

Thanachart Capital Public Company Limited

Management Discussion and Analysis for the First Quarter Ended March 31, 2007

(Financial Statement Reviewed)

Economic and Finance & Banking Sector Outlooks of 1st Quarter of 2007

Due to the unrest reports in the 3 southern provinces and Bangkok during the New Year holidays, political instability, not-as-expected budget disbursement, the implementation of the reserve against capital inflow of the Bank of Thailand, the business sentiment index and consumer confidential index have been decreasingly adjusted since the beginning of 2007. Consumers tend to be more cautious on their consumption behavior; even they are holding some considerable amount of cash. At the same time, business owners and investors postpone their investment for the clearer economic direction and situation. All of this contributes to the slowdown of the domestic demand in the first quarter of 2007, compare to the same period of the last year.

The export sector, the main driver of the economy of year 2006, has been confronting the problem of appreciation of Baht, even a series of effort of the Bank of Thailand to stabilize the value. The exchange rate, on average, of the first quarter of the year 2007 is Baht 35.59 / USD, Baht 36.57 / USD in the last quarter of 2006, weakened the competitiveness of exporters. However, the slowdown of import sector as the consequence of the stagnant in domestic supply caused the possibility of surplus in the balance of trade for the first quarter of 2007.

Interest rate policy or 1 day Repurchase rate, as a resolution of the Monetary Policy Committee of the Bank of Thailand, was decreased to 4.5% at the end of the first quarter of 2007. In effect, the interest rate of commercial banks tends to follow the same direction.

Major events

During the 1st quarter of 2007, there were considerable events that affected the performance of the Company and its subsidiaries as follows:

1. The Company entered into the share subscription agreement of the common shares of Thanachart Bank, whose 99.36% of total share capital issued and paid-up is held by the Company, with The Bank of Nova Scotia Asia Limited (Scotiabank) on March 29, 2007. The objective of the agreement is for the Bank to have a strategic partner which will help strengthen business operation, increase competitive potential, and sustain growth in term of hire purchase business as well as other businesses and services. In this regard, Scotiabank intends to purchase the common shares of the Bank in the portion not exceeding 49.00% of the Bank's total share capital issued and paid-up. The purchase will be made in 1 or 2 steps depending on the authorities' approval, with following details:

- 1) The Bank's share capital will be purchased in the portion not exceeding 24.99% as follows:

Purchase approximately 157 million shares from Thanachart Capital at Baht 16.37 per share.

Purchase approximately 276 million shares from the shares issued for capital increase of the Bank at Baht 16.37 per share.

- 2) Where it is approved for Scotiabank to purchase in the portion from 24.99% to 49.00%, the condition of the purchase will be divided in to 2 period as follows:

Obligation period: Scotiabank will purchase at the rate of 1.6 times adjusted net book value per adjusted shares. This period will be ended within 2007 unless the request for extension is made by September 2007 in which case the obligation period will be extended until the end of 2008.

Call period: This period will be expired within the next 4 years after the obligation period expires. In this period, Scotiabank will purchase at the rate of 1.7 times adjusted net book value per adjusted shares.

The share subscription will be complete after submitting all related documents and receiving the approval from the authorities. It is expected to be complete within June 30, 2007. In this regard, Scotiabank will have management control over the Bank in both the level of director and management.

2. The Board of Directors of Thanachart Bank, a subsidiary company, proposed to shareholders for the approval to increase its capital by issuing new common shares of 676 million shares. The details of which are as follows:

- 1) The Bank will distribute its shares in the amount of 276 million shares at Baht 16.37 per share to Scotiabank.
 - 2) The Bank will adopt the resolution to allocate the rest of 400 million shares to the existing shareholders at the rate of Baht 10 per share (Par value)

3. The Board of Directors of Thanachart Capital Plc. approved in the principle to dispose its investments in 8 subsidiaries which are engaged in financial and supporting businesses to the Bank. They consist of 1. Thanachart Securities Plc. 2. Thanachart Fund Management Co., Ltd. 3. Thanachart Insurance Co., Ltd. 4. Thanachart Life Assurance Co., Ltd. 5. Thanachart Management & Services Co., Ltd. 6. Thanachart Legal and Appraisal Co., Ltd. 7. Thanachart Group Leasing Co., Ltd. 8. Thanachart Broker Co., Ltd. The Company will dispose all its shares at the price equal to the latest book value before the execution of the share purchase transactions in the amount not exceeding Baht 4,670 million. The transfer is the Group's reorganization which will not make any impact to the Company's financial status and performance. In this regard, the transaction is being considered by the Company's shareholders and the Bank of Thailand.
4. The Company and its subsidiaries have changed their hire purchase revenue recognition since January 1, 2007. The details of which are the following:

The interest income from hire purchase has been changed from the sum of the year digit method to effective rate method.

