of Directors who attended the meeting were as follows:

1. Mr. Banterng	Tantivit	Chairman (Non-Executive Director)
2. Mr. Suphadej	Poonpipat	Vice Chairman, Chairman of the Executive Committee, and President & Chief Executive Officer (Executive Director)
3. Mr. Phimol	Rattapat	Director (Non-Executive Director)
4. Rear Admiral Vitura	Sangsingkeo	Director (Independent Director)
5. Mr. Somkiat	Sukdheva	Member of the Nomination Committee and Member of the Remuneration Committee (Independent Director)
6. Mrs. Siripen	Sitasuwan	Member of the Audit Committee, Chairperson of the Nomination Committee, and Chairperson of the Remuneration Committee (Independent Director)
7. Ms. Suvarnapha	Suvarnaprathip	Vice Chairperson of the Executive Committee (Executive Director)
8. Mr. Taweesak	Saksirilarp	Member of the Executive Committee and Executive Vice President (Executive Director)
9. Mr. Anuwat	Luengtawekul	Member of the Executive Committee and Executive Vice President (Executive Director)

One member of the Board of Directors, Mr. Sommart Poonpakdee, Chairman of the Audit Committee (Independent Director), was unable to participate in the meeting due to his unhealthy matter.

CONFLICTS OF INTEREST

To prevent conflicts of interest, Thanachart Capital's Board of Directors acts prudently when there are any transactions that 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 benefit with the following details:

- 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 Department for giving legal points of view and practice guidelines before forwarding them to the person who has the power to consider and approve the matter.
- The announcements made by various committees stipulate that, in any transaction from which the director, executive or related party gets benefit, the director or the executive is required to disclose the information on the vested interest in connection with the transaction. In addition, 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 an investment project from which Thanachart Capital's director or high-level executive gains benefit, 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 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 SET, SEC, and BOT.
- The information disclosure of 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 monitor and control transactions which may have conflicts of interest. It will also serve as a database of names, from which Thanachart Capital can obtain lists of transactions with the related businesses, which will be disclosed in the notes to the financial statements.

SUPERVISION OF USE OF INSIDE INFORMATION

- Thanachart Capital requires all its work units to organize an appropriate system for keeping and controlling the use of the inside information in a proper manner.
- Executives at the level of First Vice President 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 SET.
- As stipulated in Thanachart Capital's announcements as well as its code of conduct, the Board of Directors, executives, employees or consultants who have the inside information that is not yet disclosed to the public are prohibited from seeking any benefit from the inside information for their own interest or for the interest of others.
- There are announcements which govern the stock trading and control the abusive use of inside information. It is required that all directors and members of the management teams are prohibited to trade Thanachart Capital shares during fifteen days before the closing date of each quarter and two days after the disclosure of the financial statements.
- In an event when there is a use of the inside information for one's own interest, it will be considered as violation of the established policy on the use of inside information, the party concerned will be subject to the judgment of the Disciplinary Committee.

2. ROLES OF STAKEHOLDERS

Thanachart Capital respects the rights of every group of stakeholders, regardless of whether they are internal stakeholders or not. The internal stakeholders include shareholders, staff, executives and the Board of Directors of Thanachart Capital and other member companies of Thanachart Group. The external stakeholders include customers, trading partners, lenders, competitors, the public sector, as well as society in general and the environment. Adhering to the business ethics and the code of conduct, Thanachart Capital conducts its business affairs in a transparent manner within the competition framework as well as business terms and conditions that are generally accepted. To ensure that the stakeholders will receive appropriate rights, the Company has established practice guidelines in writing in its Business Ethics and the Codes of Conduct for directors, executives and staff. The information is disseminated through the Company's internal communications channels so that the Board of Directors, executives, and staff at all levels will strictly adhere to the guidelines. The information is also publicized through the Company's website. The purpose is to make the stakeholders concerned feel confident that their rights are always taken care of. The details related to the treatment of the various groups of stakeholders are as follows:

SHAREHOLDERS

Thanachart Group 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 Bank 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

Thanachart Capital treats their employees equitably and fairly, as well as ensuring that they will be compensated appropriately. As guidelines in adjusting staff salaries, Thanachart Capital conducts surveys and takes into consideration the inflation rates, the consumer price index, and the Key Performance Indicators (KPIs). In 2008, the Company introduced performance appraisal of Thanachart Group's staff, which was based on five core competencies including: (1) customer-centric competency, (2) cognitive competency, (3) operational excellence competency, (4) managerial competency, and (5) leadership competency. Being in line 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 expense benefits, annual leave, provident fund, savings cooperatives for the Company 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." Through its Intranet system, the Company also circulates news and information about the Group's products and services, announcements/internal regulations, the related external rules and regulations, as well as activities of the Group.

As regards to human resource development, in 2008 Thanachart Group implemented its 2nd year "Go Together" Project. As part of the related activities, the President and Chief Executive Officer as well as high-level executives of Thanachart Bank paid visits to all the hubs nationwide to meet with the executives and staff of the branch network and to provide them with policies that were in line with the CEO's Six-point Agenda adopted by the Group. The management recognized that Thanachart Group's staff played a crucial role in making the Group an organization with good corporate governance and social responsibility. As a result, the management commissioned the Continuing Education Center of Chulalongkorn University to develop a curriculum entitled "Corporate Governance and Corporate Social Responsibility Strategy Application". The related

knowledge would be imparted to staff at all levels, both in Bangkok and in the regions. Tests would also be given to the participating staff before and after the training, to measure their knowledge base on corporate governance and corporate social responsibility. In 2008, 10 groups of staff were trained. The Project would continue to be implemented in the future.

CUSTOMERS

Thanachart Group is determined to develop products and services that cater to all financial needs of the customers. It is the Group'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. Thanachart Capital receives suggestions and complaints about its products and services through various channels such as Thanachart Capital's website (www.thanachart.co.th), marketing staff, and Thanachart Group's Contact Center (1770). Thanachart Group 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 Thanachart Capital's Board of Directors for information. The customers' suggestions and complaints will be used for improving Thanachart Group's services so that Thanachart Group will be able to satisfy the customers' needs when they use the services next time.

TRADING PARTNERS AND LENDERS

Thanachart Capital maintains the positive reputation of Thanachart Group in 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

Thanachart Capital 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. As well, it does not seek confidential information of the competitor in a dishonest or inappropriate manner.

SOCIETY AND ENVIRONMENT

Thanachart Capital 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. Operating its business responsibly, Thanachart Capital also participates in and organizes activities which benefit the society and the environment.

GOVERNMENT SECTOR

In its conduct of business affairs, Thanachart Capital considers it very important to observe the laws and to comply with the rules and regulations established by the authorities. Thanachart Capital will not join or do business with organizations or persons violating the laws.

3. INFORMATION DISCLOSURE AND TRANSPARENCY

CORPORATE GOVERNANCE POLICY, BUSINESS ETHICS AND CODES OF CONDUCT FOR DIRECTORS, EXECUTIVES AND STAFF

Thanachart Capital's Board of Directors 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. The information is disseminated through Thanachart Capital's website (www.thanachart.co.th) and Thanachart Group's Intranet system. This will enable all staff of Thanachart Group at all levels to have easy access to the information and study the related details. The key objective is to send a message to Thanachart Group'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 include the following:

- 1.1 Honesty,
- 1.2 Transparency,
- 1.3 Independence,
- 1.4 Fairness,
- 1.5 Accountability, and
- 1.6 Social Responsibility

The above key components of the good corporate governance process are included in Thanachart Group'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, executives, and employee together. The policy reflects the value systems, guidelines and direction of its business operations, which ensure Thanachart Group's compliance with the principles of good corporate governance for listed companies. Every member of Thanachart Capital's Board of Directors recognizes the importance of their responsibility in managing the business for the maximum benefits. Thanachart Capital's 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 manage its business in a manner that shows its responsibility to the society as a whole and the environment. Thanachart Group and its staff are committed to behave themselves as good citizens by wisely using assets that include financial capital, human resources and energy. The Group and its staff regularly participate in organizing activities which promote environmental protection as well as social and community development. They fully recognize the importance of their responsibility towards the life quality development of communities and support for folk wisdom. Thanachart Group encourages its staff to participate in various activities related to society, education, arts, culture and environment to a certain extent as deemed appropriate. The principles of Thanachart Capital's 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. They also cover risk management and internal control, staff's code of conduct, the policy governing the use of inside information, and guidelines on course of action in the event of conflict of interest. The information 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 announcements and implementation of its policy on good corporate governance which was disseminated to the staff at all levels since 2003, Thanachart Group continues developing and improving its business operations within the framework of good corporate governance. It has also come up with a plan to improve its corporate governance policy which will be subject to an annual review. The review will also cover improvement of the business ethics as well as the codes of conduct for directors, executives and staff, which will serve as practice guidelines for the personnel concerned. In addition, Thanachart Group has established a programme aimed at making Thanachart Group's staff recognize the importance of doing businesses with adherence to principles of righteousness, business ethics, and the principles of good corporate governance. The Group has also established projects which aim to give back to communities and environment in which the hubs are located.

REPORTS OF THE BOARD OF DIRECTORS

Thanachart Capital's Board of Directors is directly responsible for the financial statements of the Company. In this regard, it has assigned the Audit Committee to be responsible for making sure that the financial statements and internal audit reports are reliable and accurately reflect actual performances and that they meet acceptable

accounting standards in Thailand. The Board of Directors decides on the appropriate accounting policy to be implemented, and ensures that it is complied regularly. As well, it ensures disclosure of adequate information in the notes to Thanachart Capital's financial statements. In addition to the quarterly and yearly financial statements, the Board of Directors submits the management discussion and analysis (MD&A) of the business performance, a practice of which has started since the accounting period for the first half of the year ended 30 June 2003. Thanachart Capital has also included the Report of the Audit Committee in this Annual Report.

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Thanachart Capital's Board of Directors is responsible for looking after and managing all the Company's business affairs, in 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 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 groups of 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 2008 are already disclosed in this Annual Report.

CONTROL SYSTEMS AND INTERNAL AUDIT

Thanachart Capital places strong emphasis on efficient internal control systems both at the management and frontline levels. As a result, it has defined the duties and responsibilities as well as the scope of authority of the operating staff concerned and the executives clearly in writing. Thanachart Capital attempts to ensure that its assets are properly controlled and used. Moreover, in order to have a system of check and balance, the Company separates the duties of staff who work at the frontline level, from the duties of staff responsible for controlling and for evaluating the performance. As well, the Company has put in place the internal control mechanism for financial systems by establishing a system of deliver financial reports to heads of the units concerned. It has also established the Compliance Department responsible for monitoring the business operations, ensuring that they are in compliance with legal requirements.

Thanachart Capital's Internal Audit Group is responsible for performing audits and ensuring that the Bank's key business operations as well as 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 related laws and requirements. 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 check and balance 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 regularly presented to the Board of Directors for information. Written reports in the form of the Minutes of the Audit Committee's meetings are also prepared. The purpose is to obtain the assessment appraisal from the Audit Committee.

RISK MANAGEMENT

Thanachart Group places great emphasis on risk management, particularly the key risks of all member companies of Thanachart Group, which have a direct impact on the established goals. These risks include strategic risk, credit risk, market risk, interest rate and exchange rate risks, liquidity risk, and operational 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 the risk reports are submitted regularly. The related details are given under the subject of Risk Management and Risk Factors.

INVESTOR RELATIONS

Thanachart Capital officially established the Investor Relations Unit under the Strategy and Planning Division in the middle of 2003. The investor Relations Unit is mainly responsible for giving accurate information

and news about the Company to its 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 Thanachart Capital's Investor Relations Unit by phoning +66 (0) 2613-6107 and 2217-8199 Extensions 3027 or through the Unit's e-mail address: ir.nf@thanachart.co.th.

As Thanachart Capital 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)
 - Thanachart Capital's financial statements and Annual Report
 - Resolution 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. Thanachart Capital'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 roadshows; and
9. Notification by mail

Thanachart Capital has stipulated that disclosure of the 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 Chairman, the President and Chief Executive Officer, as well as high-ranking executive who has been appointed as Head of Investor Relations Officer.

In 2008, Thanachart Capital's high-ranking executives as well as staff of Investor Relations Unit met with the parties concerned on a number of occasions for the purpose of disclosing Thanachart Capital's information. These included one-on-one interviews, conference calls, group analyst meetings, and overseas roadshows.

4. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Thanachart Capital is determined to add value to the business in order to enhance its competitiveness. It also develops Thanachart Group's businesses, aiming to be able to offer a wide 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 and have extensive knowledge and experiences in various fields that support the business operations have jointly established visions, missions, strategies, and business targets as well as budgets in a prudent manner. The Board of Directors holds at least two meetings yearly to review the established plans and budgets. The Board also ensures that the management operates businesses in line with the established business plans and budgets in an efficient manner by taking into consideration the best interest of Thanachart Capital and all the stakeholders concerned.

Thanachart Capital's 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 line with the visions, 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. The Board of Directors holds at least 12 meetings annually.

The Board of Directors is responsible for determining and dividing duties and responsibilities among Thanachart Capital's Board of Directors, various committees, and the management by putting those duties and responsibilities in writing. As well, the Board of Directors determines the level of authority for approval and decision making, 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 delegated authority, ensuring that they are appropriate and that it achieves maximum efficiency in actual practice. The internal 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 Chief Executive Officer. The objective is to separate the duties of developing policies from the duties of managing the day-to-day business operations.

COMPOSITION OF THANACHART CAPITAL'S BOARD OF DIRECTORS

Thanachart Capital's Board of Directors is composed of independent directors, executive directors and non-executive directors who are well qualified and have expertise, skills as well as experience in finance, accounting, management and other professional areas. As a result, the Board of Directors is able to manage business effectively and Thanachart Capital benefits greatly from the balanced blend of their skills and experience. The election of directors at the shareholders' meeting is in compliance with the legal requirements as well as the Company's Articles of Association, with the composition of the Board of Directors being in line with the Bank of Thailand's Notification on corporate governance of financial institutions. As at 31 December 2008, Thanachart Capital's Board of Directors was composed of 10 members as follows:

- 4 executive directors,
- 2 non-executive directors, and
- 4 independent directors

Thanachart Capital's authorized signatories include Mr. Suphadej Poonpipat, Ms. Suvarnapa Suvarnaprathip, Mr. Taweesak Saksililarp, and Mr. Anuwat Luengtawekul. To act for Thanachart Capital, any two of four signatories can jointly sign with Thanachart Capital's seal affixed.

TENURE OF DIRECTORSHIP

The tenure of directorship of the Board of Directors has been covered clearly by Thanachart Capital's Articles of Association. At each annual general meeting of shareholders, one third of the total number of the Board of Directors must retire. If the number of the retiring directors cannot be divided into exactly one third, the number closest to, and less than the one third shall apply. After the implementation date of this Article of Association, the retirement of the directors in the first paragraph in the first and second years shall be made by drawing lots. In the following years, 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. Directors who retire by this reason may be re-elected to assume their duties.

ELECTION OF THE BOARD OF DIRECTORS

The Board of Directors is elected at the shareholders' annual general meeting, with candidates proposed by Thanachart Capital's Board of Directors and minority shareholders entitled to elect members of the Board of Directors. The election of the Board of Directors is subject to the following rules and procedures:

1. Each shareholder shall have a number of votes equal to the number of shares held.
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 shareholder's 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 group.

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.

4. In addition to retirement by rotation, a director shall be retired upon

4.1 Death,

4.2 Resignation by submitting a resignation letter to Thanachart Capital or the Board of Directors,

4.3 Disqualification or being forbidden under the law,

4.4 Removal by a resolution passed at the shareholders' meeting by a vote of not less than three fourth of the shareholders attending the meeting and having the rights to vote and having shares collectively at not less than half of the number of shares held by shareholders attending the meeting and having the voting rights or,

4.5 Retirement by order of the Court.

5. If a directorship becomes vacant for any reason other than by rotation, the Board of Directors shall elect a person, who is qualified and has no prohibitive characteristics prescribed by the law as director to fill the vacancy at the subsequent meeting of the Board of Directors, unless the remaining tenure of the vacant directorship is less than two months. The election of the director shall be supported by a vote of not less than three fourth of the remaining directors.

6. In the event that the vacant directorships cause the number of the remaining directors to be less than a quorum, the remaining directors can act on behalf of the Board of Directors only in holding a meeting of shareholders to elect directors to fill the vacant directorships.

7. The director who is elected in Item 5 or Item 6 shall hold office for the remaining tenure of the director whom he or she replaces.

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 needed to be looked after closely in each field of work and giving their opinions to the Board of Directors. The members of other committees include the Audit Committee, the Nomination Committee, and the Remuneration Committee; they have the same tenure as the Board of Directors.

THANACHART CAPITAL'S BOARD OF DIRECTORS

Thanachart Capital's Board of Directors consists of 10 members who are well qualified and have knowledge, skills and experience useful for Thanachart Capital's businesses. As of 31 December 2008, the names of the Board members were as follows:

1. Mr. Banterng	Tantivit	Chairman (Non-Executive Director)
2. Mr. Suphadej	Poonpipat	Vice Chairman (Executive Director)
3. Mr. Sommart	Poonpakdee	Director (Independent Director)
4. Mr. Phimol	Rattapat	Director (Non-Executive Director)
5. Rear Admiral Vitura	Sangsingkeo	Director (Independent Director)
6. Mr. Somkiat	Sukdheva	Director (Independent Director)
7. Mrs. Siripen	Sitasuwan	Director (Independent Director)
8. Ms. Suvarnapha	Suvarnaprathip	Director (Executive Director)
9. Mr. Taweesak	Saksirilarp	Director (Executive Director)
10. Mr. Anuwat	Luengtawekul	Director (Executive Director)
Mr. Panupan	Tuangthong	Secretary of the Board of Directors

Note: Mrs. Chantima Chaturaphat resigned from the Board of Directors, effective as from 10 October 2008.

Ms. Suvarnapha Suvarnaprathip has been a Non-Executive Director, effective since 8 January 2009.

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is accountable to all Thanachart Capital'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 of Directors is responsible for managing Thanachart Capital 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 Chairman of the Executive Committee. The Executive Committee is responsible for overseeing and managing Thanachart Capital'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 Thanachart Capital 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 auditors 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.

Each member of the Board of Directors attended at least one of the training courses organized by the Thai Institute of Directors Association (IOD). In 2008, one director who attended an additional course organized by the IOD was:

1. Mr. Somkiat Sukdheva Member of the Audit Committee, Member of the Nomination Committee, and Member of the Remuneration Committee, Certificate Role of the Compensation Committee, Class 6/2008

ELECTION OF DIRECTORS AT THE MEETING OF THE BOARD OF DIRECTORS OR AT THE MEETING OF THE SHAREHOLDERS

NAME LIST			DATE ON WHICH THE DIRECTOR WAS ELECTED AT THE MEETING OF THE BOARD OF DIRECTORS	DATE ON WHICH THE DIRECTOR WAS ELECTED AT THE MEETING OF THE SHAREHOLDERS
1.	Mr. Banterng	Tantivit	-	30 April 2007
2.	Mr. Suphadej	Poonpipat	-	28 April 2008
3.	Mr. Sommart	Poonpakdee	-	27 April 2006
4.	Mr. Phimol	Rattapat	-	30 April 2007
5.	Rear Admiral Vitura	Sangsingkeo	-	27 April 2006
6.	Mr. Somkiat	Sukdheva	-	30 April 2007
7.	Mrs. Siripen	Sitasuwan	-	28 April 2008
8.	Mrs. Chantima	Chaturaphat	-	27 April 2006
9.	Ms. Suvarnapha	Suvarnaprathip	-	27 April 2006
10.	Mr. Taweesak	Saksirilarp	24 July 2007	-
11.	Mr. Anuwat	Luengtawekul	24 July 2007	28 April 2008

MEETINGS OF THE BOARD OF DIRECTORS

Thanachart Capital establishes in advance the schedules of the meetings of the Board of Directors throughout the year. The meeting will take place every month during 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 2008, the Board of Directors had 12 meetings in total.

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 opinions of the directors at all meetings are recorded in writing. The minutes of the meetings approved by the Board of Directors are properly kept and ready for examination by the Board and the parties concerned.

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 SET. The Audit Committee serves as an important mechanism in facilitating good corporate governance by the Board 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 SET. Details of the Audit Committee's duties and responsibilities are put in writing and receive the approval of the Board of Directors. The key tools used by the Audit Committee is the Internal Audit Group which is responsible for conducting the audit of Thanachart Capital'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 the stakeholders who are related to Thanachart Capital.

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. As at 31 December 2008, the Audit Committee consisted of two 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 (Independent Director) |
| 2. | Mrs. Siripen Sitasuwan | Member of the Audit Committee (Independent Director) |
| | Mr. Pawat Metheechutikul | Secretary of the Audit Committee |
| | Ms. Sirintorn Payaphrom | Assistant Secretary |

Note: Mrs. Chantima Chaturaphat resigned from the Audit Committee, effective as from 10 October 2008.

Mr. Somkiat Sukdheva was appointed as member of the Audit Committee, effective as from 8 January 2009.

DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

1. To review the process related to the preparation and information disclosure of Thanachart Capital's financial statements, ensuring that the information is complete and reliable. In reviewing the process, the Audit Committee will coordinate with the external auditor and the executives responsible for preparing the quarterly, mid-year, and annual financial statements.

2. To review internal control systems, internal audits, and corporate governance, ensuring that they are appropriate and efficient. In reviewing them, the Audit Committee will work with the external auditor, the internal auditor, and the regulating authorities concerned.

3. To review Thanachart Capital's risk management, ensuring that it is adequate and in line with Thanachart Capital's policy as well as the guidelines given by the BOT.

4. To review evidences from internal investigations when there is an observation or inference that there might be fraud, irregularities or substantial loopholes in Thanachart Capital's internal control systems and to report them to Thanachart Capital's Board of Directors for further consideration.

5. To review related party transactions as well as transactions which may lead to a conflict of interest, ensuring that they are right and complete (properly dealt with and in compliance with the legal requirements).

6. To review the Company's business operations, ensuring that they are in compliance with the Securities and Exchange Act and requirement of the SET as well as the other laws or requirements which are related to the business.

7. To consider the audit reports and recommendations presented by the external auditor and internal auditor and to monitor the implementation of the recommendations.

8. To select and propose for appointment the Company's external auditor and also to consider the audit fees, taking into account the auditor's creditability, the adequacy of its resources, audit workload of the auditor as well as experience of the staff assigned to audit the Company's accounts.

9. To approve of the appointment, removal, transfer or dismissal of the Head of the Internal Audit Group.

10. To have the authority to ascertain directors or executives for information or explanation to the Audit Committee.

11. To approve the following cases:

11.1 The Human Resource Management of the Internal Audit according to the regulations relating to employees.

11.2 The expenses of the Internal Audit Group's operation under the approved budget can be approved by any one of the Members of the Audit Committee.

12. To ensure that the business operations of the subsidiaries are in compliance with Thanachart Group's policies. The Internal Audit Group of Thanachart Bank has been given the assignment to submit to Thanachart Capital's Board of Directors for information an overall report covering the performance results from the Internal Audit Group's audits on subsidiaries.

In the event that there are key issues such as violation of law, fraud, or matters that have adverse impact on the finance, status, or image of Thanachart Capital, the Internal Audit Group is required to report in detail.

13. To perform any other duties as assigned by the Board of Directors or by the SET or in compliance with other related legal requirements.

In 2008, the Audit Committee held seven meetings and two extraordinary meetings. The minutes of the meetings were submitted to the Company's Board of Directors.

NOMINATION COMMITTEE

Thanachart Capital's Board of Directors approved the establishment of the Nomination Committee on 10 August 2002. As of 31 December 2008, the Committee consisted of two independent Directors and one Executive Director with the tenure being the same as that of the Board of Directors. The names of the members of the Nomination Committee were as follows:

- | | | |
|----|-------------------------------|---|
| 1. | Mrs. Siripen Sitasuwan | Chairman of the Nomination Committee (Independent Director) |
| 2. | Mr. Somkiat Sukdheva | Member of the Nomination Committee (Independent Director) |
| 3. | Ms. Suvarnapha Suvarnaprathip | Member of the Nomination Committee (Executive Director) |
| | Mr. Panupan Tuangthong | Secretary of the Nomination Committee |

Note: Mrs. Chantima Chaturaphat resigned from the Nomination Committee, effective as from 10 October 2008.

Ms. Suvarnapha Suvarnaprathip was appointed as member of the Nomination Committee, effective as from 8 January 2009.

Thanachart Capital's Board of Directors puts great importance on good corporate governance, and thus, established various committees. One of the key committees is the Nomination Committee, who assesses the regulations and procedure of selecting qualified and appropriate persons to hold a position of directors, managing director and authorized persons in management, accordingly to the stipulated procedure. The Committee would propose the opinion to the Board of Directors and shareholders' meeting for further approval. In order for the Nomination Committee to have a clear roles and responsibilities for the best interest of the Company, the Board of Directors Meeting No. 12/2008 dated 8 January 2009 thus deemed appropriate to announce the Nomination Committee Charter as follows:

DUTIES AND RESPONSIBILITIES OF THE NOMINATION COMMITTEE

1. To set policies, regulations and procedures in nominating directors, managing director and authorized persons in management in order to present to the Board of Directors for assessment and further submit such policies to the BOT if required.
2. To specify qualifications of the directors by assessing from the followings:
 - 2.1 Competency, knowledge and experience;
 - 2.2 Dedication in duties;
 - 2.3 Incorporating evaluation results of the Board of Directors in the assessment in case which the existing directors continue for another term.
3. To specify qualification of independent directors and selecting qualified persons, including reviewing the qualification of directors as stated in the regulations.
4. To Enforce the Company's Board of Directors to have structure, constituent, qualification and numbers of members appropriate to the changing environment.
5. To select and nominate the names of person appropriate for the assessment to be appointed by the Company's Board of Directors or for the assessment to be appointed by the shareholders' meeting, depending on each case.
6. To select and nominate the names of person appropriate to be appointed as a member of various committees, managing director or authorized persons in management and propose to the Company's Board of Directors for assessment.
7. To prepare succession plan of the positions of managing director and authorized persons in management.
8. To disclose policies and details related to nominating procedure in the Annual Report.
9. Report performance results to the Company's Board of Directors.

In 2008, the Nomination Committee held four meetings. The minutes of the meetings were submitted to the Company's Board of Directors.

REMUNERATION COMMITTEE

Thanachart Capital's Board of Directors appointed the Remuneration Committee on 28 March 2002. The Committee consists of three independent directors with the tenure being the same as that of the Board of Directors. As of 31 December 2008, the names of the members of the Remuneration Committee were as follows:

- | | | |
|----|------------------------|--|
| 1. | Mrs. Siripen Sitasuwan | Chairman of the Remuneration Committee
(Independent Director) |
| 2. | Mr. Somkiat Sukdheva | Member of the Remuneration Committee
(Independent Director) |
| | Mrs. Yuwapa Ngernsawat | Secretary of the Remuneration Committee |

Note: Mrs. Chantima Chaturaphat resigned from the Remuneration Committee, effective as from 10 October 2008.
Ms. Suvarnapha Suvarnaprathip (non-executive director) was appointed as member of the Remuneration Committee in accordance with the adoption of the Board of Directors' Meeting no.12/2008, effective as from 8 January 2009.

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.

In 2008, the Remuneration Committee held four meetings. The minutes of the meetings were submitted to the Company's Board of Directors.

CORPORATE GOVERNANCE COMMITTEE

Thanachart Capital 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 SET. 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 SET, SEC, and BOT. The Board of Directors assigns two committees to carry out the following duties:

1. The Executive Committee is responsible for ensuring that Thanachart Capital's business affairs are conducted in line with the good corporate governance policies approved by the 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.