For the new contracts of the Bank in 2007, the direct costs that used to be recognized in one-time expenses in the transaction month have been changed to be recognized throughout the term of contracts. In this connection, interest income from hire purchase shown on income statements has been net of such direct costs.
5. As Federation of Accounting Professions issued Notifications No. 26/2549 regarding Accounting Standard No. 44 Re: Consolidated Financial Statements and Accounting for Investments in Subsidiaries, under which investments in subsidiaries are to be presented in the separate financial statements under the cost method rather than equity method. As a result, the Company's profit and retained earnings on the Company's financial statements and consolidated financial statements could be different. However, this was only the change in accounting policy in which the fundamental of the Company's performance remained unchanged.
6. The Board of Directors adopted a resolution to propose to the Shareholder meeting for the approval of dividend payment at Baht 0.50 per share or the total of Baht 667 million for the performance of the second half of the year 2006.
7. In term of channel expansion, Thanachart Bank, a subsidiary company, opened 10 new branches in this quarter. As a result, as of the end of the 1st quarter of 2007, Thanachart Bank had 143 branches (excluding the head office) in total. Of all branches, 78 are in Bangkok and its vicinities while the remaining 65 branches are in the regions. In addition, the Bank had 260 ATMs and 53 exchange booths in total.

The Company Overview

The consolidated financial statement as of the end of the 1st quarter of 2007 shows total assets of Baht 302,564 million, representing an increase of 5.5% from Baht 286,768 million at the end of last year. Most of this increase was due to the increase in deposits from Baht 198,527 million at the end of 2006 to Baht 203,339 million, representing an increase of 2.4%. This was the result of our strategies to move forward by launching new deposit products and expanding branches which helped support the liquidity of the Bank in expanding its business stability. The public deposits were the main source of funds to support the continuously high loan growth of the hire purchase business, which grew by 6.8% from the end of last year. In addition, the market share increased all along resulted in the market leader of the new car hire purchase. Moreover, the Bank continued to expand its branches in order to build up the confidence of its own business progression.

For the 1st quarter of 2007, the operations of the Company and its subsidiaries resulted in earnings before income tax and minority interest of Baht 1,235 million, representing an increase of 964.7% or Baht 1,119 million from the previous quarter. The corporate income tax increased by 226.7% or Baht 458 million. As a result, the net earnings of the Company and its subsidiaries amounted to Baht 577 million, representing an increase of 593.2% or Baht 694 million from the previous quarter. The earning per share was Baht 0.43. The increase in the net earnings was attributable to that the Company and its subsidiaries have completely applied the provisioning policy announced by the Bank of Thailand in December 2006 in order to support the IAS39 compliance. In this connection, the collateral in the form of vehicles can be used in calculating the collateral value before setting aside the provision as reflected on the consolidated financial statements. The increase in the net earnings was also due to the change in the Company and its subsidiaries' accounting policy on hire purchase income recognition which resulted in the decrease in the hire purchase expenses of the Bank in line with the efficiency in expenses management of the Company and its subsidiaries. In addition, the declining trend of the interest rate also helped reduce the cost of funds accompanying with the increase in decelerating rate of branch expansion in the 1st quarter of 2007. As well, the development of the information technology system for building up strong fundamental to support future business expansion was still in process.

As of March 31, 2007, the non-performing loans (NPLs) of the Company and its subsidiaries amounted to Baht 10,119 million, representing an increase of Baht 352 million or 3.6% from the end of last year. However, the percentage of Group's NPLs to total Group's lending decreased from 4.7% at the end of 2006 to 4.6% at the end of the 1st quarter of 2007.