EXECUTIVE COMMITTEE

Thanachart Capital's Board of Directors is responsible for appointing the Executive Committee. The Executive Committee consists of executive directors of Thanachart Capital and executives of the member companies of Thanachart Group. As of 31 December 2008, the names of the members of the Executive Committee were as follows:

- | | | |
|----|-------------------------------|---|
| 1. | Mr. Suphadej Poonpipat | Chairman of the Executive Committee |
| 2. | Ms. Suvarnapha Suvarnaprathip | Vice Chairperson of the Executive Committee |
| 3. | Mr. Taweesak Saksirilarp | Member of the Executive Committee |
| 4. | Mr. Anuwat Luengtawekul | Member of the Executive Committee and
Secretary of the Executive Committee |

DUTIES AND RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE

1. The Executive Committee is responsible for managing Thanachart Capital 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 deposits taking, 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.

In 2008, the Executive Committee held 14 meetings. The minutes of the meetings were submitted to the Company's Board of Directors.

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 risk related to the business activities. As a result, the Company assigns the Executive Committee to also serve as the Risk Management Committee, with authorities and responsibilities in the following area:

DUTIES AND RESPONSIBILITIES OF THE RISK MANAGEMENT COMMITTEE

1. To formulate 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 risks.
3. To assess both internal and external factors that may significantly affect the financial positions. The results of the assessment will be used to revise the Company's overall 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 management of various risk factors by various committees and/or work units, ensuring that they adhere to the established policy.

DIRECTORS' ATTENDANCE AT MEETINGS HELD IN 2008

LIST OF DIRECTORS			BOARD OF DIRECTORS (12 MEETINGS)	AUDIT COMMITTEE (7 MEETINGS + 2 EXTRA MEETINGS)	NOMINATION COMMITTEE (4 MEETINGS)	REMUNERATION COMMITTEE (4 MEETINGS)	EXECUTIVE COMMITTEE (14 MEETINGS)
Independent directors							
1.	Mr. Sommart	Poonpakdee	10/12	7/7 Extra 2/2			
2.	Mr. Somkiat	Sukdheva	12/12		4/4	4/4	
3.	Rear Admiral Vitura	Sangsingkeo	12/12				
4.	Mrs. Siripen	Sitasuwan	9/12	5/7 Extra 2/2	4/4	4/4	
Non-executive directors							
1.	Mr. Banterng	Tantivit	12/12				
2.	Mr. Phimol	Rattapat	12/12				
Executive directors							
1.	Mr. Suphadej	Poonpipat	11/12				14/14
2.	Ms. Suvarnapha	Suvarnaprathip	11/12		1/1		11/14
3.	Mr. Taweesak	Saksirilarp	12/12				14/14
4.	Mr. Anuwat	Luengtawekul	12/12				14/14
Resigned director							
1.	Mrs. Chantima	Chaturaphat	7/9	4/5	1/2	2/3	

Note: Ms. Suvarnapha Suvarnaprathip was appointed as the Member of the Nomination Committee, effective as from 27 November 2008.
Mrs. Chantima Chaturaphat resigned from the Members of the Board of Directors, the Audit Committee, the Nomination Committee,
and the Remuneration Committee, effective as from 10 October 2008.

EXECUTIVES

As 31 December 2008, Thanachart Capital's executives who are at the level of manager and the first four persons in the management level below the manager according to the guidelines of the Office of the Stock Exchange and Commission included the following:

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, Strategy and Planning Division
4.	Mr. Vachara	Permpitak	Senior Vice President, Business Support Division
5.	Ms. Rommanee	Jenpinit	First Vice President, Information Planning for Management Department
6.	Ms. Darawan	Bunnumstien	First Vice President, Debt Restructuring Department
7.	Mrs. Thanawan	Chaisithikarnkha	Vice President, Accounting Department

COMPANY SECRETARY

Thanachart Capital has appointed Mr. Anuwat Luengtawekul as a company secretary since 26 June 2008. The Company has also 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 THE COMPANY SECRETARY

1. To provide the Board of Directors with preliminary advice on laws, rules and regulations as well as the Articles of Association of Thanachart Capital, ensuring that they are always complied with properly. To also provide the Board of Directors with updates on such matters whenever there is a significant change that may affect the directors.
2. To organize annual general meetings of shareholders and meetings of the Board of Directors, ensuring that they are in compliance with legal requirements as well as the Articles of Association of Thanachart Capital.
3. To take minutes of annual general meetings of shareholders and the meetings of the Board of Directors, as well as monitoring the implementation of the resolutions adopted at the shareholders' meeting and the meetings of the Board of Directors.
4. To make and keep directors registration documents, notices of the Board of Directors' meeting, minutes of the Board of Directors' meeting, annual reports, notices of the shareholders' meeting, and minutes of the shareholders' meeting.
5. To look after the disclosure of the information and various reports that need to be sent to the authorities regulating Thanachart Capital in line with their requirements as well as to keep the reports of gain and loss reported by directors and executives.
6. To contact and communicate with shareholders in general, ensuring that they are kept informed of various rights and news about Thanachart Capital.
7. To support activities of the Board of Directors.
8. To operate other aspects in compliance with the Notifications of Capital Market Supervisory Board.

SELECTION AND APPOINTMENT OF MEMBERS OF VARIOUS COMMITTEE

1. Procedures of Appointing Thanachart Capital's Board of Directors

Thanachart Capital does not specify the maximum number of members of the Board of Directors. However, its Articles of Association stipulate that there must be at least five directors. There are two different procedures related to the appointment of directors. The first procedure is concerned with appointing a director to replace the one who retires by rotation. The second procedure is concerned with appointing a director to fill in a vacant directorship. In this regard, Thanachart Capital's Board of Directors established the Nomination Committee responsible for selecting and nominating persons with appropriate qualifications for holding directorships. Under the first procedure, a resolution will have to be adopted at the shareholders' meeting. Under the second procedure, the Board of Directors can adopt a resolution approving the election of the director, based on the qualifications which are suitable for the vacant directorship. As regards the appointment of independent directors, the appointment must be in compliance with the requirements imposed by the SET and SEC.

2. Procedure for Appointing the Executive Committee

Thanachart Capital's Board of Directors may appoint a number of persons as it deems appropriate to form the Executive Committee. One of the members of the Executive Committee shall serve as Chairman, with the Executive Committee being authorized to manage and conduct Thanachart Capital's business affairs as assigned by Thanachart Capital's Board of Directors. The President and Chief Executive Officer will be ex-officio Chairman of the Executive Board.

3. Procedure for Appointing the Audit Committee

Thanachart Capital's Board of Directors may appoint the Audit Committee consisting of independent directors having qualifications stricter than the notification issued by the SET with details as follows:

- (1) Holding shares not more than 0.5 percent of paid-up capital of Thanachart Capital, affiliated company, associated company or related company, including shares held by persons related to the independent director.
- (2) Not taking part in the management of or being an employee, staff, or advisor who receives a regular salary from Thanachart Capital, member company of the Group, affiliated company, associated company, related company or a person who has authority controlling a juristic person that may have a conflict of interest (at present and during the past two years).

(3) Not having business relationship with the Company, member company of the Group, affiliated company, associated company or juristic person that may have a conflict of interest that obstructs the independent opinion.

(4) Not being a person related by blood or registration under laws, such as father, mother, sibling, child, and spouse of children of executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling person of Thanachart Capital, member company of the Group, affiliated company, associated company or related company.

(5) Neither having a relationship with Thanachart Capital in the form of its professional service provider such as auditor and financial advisor nor having a business relationship with Thanachart Capital, which has cash or value in such a material amount as stipulated (at present or during the past two years before appointment).

(6) Not being a representative of any member of Thanachart Capital's Board of Directors or any major shareholder nor being a shareholder related to the major shareholders.

(7) Not being simultaneously an audit committee member of any listed company of the Group, associated company or subsidiary.

(8) Not having any prohibited characteristic that undermines independence in carrying out his or her duties as director.

In Addition, every independent director can express his/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 the independent director to obscure an independent opinion.

The Board of Directors shall appoint at least three independent directors as members of the Audit Committee. The Audit Committee shall have authority and responsibilities as stipulated in the charter of the Audit Committee in line with the guidelines of the SET. Reporting directly to the Board of Directors, the Audit Committee can also exercise its own judgment and fulfill its duties independently.

4. Procedure for Appointing the Remuneration Committee and the Nomination Committee

The Board of Directors shall appoint at least three independent directors as members of the Remuneration Committee and the Nomination Committee. The Committees shall have authority and responsibilities as stipulated in the charter of the Remuneration Committee and the Nomination Committee in line with the guidelines of the SET and BOT.

REMUNERATION POLICY FOR DIRECTORS AND EXECUTIVES

Thanachart Capital determines the remuneration of its directors by comparing it with the remuneration of directors in the same industry. It is used as benchmark to be considered along with duties, roles and scope of responsibilities of each director. Having considered and assessed the remuneration of the directors, the Remuneration Committee proposes it to the Board of Directors for consideration before presenting the proposal at the shareholders' meeting for approval. The remuneration is paid in the form of meeting stipends, monthly compensation and performance allowance.

As regards the remuneration of members of committees, they will receive the remuneration determined by the Board of the Directors, based on the proposal made by the Remuneration Committee which take into account their duties and responsibilities in comparison with those in the same industry. The remuneration will be paid in the form of meeting stipends and/or position allowance.

The remuneration of the executives will be paid in line with the policy and benchmarks that are linked to the performance of Thanachart Capital and the performance of each executive. The performance will be appraised, taking into account the Key Performance Indicators (KPIs) to be established annually. The remuneration of the executives will be paid in the form of salaries and allowances. Their average payments are comparable with the standards in the same industry.

DIRECTORS' REMUNERATION

(A) Financial Remuneration

Thanachart Capital has adopted a clear and transparent policy on directors' remuneration. The Remuneration Committee is responsible for reviewing the remuneration packages, ensuring that they are appropriate. Apart from comparing them with those offered in the same industry, the Remuneration Committee takes into account the duties and responsibilities of the directors as well as Thanachart Capital's financial status. In addition, the directors who are appointed as members of other committees will receive additional compensation in line with the increase in their workload. The guidelines on the directors' remuneration are as follows:

1. The remuneration of Thanachart Capital's directors is approved by shareholders.
2. The directors who also serve as members of committees will receive additional compensation as determined by the Board of Directors, with the consent of the shareholders.
3. The executives at the level of chief executive officer and above are entitled to receive the remuneration as executives in the amount determined by the Board of Directors.

In 2008, Thanachart Capital paid 20,528,386.03 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 performance in 2007), which could be summarized as follows:

1) Details of the remuneration of Thanachart Capital's directors:

LIST OF DIRECTORS		TYPES OF REMUNERATION (BAHT PER YEAR)			
		MONTHLY COMPENSATION	MEETING STIPENDS	ANNUAL PERFORMANCE ALLOWANCE	TOTAL
Independent directors					
1. Mr. Sommart	Poonpakdee	360,000.00	200,000.00	953,514.12	1,513,514.12
2. Mr. Somkiat	Sukdheva	360,000.00	240,000.00	953,514.12	1,553,514.12
3. Rear Admiral Vitura	Sangsingkeo	360,000.00	240,000.00	953,514.12	1,553,514.12
4. Mrs. Siripen	Sitasuwan	360,000.00	180,000.00	953,514.12	1,493,514.12
Non-executive directors					
1. Mr. Banterng	Tantivit	720,000.00	480,000.00	1,907,028.24	3,107,028.24
2. Mr. Phimol	Rattapat	360,000.00	240,000.00	953,514.12	1,553,514.12
Executive directors					
1. Mr. Suphadej	Poonpipat	360,000.00	220,000.00	953,514.12	1,553,514.12
2. Ms. Suvarnapha	Suvarnaprathip	360,000.00	220,000.00	953,514.12	1,533,514.12
3. Mr. Taweesak	Saksirilarp	360,000.00	240,000.00	397,297.56	997,297.56
4. Mr. Anuwat	Luengtawekul	360,000.00	240,000.00	397,297.56	997,297.56
Directors resigning during 2007					
1. Mrs. Chantima	Chaturaphat	270,000.00	140,000.00	953,514.12	1,363,514.12
Directors resigning during 2006					
1. Ms. Suchada	Pavananunt	0.00	0.00	556,216.57	556,216.57
2. Mr. Piyaphong	Artmangkorn	0.00	0.00	556,216.57	556,216.57
3. Mrs. Noossara	Roonsamrarn	0.00	0.00	556,216.57	556,216.57
Total		4,230,000.00	2,640,000.00	11,998,386.03	18,868,686.03

Note: The annual performance allowance which was approved at the 2008 annual general meeting of shareholders was for the directors who held their directorship in 2007. As a result, the directors who resigned before the date of the payment of the annual performance allowance were also entitled to the allowance. They included the following:

- Ms. Suchada Pavananunt resigned her directorship of Thanachart Capital on 24 July 2007.
- Mr. Piyaphong Artmangkorn resigned his directorship of Thanachart Capital on 24 July 2007.
- Mrs. Noossara Roonsamrarn resigned her directorship of Thanachart Capital on 24 July 2007.
- Mrs. Chantima Chaturaphat resigned her directorship of Thanachart Capital on 10 October 2007.

2) The total payments made to three directors of the Audit Committee in the form of position allowances amounted to 960,000.00 baht.

NAME LIST		AMOUNT (BAHT PER YEAR)
1. Mr. Sommart	Poonpakdee	600,000.00
2. Mrs. Siripen	Sitasuwan	200,000.00
3. Mrs. Chantima	Chaturaphat	160,000.00
Total		960,000.00

Notes: 1. According to the resolution of the Board of Directors' meeting no. 3/2008 on 27 March 2008, the payments to the Audit Committee in the form of "meetings stipends" of 20,000 baht per meeting has been changed to "position allowances" of 20,000 baht per meeting, which was initially paid in April 2008.
2. Mr. Taweesak Saksirilarp and Mr. Anuwat Luengtawekul were appointed to be the Company's directors since 24 July 2008.

3) The total payments made to three directors of the Nomination Committee in the form of meeting stipends amounted to 120,000.00 baht.

NAME LIST		AMOUNT (BAHT PER YEAR)
1. Mrs. Siripen	Sitasuwan	60,000.00
2. Mrs. Chantima	Chaturaphat	10,000.00
3. Mr. Somkiat	Sukdheva	40,000.00
4. Ms. Suvarnapha	Suvarnaprathip	10,000.00
Total		120,000.00

Note: Mrs. Chantima Chaturaphat resigned from the Nomination Committee on 10 October 2007.
Ms. Suvarnapha Suvarnaprathip was appointed as a member of the Nomination Committee on 27 November 2007.

4) The total payments made to three directors of the Remuneration Committee in the form of meeting stipends amounted to 120,000.00 baht.

NAME LIST		AMOUNT (BAHT PER YEAR)
1. Mrs. Siripen	Sitasuwan	60,000.00
2. Mrs. Chantima	Chaturaphat	20,000.00
3. Mr. Somkiat	Sukdheva	40,000.00
Total		120,000.00

Note: Mrs. Chantima Chaturaphat resigned from the Remuneration Committee on 10 October 2007.

5) There was no payment made to the Executive Committee.

6) The remuneration paid to six Thanachart Capital's executives who are at the level of manager and the first four persons in the management level below the manager according to the guidelines of the SET included salaries, allowances, cost-of-living allowance, and contributions to provident fund. The total payments were 30,877,623.00 baht. These payments did not include payment to the executive working in Thanachart Capital Accounting Group.

7) The Remuneration of subsidiary companies which are the main business.

Thanachart Bank as a main business of Thanachart Capital made payments to the directors and executives for performing their duties in 2008 as follows:

7.1) Details of the remuneration of Thanachart Bank's directors:

LIST OF DIRECTORS		TYPES OF REMUNERATION (BAHT PER YEAR)			
		MONTHLY COMPENSATION	MEETING STIPENDS	ANNUAL PERFORMANCE ALLOWANCE	TOTAL
Independent directors					
1. Mr. Kiattisak	Meecharoen	310,400.00	241,200.00	721,825.45	1,273,425.45
2. Mr. Narong	Chivangkur	310,400.00	241,200.00	721,825.45	1,273,425.45
3. Mr. Suvit	Arunanondchai	310,400.00	241,200.00	721,825.45	1,273,425.45
4. Mr. Sathaporn	Jinachitra	310,400.00	222,300.00	360,912.72	893,612.72
Non-executive directors					
1. Mr. Banterng	Tantivit	620,000.00	496,200.00	1,443,650.89	2,559,850.89
2. Mr. Vichit	Yarnamorn	310,400.00	223,200.00	721,825.45	1,255,425.45
3. Mrs. Michele Kwok		436,700.00	184,500.00	360,912.72	982,112.72
4. Mr. Brendan King		461,700.00	294,300.00	360,912.72	1,116,912.72
Executive directors					
1. Mr. Suphadej	Poonpipat	310,400.00	241,200.00	721,825.45	1,273,425.45
2. Ms. Suvarnapa	Suvarnaprathip	310,400.00	222,300.00	721,825.45	1,273,425.45
Directors resigning during 2006					
1. Mr. Chaipatr	Srivisarnvacha	0.00	0.00	180,456.36	180,456.36
2. Mr. Bundit	Cheevadhanarak	0.00	0.00	421,064.84	421,064.84
Total		3,691,200.00	2,607,600.00	7,458,862.95	13,757,662.95

Note: The annual performance allowance which was approved at the 2008 annual general meeting of shareholders was for the directors who held their directorship in 2007. As a result, the directors who resigned before the date of the payment of the annual performance allowance were also entitled to the allowance. They included the following:

- Mr. Chaipatr Srivisarnvacha resigned his directorship of Thanachart Bank on 23 April 2007.

- Mr. Bundit Cheevadhanarak resigned his directorship of Thanachart Bank on 19 July 2007.

Mr. Sathaporn Jinachitra, Mrs. Michele Kwok, and Mr. Brendan King have assumed their directorships of Thanachart Bank since 19 July 2007.

7.2) The total payments made to three directors of the Audit Committee in the form of meeting stipends amounted to 700,000.00 baht.

NAME LIST		AMOUNT (BAHT PER YEAR)
1. Mr. Kiettisak	Meecharoen	350,000.00
2. Mr. Suvit	Arunanondchai	175,000.00
3. Mr. Sathaporn	Jinachitra	175,000.00
Total		700,000.00

7.3) The total payments made to three directors of the Nomination Committee in the form of meeting stipends amounted to 120,000.00 baht.

NAME LIST		AMOUNT (BAHT PER YEAR)
1. Mr. Narong	Chivangkur	60,000.00
2. Mr. Vichit	Yarnamorn	30,000.00
3. Mr. Suvit	Arunanondchai	30,000.00
Total		120,000.00

7.4) The total payments made to three directors of the Remuneration Committee in the form of meeting stipends amounted to 65,000.00 baht.

NAME LIST		AMOUNT (BAHT PER YEAR)
1. Mr. Narong	Chivangkur	45,000.00
2. Mr. Vichit	Yarnamorn	20,000.00
Total		65,000.00

7.5) As the remuneration for Thanachart Bank's Executive Committee and Board of Directors has not yet been determined, there was no payment to their members.

7.6) In relation to the remuneration of Thanachart Bank's executives, based on the guidance of the SEC, there were seven persons in total who were considered executives in the position of manager and the first four executive below the manager. The total payments made to them in the form of salaries, allowances, cost-of-living allowances, and contribution payments to the provident fund amounted to 44,474,514 baht.

(B) Remuneration other than cash payments

- None

REPORT OF THE NOMINATION COMMITTEE AND THE REMUNERATION COMMITTEE

The Board of Directors of Thanachart Capital Public Company Limited established the Nomination Committee and the Remuneration Committee which consisted of three same members whose names as at 31 December 2008 were as follows:

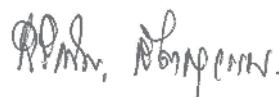
- | | | |
|------------------|-------------|--|
| 1. Mrs. Siripen | Sitasuwan | Independent Director and Chairperson of both the Nomination Committee and the Remuneration Committee |
| 2. Mr. Somkiat | Sukdheva | Independent Director |
| 3. Mrs. Chantima | Chaturaphat | Independent Director* |

The Nomination Committee is responsible for establishing a policy and criteria for selecting candidates for the positions of directors and chief executive officer as well as executives at the level of executive vice president or higher. The Committee is also responsible for developing an executive succession plan. It selects and screens candidates having qualifications in line with the established criteria, the Company's Articles of Association, the requirements of the authorities concerned and the principles of good corporate governance.

In selecting candidates for directorships and the positions of members of various committees, the Nomination Committee takes into consideration the structure of the Board and committees, composition, proportion of independent directors, number, qualifications, knowledge, ability, skills and experience which are beneficial to the conduct of the Company's business affairs and help promote the good corporate governance. In an event that a position on the Board of Directors becomes vacant, the Nomination Committee is responsible for making sure that the Company has an adequate number of directors in compliance with the requirements of the authorities concerned and the Company's Articles of Association. The purpose is to ensure the efficient management of the Company's business operations.

The Remuneration Committee is responsible for considering the forms and criteria for remuneration as well as remuneration packages for directors, chief executive officer, and executives at the level of executive vice president or higher, taking into account the assigned duties and responsibilities and performance. The Committee also ensures that they are in line with the Company's policy, performance, business environment and the overall economic situation.

The Remuneration Committee is of the opinion that the remunerations of directors and executives which are disclosed in the Annual Report 2008 are appropriate. They are already approved by the Board of Directors.

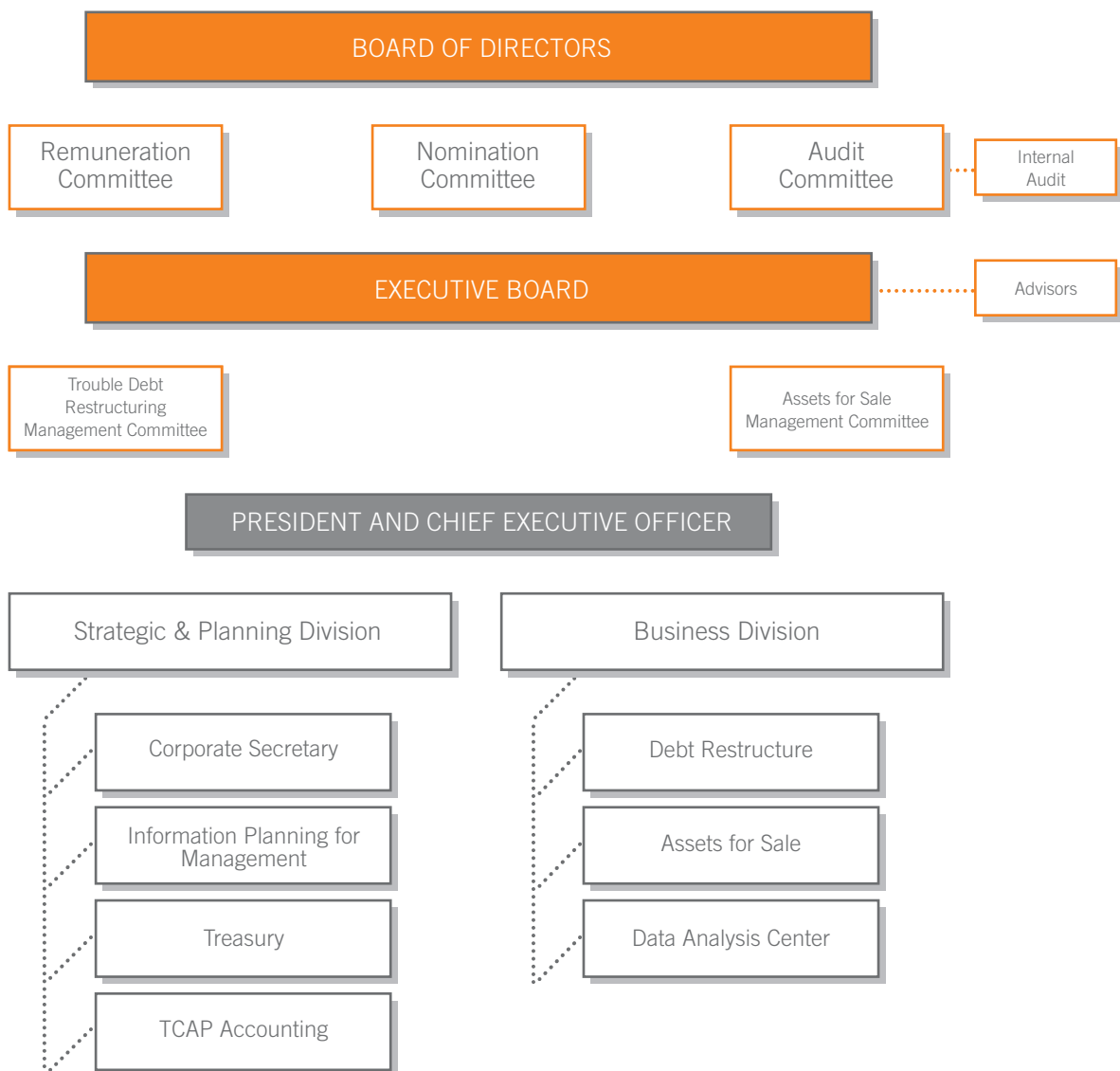


Siripen Sitasuwan

Chairperson of the Nomination Committee
and the Remuneration Committee

Note: Mrs. Chantima Chaturaphat resigned her memberships since 10 October 2008.
Ms. Suvarnapha Suvarnaprathip (non-executive director) was appointed as a member of the Nomination Committee on 27 November 2008 and a member of the Remuneration Committee on 8 January 2009 respectively.

SUPERVISION AND MANAGEMENT STRUCTURES THANACHART CAPITAL PUBLIC COMPANY LIMITED



Information as at 31 December 2008

DIRECTORS AND EXECUTIVE MANAGEMENT OF THE COMPANY

THE BOARD OF DIRECTORS

MR. BANTERNG TANTIVIT

Age

Education(s)

Experience(s) in the past 5 years

2006 - Present

2005 - Present

2003 - Present

2002 - Present

2001 - Present

1989 - Present

1987 - Present

Family relationship with management

No. of TCAP share(s) held

CHAIRMAN (NON-EXECUTIVE DIRECTOR)

64 years

- Master of Science (Finance), Massachusetts Institute of Technology, USA
- Bachelor of Science in Electrical Engineering Massachusetts Institute of Technology, USA
- Director Accreditation Program (DAP), Class 25/2004, Thai Institute of Directors Association

- Vice Chairman, Thanachart Insurance Company Limited
- Director, Arsom Silp Institution of the Arts Council
- Director, Siam Piwat Holding Company Limited
- Chairman, Thanachart Life Assurance Company Limited
- Director, MBK Resort Public Company Limited
- Director, Siam Piwat Company Limited
- Director, B.V. Holding Company Limited
- Director, Plan Estate Company Limited
- Chairman, Thanachart Bank Public Company Limited
- Advisor, Dusit Thani Public Company Limited
- Advisor, Pathum Ricemill & Granary Public Company Limited
- Chairman and Chairman of the Executive Committee, MBK Public Company Limited
(During the year 2006, was appointed as the Chairman)
- Director, Deebuk Company Limited
- Director, Thai Farming Company Limited

None

0.1545% (2,060,000 Shares)

MR. SUPHADEJ POONPIPAT

Age

Education(s)

Experience(s) in the past 5 years

2007 - Present

2006 - Present

2005 - Present

2003 - Present

2000 - 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
(EXECUTIVE DIRECTOR)**

58 years

- Master of Science, University of Wisconsin, USA
- Bachelor of Business Administration and Accounting, Chulalongkorn University
- Director Accreditation Program (DAP), Class 8/2004, Thai Institute of Directors Association

- Director, Royal Orchid Hotel (Thailand) Public Company Limited
- Director, Thai Royal Orchid Real Estate Company Limited
- Director, Siam Piwat Holding Company Limited
- Vice Chairman, Chairman of the Executive Committee and Chief Executive Officer, Thanachart Bank Public Company Limited
- Director and Chairman of the Executive Committee, Thanachart Insurance Company Limited
- Director, MBK Resort Public Company Limited
- Chairman of the Executive Committee, Thanachart Life Assurance Company Limited
- Director, Plan Estate Company Limited
- Director, Siam Piwat Company Limited
- Vice Chairman and Vice Chairman of the Executive Committee, MBK Public Company Limited (During the year 2006, was appointed as the Vice Chairman)
- Advisor, Pathum Ricemill & Granary Public Company Limited
- Director, Advanced Info Service Public Company Limited

None

None

MR. SOMMART POONPAKDEE

Age

Education(s)

Family relationship with management

No. of TCAP share(s) held

**CHAIRMAN OF THE AUDIT COMMITTEE
(INDEPENDENT DIRECTOR)**

78 years

- Higher Certification of Accountancy (Equivalent to Master Degree), Thammasat University
- Audit Committee Program (ACP), Class 15/2006, Thai Institute of Directors Association
- Director Accreditation Program (DAP), Class 58/2006, Thai Institute of Directors Association

None

None

***Note:** Mr. Sommart Poonpakdee died on 2 February 2009*

MR. PHIMOL RATTAPAT

Age

Education(s)

Experience(s) in the past 5 years

2004 - Present

2002 - Present

2004 - 2007

Family relationship with management

No. of TCAP share(s) held

DIRECTOR (NON-EXECUTIVE DIRECTOR)

73 years

- Barrister at Law, Barrister Association of Thailand
- Bachelor of Law, Thammasat University
- Director Accreditation Program (DAP), Class 2/2003, Thai Institute of Directors Association
- Finance for Non-Finance Director, Class 3/2003, Thai Institute of Directors Association
- The Role of The Chairman Program (RCC), Class 9/2003, Thai Institute of Directors Association

- Chairman, NL Development Public Company Limited

- Director, President Bakery Public Company Limited

- Chairman, Office of Public Prosecutor

None

None

REAR ADMIRAL VITURA SANGSINGKEO DIRECTOR (INDEPENDENT DIRECTOR)

Age

Education(s)

Experience(s) in the past 5 years

1998 - Present

1997 - Present

1991 - Present

Family relationship with management

No. of TCAP share(s) held

72 years

- Doctor of Public Health (HONS), Mahidol University
- Master of Public Health, Harvard University, USA
- Doctor of Medicine, School of Medicine at Siriraj Hospital, Mahidol University
- Bachelor of Science, Chulalongkorn University
- Diploma, Class 31, National Defence College
- Director Accreditation Program (DAP), Class 29/2004, Thai Institute of Directors Association
- Executive Development Program, Class 13, The Office of the Civil Service Commission (OCSC), Prime Minister's Office

- Independent Director, Thanachart Life Assurance Company Limited

- Member of the Board, Siriraj Hospital Foundation

- Member of the Board, Prince Mother's Medical Volunteers Foundation

None

None

Note: Rear Admiral Vitura Sangsingkeo resigned from the Director, effective on 29 January 2009

MR. SOMKIAT SUKDHEVA**MEMBER OF THE AUDIT COMMITTEE,
MEMBER OF THE NOMINATION COMMITTEE,
AND MEMBER OF THE REMUNERATION COMMITTEE
(INDEPENDENT DIRECTOR)**

Age

64 years

Education(s)

- Master of Management, GIBA, Chulalongkorn University
- Bachelor of Economics, Thammasat University
- Senior Executive Program (SEP) Sloan School MIT, USA
- Director Accreditation Program (DAP), Class 6/2003, Thai Institute of Directors Association
- Director Certification Program (DCP), Class 40/2004, Thai Institute of Directors Association
- Audit Committee Program (ACP), Class 3/2004, Thai Institute of Directors Association
- Finance for Non-Finance Director, Class 8/2004, Thai Institute of Directors Association
- Role of The Compensation Committee (RCC), Class 6/2008, Thai Institute of Directors Association
- IT Governance: A Strategic Path Forward Board and Performance Evaluation, Thai Institute of Directors Association

Experience(s) in the past 5 years

2006 - Present

- Chairman, Thai Mart Land Company Limited

2003 - Present

- Chairman, Korvac (Thailand) Company Limited

2000 - Present

- Partner, P.T and S Car Care Partnership Limited

2002 - 2008

- Director and Executive Director, Siam City Bank Public Company Limited

Family relationship with management

None

No. of TCAP share(s) held

None

Note:** Mr. Somkiat Sukdheva was appointed as the Member of the Audit Committee, effective on 8 January 2009MRS. SIRIPEN SITASUWAN****MEMBER OF THE AUDIT COMMITTEE,
CHAIRPERSON OF THE NOMINATION COMMITTEE,
AND CHAIRPERSON OF THE REMUNERATION COMMITTEE
(INDEPENDENT DIRECTOR)**

Age

60 years

Education(s)

- Master of Business Administration, Wichita State University, Kansas, USA
- Bachelor of Arts (Commerce), Chulalongkorn University
- Directors Certification Program (DCP), Class 33/2003, Thai Institute of Directors Association
- Role of The Compensation Committee (RCC), Class 4/2007, Thai Institute of Directors Association

Experience(s) in the past 5 years

2008 - Present

- Chairperson, Seamico Asset Management Company Limited

2000 - 2007

- Director, Shin Satellite Public Company Limited

1999 - 2007

- Executive Director, Shin Corporation Public Company Limited

1999 - 2007

- Director, Advanced Info Service Public Company Limited

Family relationship with management

None

No. of TCAP share(s) held

None

MRS. CHANTIMA CHATURAPHAT**MEMBER OF THE AUDIT COMMITTEE,
MEMBER OF THE NOMINATION COMMITTEE,
AND MEMBER OF THE REMUNERATION COMMITTEE
(INDEPENDENT DIRECTOR)**

Age	58 years
Education(s)	<ul style="list-style-type: none"> - Master of Business Administration, Central State University, USA - Bachelor of Arts (Accounting), Chulalongkorn University - Director Accreditation Program (DAP), Class 4/2003, Thai Institute of Directors Association - Directors Certification Program (DCP), Class 40/2004, Thai Institute of Directors Association - Role of The Compensation Committee (RCC), Class 4/2007, Thai Institute of Directors Association - Audit Committee Program (ACP), Class 16/2007, Thai Institute of Directors Association - Corporate Fraud: A Risk that needs to be managed, Thai Institute of Directors Association
Experience(s) in the past 5 years	
2008 - Present	- Chairperson, SCB Capital Company Limited
2008 - Present	- Director, Ratchayothin Asset Management Company Limited
2006 - Present	- Executive Vice President, Group Head, Special Assets Group, Siam Commercial Bank Public Company Limited
2006 - 2008	- Director, Chatuchak Asset Management Company Limited
2005 - 2007	- Director, Siam Commercial New York Life Insurance Public Company Limited
2005 - 2006	- Executive Vice President, Corporate Division 3, Siam Commercial Bank Public Company Limited
1999 - 2005	- President and CEO, SCB Business Service Company Limited
2003 - 2004	- Executive Vice President, Product Division, Siam Commercial Bank Public Company Limited
2004	- Executive Vice President, Retail Marketing Division, Siam Commercial Bank Public Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Note: Mrs. Chantima Chaturaphat resigned from the Director and the Member of Other Committees, effective on 10 October 2008

**MS. SUVARNAPHA SUVARNAPRATHIP VICE CHAIRPERSON OF THE EXECUTIVE COMMITTEE,
MEMBER OF THE NOMINATION COMMITTEE,
AND MEMBER OF THE REMUNERATION COMMITTEE
(EXECUTIVE DIRECTOR)**

Age	63 years
Education(s)	<ul style="list-style-type: none"> - Bachelor of Economics, Monash University, Australia - Commercial Lending Training Program Banker Trust, New York, USA - Director Accreditation Program (DAP), Class 20/2004, Thai Institute of Directors Association
Experience(s) in the past 5 years	
2005 - Present	- Director, Thanachart Life Assurance Company Limited
2002 - Present	- Director and Vice Chairperson of the Executive Committee, Thanahcart Bank Public Company Limited
2002 - Present	- Director, Seacon Development Public Company Limited
Family relationship with management	None
No. of TCAP share(s) held	None

Note: Ms. Suvarnapha Suvarnaprathip was appointed as the Member of the Nomination Committee, effective on 27 November 2008, the Member of the Remuneration Committee and switched the position to be Non-executive Director, effective on 8 January 2009.

MR. TAWEESAK SAKSIRILARP

Age

Education(s)

Experience(s) in the past 5 years

2007 - Present

2003 - Present

2000 - Present

2007

2005 - 2007

2005

2005

2004 - 2005

Family relationship with management

No. of TCAP share(s) held

**MEMBER OF THE EXECUTIVE COMMITTEE,
AND EXECUTIVE VICE PRESIDENT (EXECUTIVE DIRECTOR)**

54 years

- Master of Business Administration, National Institution of Development Administration
- Bachelor of Economics, Thammasat University
- Directors Certification Program (DCP), Class 94/2007, Thai Institute of Directors Association

- Chairman and Chairman of the Executive Committee, MAX Asset Management Company Limited
- Investment Committee, NASSET Property Fund 6
- Chairman and Chairman of the Executive Committee, NFS Asset Management Company Limited
- Executive Vice President, Thanachart Capital Public Company Limited
- Executive Vice President, Thanachart Bank Public Company Limited
- Executive, Thanachart Bank Public Company Limited
- Executive Vice President, Debt Restructuring Division, Thanachart Capital Public Company Limited
- Senior Vice President, Debt Restructuring Division, National Finance Public Company Limited

None

None

MR. ANUWAT LUENGTAWEKUL

Age

Education(s)

Experience(s) in the past 5 years

2007

2002 - 2007

Family relationship with management

No. of TCAP share(s) held

**MEMBER OF THE EXECUTIVE COMMITTEE,
AND EXECUTIVE VICE PRESIDENT (EXECUTIVE DIRECTOR)**

45 years

- Master of Business Administration, Rangsit University
- Bachelor of Science (Accounting), Kasetsart University
- Directors Certification Program (DCP), Class 24/2002, Thai Institute of Directors Association
- Board and Performance Evaluation Program, Thai Institute of Directors Association
- Financers' Executive Development Program, Class 9/1994, Association of Finance Companies

- Senior Vice President, Corporate Strategy and Planning Division, Thanachart Capital Public Company Limited
- Senior Vice President, Office of Managing Director, Thanachart Bank Public Company Limited

None

0.0011% (15,250 Shares)

EXECUTIVES

MR. WATCHARA PERMPHITHAK

Age

Education(s)

Experience(s) in the past 5 years

2007 - Present

2006 - Present

2006 - 2007

2005 - 2006

2004 - 2005

Family relationship with management

No. of TCAP share(s) held

SENIOR VICE PRESIDENT, BUSINESS DIVISION

47 years

- Master of Business Administration, National Institution of Development Administration
- Bachelor of Engineering (Electrical), Kasetsart University

- Director, Max Asset Management Company Limited
- Investment Committee, NASSET Property Fund 6
- Director and Vice Chairman of the Executive Committee, NFS Asset Management Company Limited
- Senior Vice President, Debt Restructuring Department, Thanachart Bank Public Company Limited
- Senior Manager, Credit Department, Head Office, Bank of Ayudhya Public Company Limited
- First Vice President, Debt Restructuring Department, Thanachart Bank Public Company Limited

None

None

MS. ROMMANEE JENPINIT

Age

Education(s)

Experience(s) in the past 5 years

2001 - 2007

Family relationship with management

No. of TCAP share(s) held

FIRST VICE PRESIDENT, INFORMATION PLANNING FOR MANAGEMENT DEPARTMENT

48 years

- Bachelor of Business Administration, Sukhothai Thammathirat Open University

- First Vice President, Office of Planning and Accounting System Development, Thanachart Capital Public Company Limited

None

None

MS. DARAWAN BUNNUMSTIEN

Age

Education(s)

Experience(s) in the past 5 years

2007 - Present

2005 - Present

2003 - Present

2004 - 2005

2001 - 2004

Family relationship with management

No. of TCAP share(s) held

FIRST VICE PRESIDENT, DEBT RESTRUCTURING DEPARTMENT

47 years

- Bachelor of Political Science, Thammasat University
- Managing the Recovery Program, The Bank of Thailand
- Debt Restructuring to Successful Program, The Bank of Thailand

- Director, Max Asset Management Company Limited
- Director, NFS Asset Management Company Limited
- Investment Committee, NASSET Property Fund 6
- First Vice President, Office of Corporate Debt Restructuring, National Finance Public Company Limited
- First Vice President, Debt Restructuring Department 3, NFS Assets Management Company Limited

None

0.000006% (800 Shares)

MRS. THANAWAN CHAISITHIKARNKHA VICE PRESIDENT, ACCOUNTING DEPARTMENT

Age

Education(s)

44 years

- Bachelor of Business (Accounting), Ramkhamhaeng University
- MINI M.B.A., Chulalongkorn University
- Young Bankers' Executive Development Program YOBEX, The Thai Institute of Banking and Finance Association
- CFO Professional Program, NIDA Business School / The Stock Exchange of Thailand / Market for Alternative Investment (mai) and The Federation of Thai Industries

Family relationship with management

No. of TCAP share(s) held

None

None

REPORT ON CHANGE IN SHAREHOLDING OF THE COMPANY'S DIRECTORS AND EXECUTIVES IN 2007 - 2008

(INFORMATION AS AT 31 DECEMBER 2008)

NO.	NAME		POSITION	NUMBER OF SHARE(S) HELD AS AT 31 DECEMBER 2008	NUMBER OF SHARE(S) HELD AS AT 31 DECEMBER 2007	INCREASE (DECREASE)	PERCENTAGE OF SHARE- HOLDING
1	Mr. Banterng	Tantivit	Chairman	2,060,000	-	2,060,000	0.1545
2	Mr. Suphadej	Poonpipat	Vice Chairman, Chairman of the Executive Committee, and President & Chief Executive Officer	-	-	-	-
3	Mr. Sommart	Poonpakdee	Chairman of the Audit Committee (Independent Director)	-	-	-	-
4	Mr. Phimol	Rattapat	Director (Non-Executive Director)	-	-	-	-
5	Rear Admiral Vitura Sangsingkeo		Director (Independent Director)	-	-	-	-
6	Mr. Somkiat	Sukdheva	Member of the Audit Committee, Member of the Nomination Committee, and Member of the Remuneration Committee (Independent Director)	-	-	-	-
7	Mrs. Siripen	Sitasuwan	Member of the Audit Committee, Chairperson of the Nomination Committee, and Chairperson of the Remuneration Committee (Independent Director)	-	-	-	-
8	Mrs. Chantima	Chaturaphat	Member of the Audit Committee, Member of the Nomination Committee, and Member of the Remuneration Committee (Independent Director)	-	-	-	-
9	Ms. Suvarnapha	Suvarnaprathip	Director, Vice Chairperson of the Executive Committee, Member of the Nomination Committee, and Member of the Remuneration Committee	-	-	-	-
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	Permpithak	Senior Vice President, Business Division	-	-	-	-
13	Ms. Rommanee	Jenpinit	First Vice President, Information Planning for Management Department	-	-	-	-
14	Ms. Darawan	Bunnumstien	First Vice President, Debt Restructuring Department	800	800	-	0.000006
15	Mrs. Thanawan	Chaisithikarnkha	Vice President, Accounting Department	-	-	-	-

- Notes:**
1. Mr. Sommart Poonpakdee died on 2 February 2009
 2. Rear Admiral Vitura Sangsingkeo resigned from the Director, effective on 29 January 2009
 3. Mr. Somkiat Sukdheva was appointed as the Member of the Audit Committee, effective on 8 January 2009
 4. Mrs. Chantima Chaturaphat resigned from the Director and the Member of Other Committees, effective on 10 October 2008
 5. Ms. Suvarnapha Suvarnaprathip was appointed as the Member of the Nomination, effective on 27 November 2008 and the Member of the Remuneration, effective on 8 January 2009

THE INFORMATION OF THE EXECUTIVES AND AUTHORIZED PERSONS' POSITIONS IN SUBSIDIARY, ASSOCIATED AND RELATED COMPANIES

(INFORMATION AS AT 31 DECEMBER 2008)

NAME		TCAP	SUBSIDIARY COMPANIES					ASSOCIATED	RELATED COMPANIES																	
			1	2	3	4	5		6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Mr. Banterng	Tantivit	XXX	XXX			XX	XXX	XXX	X	X	X	X	X	X												
Mr. Suphadej	Poonpipat	XX /// A	XX /// C			X ///	///	XX //	X	X	X	X				X	X	X								
Mr. Sommart	Poonpakdee	X																								
Mr. Phimol	Rattapat	X																	XXX	X						
Rear Admiral Vitura Sangsingkeo		X					X																			
Mr. Somkiat	Sukdheva	X																			XXX	XXX				
Mrs. Siripen	Sitasuwan	X																					XXX			
Mrs. Chantima	Chaturaphat	X																						X	B	
Ms. Suvarnapha	Suvarnaprathip	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																					
Mrs. Thanawan	Chaisithikarnkha	F																								

Note: XXX Chairman XX Vice Chairman X Director /// Chairman of the Executive Committee // Vice Chairman of the Executive Committee / Executive Committee
A President and CEO B Executive Vice President C Chief Executive Officer D Senior Vice President E First Vice President F Vice President

LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES

(INFORMATION AS AT 31 DECEMBER 2008)

Subsidiary Companies

1. Thanachart Bank Public Company Limited
2. MAX Asset Management Company Limited
3. NFS Asset Management Company Limited
4. Thanachart Insurance Company Limited
5. Thanachart Life Assurance Company Limited

Assosiated Companies

6. MBK Public Company Limited

Related Companies

7. MBK Resort Public Company Limited
8. Siam Piwat Holding Company Limited
9. Siam Piwat Company Limited
10. Plan Estate Company Limited
11. Dee Buk Company Limited
12. Thai Farming Company Limited
13. B.V. Holding Company Limited
14. Advanced Info Service Public Company Limited
15. Royal Orchid Hotel (Thailand)
Public Company Limited
16. Thai Royal Orchid Real Estate Company Limited
17. NL Development Public Company Limited
18. President Bakery Public Company Limited
19. Thai Mart Land Company Limited
20. Korvac (Thailand) Company Limited
21. Seamico Asset Management Company Limited
22. Ratchayothin Asset Management
Company Limited
23. Siam Commercial Bank Public Company Limited
24. Seacon Development Public Company Limited

GENERAL INFORMATION

INVESTMENT OF THE THANACHART CAPITAL PUBLIC COMPANY LIMITED IN OTHER COMPANIES

INFORMATION AS AT 31 DECEMBER 2008

Thanachart Capital had investment in other companies. The proportion of shareholding and values of shares Thanachart Capital held at least 10 percent of the paid-up shares were 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	PERCENTAGE OF SHARE-HOLDING
NFS Asset Management Company Limited 444 MBK Tower, 17 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2217-8199 Fax. + 66 (0) 2217-8289	Distressed Asset Management	Ordinary	1,000,000,000	1,000,000,000	100,000,000	99,999,993	100.00
MAX Asset Management Company Limited 444 MBK Tower, 17 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2611-9533-44 Fax. + 66 (0) 2611-9494	Distressed Asset Management	Ordinary	572,000,000	572,000,000	57,200,000	47,727,674	83.44
Thiravanit Company Limited 444 MBK Tower, 10 th Floor (Zone 4), Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2611-6606 Fax. + 66 (0) 2611-9516	Being Liquidated	Ordinary	6,250,000	6,250,000	1,000,000	998,993	99.90
Bangkok Home Company Limited 444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2217-8000 Fax. + 66 (0) 2611-9486	Being Liquidated	Ordinary	15,000,000	15,000,000	1,000,000	998,679	99.87

COMPANY/LOCATION	TYPE OF BUSINESS	TYPE OF SHARES	REGISTERED CAPITAL (BAHT)	PAID-UP CAPITAL (BAHT)	NUMBER OF ISSUED SHARES	NUMBER OF SHARES HELD	PERCENTAGE OF SHARE-HOLDING
Sinkahakan Company Limited 444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2613-6000 Fax. + 66 (0) 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	95.12
Thanachart Bank Public Company Limited 900 Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2655-9000 Fax. + 66 (0) 2655-9001	Banking	Ordinary	21,346,192,920	17,346,192,920	1,734,619,292	1,299,806,667	74.93
Preecha Group Public Company Limited 1919 Pattanakarn Road, Suan Luang, Bangkok 10250 Tel. + 66 (0) 2722-8855 Fax. + 66 (0) 2722-8844	Property Development	Ordinary	336,000,000	336,000,000	336,000,000	33,306,100	9.91
HTR Corporation Limited 32/46 Shino-Thai Tower, 18 th Floor, Sukhumvit 21 Road (Asoke), North Khlong Toey, Watthana, Bangkok 10110 Tel. + 66 (0) 2259-8911-6, 261-0809 Fax. + 66 (0) 2259-8919	Office Building & Property Development	Ordinary	500,000,000	500,000,000	50,000,000	5,000,000	10.00
Thanachart SPV 01 Company Limited 444 MBK Tower, 11 th Floor (Zone D), Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2217-8160	Securitization	Ordinary	1,700,000	1,700,000	170,000	169,993	100.00

Note: Percentage of Shareholding shown above included shareholding held by related parties.

THANACHART CAPITAL PUBLIC COMPANY LIMITED REFERENCES

Head Office	444 MBK Tower, 10 th - 11 th and 15 th - 20 th 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 (0) 2217-8000, 2217-8199, 2217-8444
Fax.	+ 66 (0) 2217-8312

OTHER REFERENCES

Securities Registrar/ Debenture Registrar	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel. + 66 (0) 2229-2800 Fax. + 66 (0) 2359-1259 Call Center : + 66 (0) 2229-2888 Website : www.tsd.co.th E-mail : contact.tsd@set.or.th
Auditor	Ernst & Young Office Limited 193/136-137 Lake Ratchada Building, 33 rd Floor, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel. + 66 (0) 2264-0777 Fax. + 66 (0) 2264-0789-90
Auditor's Name	Ms. Rattana Jala, Certified Public Accountant No. 3734
Legal Advisor	Thanachart Legal and Appraisal Company Limited. 128/20-21 Payathai Plaza Building, 3 rd Floor, Phayathai Road, Thung Phayathai, Ratchathewi, Bangkok 10400, THAILAND Tel. + 66 (0) 2216-6677 Fax. + 66 (0) 2216-9022
Representatives of Debenture Holders/ Debenture Registrar	TMB Bank Public Company Limited 3000 Phaholyothin Road, Chomphon, Chatuchak, Bangkok 10900, THAILAND Tel. + 66 (0) 2299-1111 Fax. + 66 (0) 2273-7121-4, 2273-7857 Website : www.tmbbank.com TMB Phone Banking: 1558
Representatives of Debenture Holders	Citibank, N.A. Bangkok 82 North Sathon Road, Silom, Bangrak, Bangkok 10500, THAILAND Tel. + 66 (0) 2232-2665 Fax. + 66 (0) 2639-2594 Website : www.citibank.co.th
Financial Advisor	-None
Advisor or Management Under Management Contract	-None

SHAREHOLDING STRUCTURE

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 13 October 2008 (which was the most recent closure date of the register book).

NO.	NAME OF SHAREHOLDERS/ GROUP OF SHAREHOLDERS	NUMBER OF SHARES	SHAREHOLDING PERCENTAGE
1.	Com-Link Company Limited	133,315,400	10.00
2.	Thai NVDR Company Limited	133,315,400	10.00
3.	MBK Public Company Limited	129,914,400	9.74
4.	Chase Nominees Limited 42	60,573,400	4.54
5.	Mr. Bhanapot Damapong	57,000,000	4.28
6.	State Street Bank and Trust Company	41,299,386	3.10
7.	The Southeast Life Insurance Company Limited	27,740,200	2.08
8.	Clearstream nominees Ltd.	23,571,961	1.77
9.	Somers (U.K.) Limited	21,296,800	1.60
10.	Raffles Nominees (PTE) Limited	20,064,200	1.51
11.	Other Shareholders	685,089,856	51.38
Issued and Paid-up Capital		1,333,154,003	100.00
Thai Shareholders		891,791,872	66.89
Foreign Shareholders		441,362,131	33.11

Note: Investors can get the update information of shareholding structure of the Company from www.tsd.co.th

Source: Report of the Company's Major Shareholders as at 13 October 2008, which was prepared by Thailand Securities Depository Company Limited (TSD).

COMPANY'S ORDINARY SHARES AND PREFERRED SHARES

As at 31 December 2008, the Company had registered capital and paid-up capital as the following:

Registered Capital	13,331,540,030	baht
Paid-up Capital	13,331,540,030	baht
Ordinary Shares	1,333,138,147	shares, per shares value of 10 baht
Preferred Shares	15,856	shares, per shares value of 10 baht

(Preferred shareholders have right to convert preferred shares into ordinary shares at the ratio of 1:1 without any costs, and can subscribe conversion on every 15th of February, May, August, and November of every year.)

DIVIDEND PAYMENT 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 2007 are as follows:

- At the Annual General Meeting of Shareholders for the year 2008 held on 28 April 2008, the shareholders adopted a resolution approving the final dividend payment for the second half year performance from 1 July to 31 December 2007 to both ordinary and preferred shareholders at the same rate of 0.60 baht per share. The dividend was made on 27 May 2008, and paid to 1,333,154,003 shares in the total amount of 799,892,401.80 baht. 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 2 November 2007, for the period from 1 January to 30 June 2007 of which the resolution was adopted at the Board of Directors' Meeting No. 10/2007 on 4 October 2007, the total dividend paid for the performance of 2007 amounted to 1,199,838,602.70 baht or 0.90 baht per share.
- At the Board of Directors' Meeting No. 9/2008 held on 25 September 2008, the Board adopted a resolution approving payments of an interim dividend of 0.30 baht per share to shareholders on 24 October 2008 for the performance of the first half of the year from 1 January to 30 June 2008. 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 dividend.

DIVIDEND PAYMENT POLICY OF THE SUBSIDIARY COMPANIES

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 (0) 2217-8444, 2217-8000, 2611-9111
Fax. +66 (0) 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 (0) 2655-9000
Fax. +66 (0) 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 (0) 2217-8888, 2611-9222, 2217-9595
Fax. +66 (0) 2217-9642
Registration No. 0107547000591
www.tnsitrade.com

THANACHART FUND MANAGEMENT COMPANY LIMITED

898 Ploenchit Tower, 15th and 18th Floor,
Ploenchit Road, Lumpini, Pathumwan,
Bangkok 10330, THAILAND
Tel. +66 (0) 2126-8300
Fax. +66 (0) 2263-0875
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 (0) 2661-7999
Fax. +66 (0) 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 (0) 2207-4200
Fax. +66 (0) 2253-8484
Registration No. 0105540057090
www.thanachartlife.co.th

THANACHART CONTACT CENTER 1770

GENERAL INFORMATION

INVESTMENT OF THE THANACHART CAPITAL PUBLIC COMPANY LIMITED IN OTHER COMPANIES

INFORMATION AS AT 31 DECEMBER 2008

Thanachart Capital had investment in other companies. The proportion of shareholding and values of shares Thanachart Capital held at least 10 percent of the paid-up shares were 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	PERCENTAGE OF SHARE-HOLDING
NFS Asset Management Company Limited 444 MBK Tower, 17 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2217-8199 Fax. + 66 (0) 2217-8289	Distressed Asset Management	Ordinary	1,000,000,000	1,000,000,000	100,000,000	99,999,993	100.00
MAX Asset Management Company Limited 444 MBK Tower, 17 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2611-9533-44 Fax. + 66 (0) 2611-9494	Distressed Asset Management	Ordinary	572,000,000	572,000,000	57,200,000	47,727,674	83.44
Thiravanit Company Limited 444 MBK Tower, 10 th Floor (Zone 4), Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2611-6606 Fax. + 66 (0) 2611-9516	Being Liquidated	Ordinary	6,250,000	6,250,000	1,000,000	998,993	99.90
Bangkok Home Company Limited 444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2217-8000 Fax. + 66 (0) 2611-9486	Being Liquidated	Ordinary	15,000,000	15,000,000	1,000,000	998,679	99.87

COMPANY/LOCATION	TYPE OF BUSINESS	TYPE OF SHARES	REGISTERED CAPITAL (BAHT)	PAID-UP CAPITAL (BAHT)	NUMBER OF ISSUED SHARES	NUMBER OF SHARES HELD	PERCENTAGE OF SHARE-HOLDING
Sinkahakan Company Limited 444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2613-6000 Fax. + 66 (0) 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	95.12
Thanachart Bank Public Company Limited 900 Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2655-9000 Fax. + 66 (0) 2655-9001	Banking	Ordinary	21,346,192,920	17,346,192,920	1,734,619,292	1,299,806,667	74.93
Preecha Group Public Company Limited 1919 Pattanakarn Road, Suan Luang, Bangkok 10250 Tel. + 66 (0) 2722-8855 Fax. + 66 (0) 2722-8844	Property Development	Ordinary	336,000,000	336,000,000	336,000,000	33,306,100	9.91
HTR Corporation Limited 32/46 Shino-Thai Tower, 18 th Floor, Sukhumvit 21 Road (Asoke), North Khlong Toey, Watthana, Bangkok 10110 Tel. + 66 (0) 2259-8911-6, 261-0809 Fax. + 66 (0) 2259-8919	Office Building & Property Development	Ordinary	500,000,000	500,000,000	50,000,000	5,000,000	10.00
Thanachart SPV 01 Company Limited 444 MBK Tower, 11 th Floor (Zone D), Phayathai Road, Wangmai, Pathumwan, Bangkok 10330 Tel. + 66 (0) 2217-8160	Securitization	Ordinary	1,700,000	1,700,000	170,000	169,993	100.00

Note: Percentage of Shareholding shown above included shareholding held by related parties.

THANACHART CAPITAL PUBLIC COMPANY LIMITED REFERENCES

Head Office	444 MBK Tower, 10 th - 11 th and 15 th - 20 th 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 (0) 2217-8000, 2217-8199, 2217-8444
Fax.	+ 66 (0) 2217-8312

OTHER REFERENCES

Securities Registrar/ Debenture Registrar	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel. + 66 (0) 2229-2800 Fax. + 66 (0) 2359-1259 Call Center : + 66 (0) 2229-2888 Website : www.tsd.co.th E-mail : contact.tsd@set.or.th
Auditor	Ernst & Young Office Limited 193/136-137 Lake Ratchada Building, 33 rd Floor, Rachadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel. + 66 (0) 2264-0777 Fax. + 66 (0) 2264-0789-90
Auditor's Name	Ms. Rattana Jala, Certified Public Accountant No. 3734
Legal Advisor	Thanachart Legal and Appraisal Company Limited. 128/20-21 Payathai Plaza Building, 3 rd Floor, Phayathai Road, Thung Phayathai, Ratchathewi, Bangkok 10400, THAILAND Tel. + 66 (0) 2216-6677 Fax. + 66 (0) 2216-9022
Representatives of Debenture Holders/ Debenture Registrar	TMB Bank Public Company Limited 3000 Phaholyothin Road, Chomphon, Chatuchak, Bangkok 10900, THAILAND Tel. + 66 (0) 2299-1111 Fax. + 66 (0) 2273-7121-4, 2273-7857 Website : www.tmbbank.com TMB Phone Banking: 1558
Representatives of Debenture Holders	Citibank, N.A. Bangkok 82 North Sathon Road, Silom, Bangrak, Bangkok 10500, THAILAND Tel. + 66 (0) 2232-2665 Fax. + 66 (0) 2639-2594 Website : www.citibank.co.th
Financial Advisor	-None
Advisor or Management Under Management Contract	-None

SHAREHOLDING STRUCTURE

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COMPANIES IN THANACHART GROUP

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Fax. +66 (0) 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 (0) 2655-9000
Fax. +66 (0) 2655-9001
Registration No. 0107536001401
www.thanachartbank.co.th

THANACHART SECURITIES PUBLIC COMPANY LIMITED

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Fax. +66 (0) 2217-9642
Registration No. 0107547000591
www.tnsitrade.com

THANACHART FUND MANAGEMENT COMPANY LIMITED

898 Ploenchit Tower, 15th and 18th Floor,
Ploenchit Road, Lumpini, Pathumwan,
Bangkok 10330, THAILAND
Tel. +66 (0) 2126-8300
Fax. +66 (0) 2263-0875
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 (0) 2661-7999
Fax. +66 (0) 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 (0) 2207-4200
Fax. +66 (0) 2253-8484
Registration No. 0105540057090
www.thanachartlife.co.th

THANACHART CONTACT CENTER 1770

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2008, Thanachart Capital Public Company Limited and its subsidiaries executed a number of key transactions with their related parties. These included associated companies or parties that had significant influence on Thanachart Capital and its subsidiaries, as well as key executives, directors or staff of Thanachart Capital and its subsidiaries, who had authority in developing plans and managing the business operations of Thanachart Capital and its subsidiaries. The related party transactions are disclosed in the notes to the consolidated financial statements for the year ended 31 December 2008 under Item 34 on related party transactions.

The related party transactions in 2008 between Thanachart Capital and its subsidiaries and parties that might have a conflict of interest in line with the criteria established by the Office of the Securities and Exchange Commission (SEC) are shown in the following tables:

LOANS AND OBLIGATIONS

As at 31 December 2008 and 2007, the outstanding balances of the related party transactions between Thanachart Capital and its subsidiaries and their executives from the level of department manager up in terms of loans and deposits were as follows:

(Unit: Million Baht)

	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	31 DECEMBER 2008	31 DECEMBER 2007	31 DECEMBER 2008	31 DECEMBER 2007
Loans	69	52	2	4
Deposits	496	399	-	-

SIGNIFICANT ACCOUNTING ITEMS

The significant accounting items related to transactions between Thanachart Capital and its subsidiaries, associated companies or related companies as at 31 December 2008 were as follows:

	FOR THE YEARS ENDED 31 DECEMBER				PRICING POLICIES (FOR THE YEAR 2008)
	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS		
	2008	2007	2008	2007	
SUBSIDIARIES					
Sales of investments in subsidiaries (2007: with gain of Baht 1,146 million in the separate financial statements)	-	-	-	4,158	
Purchase of investments in an associated company	-	-	-	347	
Purchase of investments in debt securities	-	-	28,443	5,685	At market price
Purchase of assets	-	-	1	-	At book value
Sales of operating assets (2007: no gain on sales)	-	-	-	225	
Interest income from loans	-	-	39	128	At interest rates of 3.74 - 5.25 and 11.51 percent per annum
Interest income from deposit at banks	-	-	70	13	At interest rates of 2.00 - 4.00 percent per annum
Interest income from investments in debt securities	-	-	186	186	At interest rate of 6.18 percent per annum
Rental and other service income	-	-	175	134	At the contracted rates
Fees and other income	-	6	6	47	At the contracted rates
Dividend income	-	-	559	215	As declared
Interest expenses	-	-	292	1,280	At interest rates of 3.42 - 5.25 percent per annum
Rental and other service expenses	-	14	180	205	At the contracted rates
Insurance expenses	-	-	2	2	As insurance policy
ASSOCIATED COMPANY					
Interest income	3	5	-	-	At interest rates of 3.40 - 4.30 percent per annum
Dividend income	-	-	75	59	As declared
Other income	3	5	-	-	
Interest expenses	5	11	-	-	At interest rates of 1.00 - 2.75 and 11.51 percent per annum
Other expenses	53	48	29	31	
RELATED COMPANIES					
Purchase of investments in debt securities	21,047	17,790	-	-	At market price
Sales of investments in debt securities (2008: with gain on sales of Baht 13 million, 2007: with loss on sales of Baht 1 million)	1,454	511	-	-	At market price
Purchase/sales of forward exchange contracts (2008: with loss by Baht 36 million)	132,786	-	-	-	At market price
Transfer of loans and receivable	-	824	-	-	
Transfer of deposits	-	53	-	-	
Purchase of fixed assets	-	4	-	-	
Interest income	192	189	-	-	At interest rates of 1.00 - 8.50 percent per annum
Dividend income	40	38	25	18	As declared
Gain on disposals of debts	-	168	-	-	
Other income	10	26	2	1	
Dividend payment	186	-	-	-	As declared
Interest expenses	61	76	-	-	At interest rates of 1.00 - 4.85 and 9.00 percent per annum
Project management expenses	59	57	29	30	At the contract price, calculated by reference to estimated usage time
Other expenses	87	67	4	7	

In addition to the above-mentioned transactions, during the year ended 31 December 2008, Thanachart Bank Public Company Limited transferred non-performing loans worth 8 million baht to NFS Asset Management Company Limited. (In 2007, NFS Asset Management Company Limited transferred the property foreclosed valued at 258 million baht to Thanachart Bank and Thanachart Life Assurance Company Limited which were member companies of Thanachart Group at the appraisal value determined by an independent third party appraiser.)

OUTSTANDING BALANCES OF KEY RELATED PARTY TRANSACTIONS

The outstanding balances of the key related party transactions during the year ended 31 December 2008 and 2007 could be shown in terms of the average month end balance as follows:

				(Unit: Million Baht)
	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	2008	2007	2008	2007
Subsidiaries				
Interbank and money market items (Assets)	-	-	2,036	568
Investments in debt securities	-	-	3,000	3,000
Loans	-	-	647	2,008
Deposits	-	30	-	-
Interbank and money market items (Liabilities)	-	-	7,389	25,095
Borrowings	-	-	129	88
Associated companies				
Investment in debt securities	48	108	-	-
Loans	51	183	-	-
Deposits	57	35	-	-
Borrowings	25	64	-	-
Related companies				
Interbank and money market items (Assets)	4,457	4,944	37	60
Investment in debt securities	842	787	-	-
Loans	812	1,377	-	2
Deposits	1,039	845	-	-
Interbank and money market items (Liabilities)	324	24	-	1
Borrowings	534	874	-	-

The outstanding balances of key related party transactions between Thanachart Capital and its subsidiaries, associated companies or related companies were as follows:

(Unit: Million Baht)

CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2008											
	ASSETS						LIABILITIES				
	INTERBANK AND MONEY MARKET ITEMS	INVEST- MENTS IN DEBT SECURITIES	LOANS	ACCRUED INTEREST RECEIVABLE	OTHER ASSETS	DEPOSITS	INTERBANK AND MONEY MARKET ITEMS	BORROW- INGS	ACCRUED INTEREST PAYABLE	OTHER LIABILITIES	COMMIT- MENTS
Associated company											
MBK Plc.	-	-	-	-	10	65	-	-	-	6	64
Related companies											
Advanced Info Service Plc.	-	714	43	12	11	32	-	-	-	6	-
The Bank of Nova Scotia	7,743	-	-	8	3	-	8	-	-	4	1,194
Others	20	-	307	1	16	568	94	212	9	2	68
Total	7,763	714	350	21	40	665	102	212	9	18	1,326

(Unit: Million Baht)

CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007											
	ASSETS						LIABILITIES				
	INTERBANK AND MONEY MARKET ITEMS	INVEST- MENTS IN DEBT SECURITIES	LOANS	ACCRUED INTEREST RECEIVABLE	OTHER ASSETS	DEPOSITS	INTERBANK AND MONEY MARKET ITEMS	BORROW- INGS	ACCRUED INTEREST PAYABLE	OTHER LIABILITIES	COMMIT- MENTS
Associated company											
MBK Plc.	-	271	-	5	9	14	-	45	2	-	56
Related companies											
Advanced Info Service Plc.	-	700	31	11	24	987	-	-	-	4	-
Siam Commercial Bank Plc.	601	169	-	1	-	-	-	-	-	-	15,452
Siam City Bank Plc.	61	-	-	-	-	-	-	750	3	-	-
The Bank of Nova Scotia	8,875	-	-	28	-	-	7	-	-	-	-
Others	20	35	777	3	15	652	20	148	5	30	112
Total	9,557	1,175	808	48	48	1,653	27	943	10	34	15,620

(Unit: Million Baht)

CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2008											
	ASSETS						LIABILITIES				
	INTERBANK AND MONEY MARKET ITEMS	INVEST- MENTS IN DEBT SECURITIES	LOANS	ACCRUED INTEREST RECEIVABLE	OTHER ASSETS	DEPOSITS	INTERBANK AND MONEY MARKET ITEMS	BORROW- INGS	ACCRUED INTEREST PAYABLE	OTHER LIABILITIES	COMMIT- MENTS
Subsidiaries											
Thanachart Bank Plc.	3,413	3,000	-	13	11	4,502	-	-	-	22	-
Thanachart Securities Plc.	-	-	-	-	2	-	-	-	-	9	-
National Leasing Co., Ltd.	-	-	112	-	-	-	-	-	-	9	-
NFS Asset Management Co., Ltd.	-	-	264	-	-	-	-	-	-	1	-
Thanachart Legal and Appraisal Co., Ltd.	-	-	10	-	-	-	-	-	-	-	-
Thanachart Insurance Co., Ltd.	-	-	-	-	1	-	-	123	1	-	-
Thanachart Life Assurance Co., Ltd.	-	-	-	-	-	-	-	137	1	-	-
Associated company											
MBK Plc.	-	-	-	-	3	-	-	-	-	5	-
Related companies											
Others	20	-	-	-	1	-	-	-	-	1	10
Total	3,433	3,000	386	13	18	4,502	260	2	2	47	10

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2007

	ASSETS					LIABILITIES				
	INTERBANK AND MONEY MARKET ITEMS	INVEST- MENTS IN DEBT SECURITIES	LOANS	ACCRUED INTEREST RECEIVABLE	OTHER ASSETS	INTERBANK AND MONEY MARKET ITEMS	BORROW- INGS	ACCRUED INTEREST PAYABLE	OTHER LIABILITIES	COMMIT- MENTS
Subsidiaries										
Thanachart Bank Plc.	931	3,000	-	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	-	-	-	-	-
NFS Asset Management Co., Ltd.	-	-	93	-	-	-	-	-	1	-
Thanachart Legal and Appraisal Co., Ltd.	-	-	10	-	-	-	-	-	1	-
Thanachart Insurance Co., Ltd.	-	-	-	-	1	-	98	1	2	-
Associated company										
MBK Plc.	-	-	-	-	3	-	-	-	-	-
Related companies										
Siam Commercial Bank Plc.	29	-	-	-	-	-	-	-	-	8,000
Others	29	-	-	-	1	-	-	-	1	10
Total	989	3,000	1,432	26	12	12,500	98	1	65	8,010

Thanachart Capital's major related party transactions with its subsidiaries and the rationale supporting the key transactions of Thanachart Group as at 31 December 2008 were as follows:

RELATED COMPANIES/ RELATIONSHIP WITH THE COMPANY	TYPE OF TRANSACTION/ CONTRACT TERMS	INTEREST RATE	TRANSACTION VALUE (OUTSTANDING BALANCE)	RATIONALE OF THE TRANSACTION AND PRICING POLICY
Subsidiaries				
National Leasing Company Limited	Promissory	Fixed at 5.25	112	
<u>Shareholding</u>	notes at call	percent per annum		
- Thanachart Capital indirectly held shares of National Leasing Company which was wholly owned by Thanachart Group Leasing Company, a subsidiary of Thanachart Bank.				
<u>Related directors</u>				
- None				Loans given to member companies of Thanachart Group were for normal business operations of each member company.
<u>Relationship</u>				
- Being a subsidiary of Thanachart Capital. (The shares were indirectly held through Thanachart Bank.)				The Company's Board of Directors was responsible for approving the transactions with the agreement of the Credit Committee. Those having a conflict of interest in the transactions were not allowed to participate in the consideration and approval of the transactions.
NFS Asset Management Company Limited	Promissory	The Company's	264	
<u>Shareholding</u>	notes at call	cost of fund		
- Thanachart Capital owned 100% of NFS Asset Management Company's ordinary shares.				

(Unit: Million Baht)

RELATED COMPANIES/ RELATIONSHIP WITH THE COMPANY	TYPE OF TRANSACTION/ CONTRACT TERMS	INTEREST RATE	TRANSACTION VALUE (OUTSTANDING BALANCE)	RATIONALE OF THE TRANSACTION AND PRICING POLICY
<u>Related directors</u> - Mr. Taweesak Saksirilarp - Mr. Watchara Permiphithak - Ms. Darawan Bunnumstien <u>Relationship</u> - They were executives of Thanachart Capital. - They had authority in managing NFS Asset Management Company Limited. - They did not hold any shares of NFS Asset Management Company Limited.				Applicable interest rate and terms were the same as those applied to general customers with prices comparable to general customers with the same level of risk. The approved line of credit was within the limit imposed by the Bank of Thailand.
Thanachart Legal and Appraisal Company Limited <u>Shareholding</u> - Thanachart Capital indirectly held shares of Thanachart Legal and Appraisal Company which was wholly owned by Thanachart Bank.	Promissory notes at call	Floating rate based on the one-year fixed deposit rate (for natural persons), plus a fixed interest rate (percent per annum)	10	
<u>Related directors</u> - None <u>Relationship</u> - Being a subsidiary of Thanachart Capital. (The shares were indirectly held through Thanachart Bank)				

As at 31 December 2008, the total investments of Thanachart Capital and its subsidiaries in companies in which they were related by means of members of their management being shareholders and/or directors of those companies amounted to about 439 million baht (based on their consolidated financial statements) or about 219 million baht (based on Thanachart Capital's separate financial statements). In comparison, in 2007, the total investments amounted to about 1,285 million baht (based on their consolidated financial statements) or about 1,085 million baht (based on Thanachart Capital's separate financial statements).

TRANSACTIONS RELATED TO SUPPORT SERVICES BETWEEN MEMBER COMPANIES OF THANACHART GROUP

It is the policy of Thanachart Group to put each of the support services together in one company which will be responsible for providing services to all other member companies of the Group. The purpose is to achieve economies of scale and economies of scope as well as maximizing benefits within 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 Bank gives services related to business operations, business control, debt follow-up and collection, accounting, e-commerce, development of work systems as well as rules and regulations, internal audit, compliance with regulations and requirements, human resource management, information technology systems, hire purchase credit audit, premises maintenance, purchasing, and asset administration.

THANACHART MANAGEMENT AND SERVICES COMPANY LIMITED

In relation to human resources, the company gives support in terms of service staff.

THANACHART LEGAL AND APPRAISAL COMPANY LIMITED

The company gives legal advisory services, contract-related services, bringing cases to court of law, legal enforcement, and price appraisal of collateral.

THANACHART TRAINING AND DEVELOPMENT COMPANY LIMITED

The company organizes training activities for staff of member companies of Thanachart Group.

TRANSACTIONS RELATED TO LOANS AND OBLIGATIONS OF EXECUTIVES OF THANACHART CAPITAL OR THE MEMBER COMPANIES OF THANACHART GROUP AT THE LEVEL OF DEPARTMENT MANAGER OR HIGHER AS WELL AS OTHER TRANSACTIONS COVERED ABOVE

They were normal business transactions.

MEASURES OR PROCEDURES FOR APPROVING RELATED PARTY TRANSACTIONS

Thanachart Capital has put in place a policy and regulations aimed at protecting conflicts of interest as well as related party transactions and related transactions in line with the requirements imposed by the Stock Exchange of Thailand (SET). It has also announced regulations, to which both its staff and executives are required to adhere to in relation to Thanachart Capital's transactions with individuals who may have a conflict of interest in line with the criteria of the SEC.

In considering the execution of the related party transactions, the Company uses the same procedure as applied to general customers or trade partners and appropriately follows the normal process that has been established. The service of the related party will be used only as necessary for the purpose of supporting Thanachart Capital's business operations. In determining the price of the related party transaction, to prevent a conflict of interest, the Company uses a fair price that is appropriate and in line with the authority's requirements, taking into consideration mainly the maximum benefit to be received by Thanachart Capital and its shareholders.

In approving the related party transaction, directors or employees having a conflict of interest in the transaction are prohibited from participating in the approval of the loan for or the investment in the business which Thanachart Capital or its directors or high-ranking executives have an interest in. They are also prohibited from participating in the consideration of loans to be given to Thanachart Capital's shareholders or high-ranking executives. The transactions are also subject to unanimous approval by Thanachart Capital's Board of Directors. The Company's directors or high-ranking executives having 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 determined by the Company and also in compliance with the requirements of the authority concerned.

In carrying out their duties related to the approval of loans or investments, payments, renting or renting out of movable or immovable property, securities trading, related party transactions, transactions in relation to acquisition or disposal of assets, the Company's directors, executives and 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. The Company's directors, executives and staff 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 made by Thanachart Capital.

POLICY AND TRENDS ON RELATED PARTY TRANSACTIONS

The related party transactions between the Company and the member companies of Thanachart Group or the related parties will be normal business transactions or those related to the implementation of Thanachart Group's financial business restructuring plan in compliance with the BOT's One Presence Policy and Consolidated Supervision. The related party transactions also cover supporting services given between the member companies of Thanachart Group in line with the Group's policy. The Company has no policy encouraging parties who have a conflict of interest to execute the related party transactions.

DYNAMIC ACCELERATION OF GROWTH



MR. SUPHADEJ POONPIPAT

Vice Chairman, Chairman of the Executive Committee,
President and Chief Executive Officer
Thanachart Capital Public Company Limited

Thanachart Group places an emphasis on becoming “Customer Centric” by making the customers’ need a priority, proactively developing various new products and expanding service channels. The objective is to enlarge business base and thrive for excellence in service quality which would continue to serve as a firm foundation in business operation, aim to achieve target for Thanachart Bank to become the leading mid-size bank of the nation under the strong and sustainable growth. On the other words, growth shall be strengthened by the asset size compatible for competition and by having a financial performance on par with the average of commercial banking industry. Moreover, in the year 2008 Thanachart Bank and the companies in Thanachart Group have accomplished the five strategic intents as follows:

1. Maintenance of market leader position in hire purchase business;
2. Diversifying loan portfolio with Thanachart Bank increasing a proportion of corporate loans which thus diversifying its credit and interest rate risk more efficiently;
3. Increasing income base contributed by interest income from loan expansion and non-interest income;
4. Providing excellent service quality to customers by applying the principle of Branch Service Best Practices to all branches; and
5. Reducing cost to income ratio to be on par with the industry average, despite the growing operating cost from installing infrastructure system.

To be able to control, monitor and measure the strategic execution and performance results systematically and effectively, Thanachart Group established the CEO’s Six-point Agenda as a tool to maneuver key operational plan of all business units of Thanachart Group. In 2008, Thanachart Group successfully executed all six agendas.



The financial turmoil in the United States has adversely affected the economies of the world's major consumers to contract severely. The Thai economy was also impacted, in both export and tourism which are the main drivers of the Thai economy. In the fourth quarter, Thailand was faced with a negative economic growth of 4.3 percent, and thus, making the 2008 annual average growth to be as low as 2.6 percent. Nevertheless, ***the performances of Thanachart Group are considered satisfactory***, which can be substantiated by the following:

- ***In term of financial status, the total assets of Thanachart Capital and its subsidiaries as at 31 December 2008 amounted to 394,136 million baht, representing an increase of 22.69 percent or 72,880 million baht.*** In 2008, net income amounted to 2,768 million baht, a decrease of 50 million baht or 1.77 percent when compared to that of last year. The important factors that affected the Company and its subsidiaries' performance in 2008 were the increase in the net interest and dividend income of 2,815 million baht, an increase of 30.96 percent from the continuous growth of loans; ***the improvement of loan spread from 3.58 percent to 3.99 percent***; the increase in the non-interest income of 1,261 million baht, an increase of 11.84 percent from the increase of fees and service income and life and non-life insurance business income. However, the non-interest income has already included the allowance for impairment of the investment in securities amounted to 254 million baht which was the result of the capital market deteriorate. As well, in 2007, the Company and its subsidiaries had extra gain from the partial disposal of the investment in Thanachart Bank. At the same time, the operating expenses increased by 3,065 million baht, an increase of 23.92 percent. This was mainly from the increase in the expenses which varied according to the increase in income and business volume and the investment in information technology and infrastructure systems. ***As a result, the Company and its subsidiaries' cost to income ratio after deducting life and non-life insurance expenses amounted to 55.90 percent which was lower than the industry average.***

- ***In term of branch expansion*** in 2008, ***Thanachart Bank has opened 47 additional branches.*** Consequently, there were 213 branches in total and the Bank was ranked 8th in the commercial banking industry. Simultaneously, the Bank expanded Automatic Teller Machine (ATM) service channel through the business alliance "ATM CONNECT" with Krung Thai Bank Public Company Limited and Siam City Bank Public Company Limited. Thanachart Group henceforward expanded the service network in the form of ATM nationwide.

- **In term of new core system** in the previous year, Thanachart Group **has been progressing continuously in the new core systems installment in accordance with such plan to enhance the effectiveness of service and reduction of the operating cost per transaction.** The core systems include, among others, deposit system, treasury system, trade finance system, credit card system, human resource information system and accounting system. These will enhance the operation to be more effective and efficient.

On 3 February 2009, **the Bank of Nova Scotia** (Scotiabank) has acquired the existing ordinary shares of Thanachart Bank from Thanachart Capital to **increase its shareholding in Thanachart Bank up to 49 percent in accordance with the Shareholders Agreement.** This reassured the vision and confidence of leading Canadian bank in Thanachart Bank. Since Scotiabank became the business partner in 2007, Thanachart Bank has succeeded in integrating the corporate cultures between Scotiabank and Thanachart Group. Furthermore, Thanachart Group has achieved a new intellectual capacity regarding international business standard. **Scotiabank has designated three nominees to be directors and delegated seven seconded managements in the key business units of Thanachart Group.** Such seconded managements play a key role in improving the working procedure, enhancing innovation, leveraging experience and knowledge. This partnership, with an increase of Scotiabank's shareholding, will help enhance the financial stability, capability and sustainability of Thanachart Bank's business operation in a long-term.

Business Strategy in 2009, Thanachart Group continuously aims to be Customer Centric in order to achieve target of being a leading mid-size bank of the nation. **The nine strategic intents to serve such purpose are as follows:**

1. Meet strategic financial targets

The financial target has been determined suitably with the economic condition and business competition in order for the targets to be achievable with a satisfaction of the shareholders and staff.

2. Maintain market leader position in Hire Purchase in every location that Thanachart Bank is present

To maintain a market leader position in Hire Purchase in every region and every type of vehicle that Thanachart Bank operates its business, together with the supervision of non-performing loans to be within the estimated limit.

3. Increase in customer accessibility

In branch expansion, as at the end of 2009, Thanachart Bank targeted 255 branches, along with the development of excellent management quality.

4. Diversify business loan portfolio

Adjust the financial structure of loan portfolio with enlarging the portion of other loans beside of hire purchase loan.

5. Drastic improvement in cross-selling

Enhance the sale of the total financial products within Thanachart Group with the model of cross-selling by aiming on providing training to the marketing staff on financial products.

6. Increase in non-interest income

Increase in non-interest income to be on par with the industry average.

7. Controlling costs and process improvement

To maximize benefit from expenses and adjusting work process, in order to increase the employees' productivity which would further improve the quality of customer service.

8. Achieving "Best-In-Class" customer servicing

Improving the service quality of all branches to meet with the standard that Thanachart Bank has established.

9. Brand strengthening

To strengthen the brand and good image of Thanachart Group under efficient cost control.

In the past business performance, Thanachart Group places emphasis on the good corporate governance, social responsibility and environment, which is relevant with the business operation principle of Scotiabank. The social service and environment preservation activities were organized accordingly. In 2008, the Group coordinated with the excellent qualified professional team from the Continuing Education Center, Chulalongkorn University, in organizing a curriculum and training seminar regarding good corporate governance for Thanachart Group's executives and staff. The curriculum covered good corporate governance and corporate social responsibility properly in order to instill conscience in the whole organization. Good corporate governance and corporate social responsibility will be applied in operation and will, in turn, benefit all the stakeholders genuinely.

In the aspect of other developments, the integrated business knowledge and experience of executives and staff between Thanachart Group and Scotiabank on the foundation of corporate governance, social responsibility and environment will lead Thanachart Financial Conglomerate toward long-term success. Thanachart Bank will become the leading mid-size bank of the nation under strong and sustainable growth, meaning the growth with asset size compatible for competition and by having a financial performance on par with the average of commercial banking industry. Furthermore, Thanachart Bank will be a leading organization in corporate governance and corporate social responsibility.



Suphadej Poonpipat

Vice Chairman, Chairman of the Executive Committee,
President and Chief Executive Officer
Thanachart Capital Public Company Limited