The Company and its subsidiaries had the allowance for doubtful accounts amounting to Baht 6,553 million, representing a decrease of Baht 467 million or 6.7% from the end of 2006. The allowance for doubtful accounts was divided into the specific reserve of Baht 6,109 million and the allowance for future risk of Baht 444 million.

In addition, the outstanding of NPLs-net of the Company and its subsidiaries amounted to Baht 4,611 million, accounted for 2.2% of Group loans net of the allowance for doubtful accounts.

Operating Results of the Company and its subsidiaries

Operating Results and financial analysis

Summary of the Company and its subsidiaries' performance

The operations of the Company and its subsidiaries in the 1st quarter of 2007 resulted in net profit of Baht 577 million, representing an increase of 593.2% from net losses of Baht 117 million in the 4th quarter of 2006. The net interest and dividend income amounted to Baht 1,772 million, an increase of 1.6% from the previous quarter. This was attributable to the increase in the interest income from hire purchase as well as the decrease in the cost of funds. While the non-interest income increased from the expansion of Thanachart Group businesses, the operating expenses decreased from the efficiency in expense management of the Company and its subsidiaries. As a result, the earnings before income tax and minority interest in this quarter amounted to Baht 1,235 million. On the other hand, corporate income tax increased by 226.7% from the previous quarter. As a result, the net profit in this quarter decreased by 22.9% compared with the same quarter last year, a summary of which was given below:

(Unit: Baht Million)

	1 st quarter of 2007	4 th quarter of 2006	Change (% qoq)	1 st quarter of 2006	Change (% yoy)
Interest and Dividend Income	4,519	4,803	(5.9)	3,406	32.7
Interest Expenses	2,747	3,059	(10.2)	1,667	64.8
Net Interest and Dividend Income	1,772	1,744	1.6	1,739	1.9
Non-Interest Income	1,904	1,882	1.2	2,101	(9.4)
Operating Expenses	2,902	3,402	(14.7)	2,620	10.8
Earnings before Bad Debts and Doubtful Accounts	774	224	245.5	1,220	(36.6)
Reversal for Bad Debts and Doubtful Accounts (Bad Debts and Doubtful Accounts)	461	(108)	526.9	(63)	831.7
Earnings before Income Tax and Minority Interest	1,235	116	964.7	1,157	6.7
Corporate Income Tax	(660)	(202)	226.7	(390)	69.2
Minority Interest in Net Losses (Earnings) in Subsidiary Companies	2	(31)	106.5	(19)	110.5
Net Earnings (Losses)	577	(117)	593.2	748	(22.9)

Net Interest and Dividend Income

For the 1st quarter of 2007, the net interest and dividend income of the Company and its subsidiaries amounted to Baht 1,772 million, representing an increase of 1.6% or Baht 28 million from the previous quarter. As well, the interest and dividend income in the 1st quarter of 2007 amounted to Baht 4,519 million, representing a decrease of 5.9% or Baht 284 million from the previous quarter. While the expenses on

borrowings of the Company and its subsidiaries in the 1st quarter of 2007 were Baht 2,747 million, a decrease of 10.2% or Baht 312 million from Baht 3,059 million of the 4th quarter of 2006. This was due to the decrease in the interest rate. In addition, the total borrowings and deposits of the subsidiaries as of the end of the 1st quarter of 2007 was Baht 262,980 million, increased by Baht 14,911 million from Baht 248,069 million as at the end of 2006, representing an increase of 6.0%.

Non-interest income

For the 1st quarter of 2007, the non-interest income of the Company and its subsidiaries amounted to Baht 1,904 million, an increase of 1.2% or Baht 22 million from the 4th quarter of 2006. The most important determinants were from insurance premium/life insurance premium income and discounted income on insurance premium, which increased by 11.1% and 17.4% respectively, while gain on debt settlement/disposals decreased by Baht 188 million, or a decrease of 84.7%. In addition, the non-interest income for of the 1st quarter of 2007 decreased by Baht 197 million, or a decrease of 9.4%, compared with the same quarter last year, with the details as follows:

(Unit: Baht Million)

	1 st quarter of 2007	4 th quarter of 2006	Change (% qoq)	1 st quarter of 2006	Change (% yoy)
Non-Interest Income					
Brokerage Fee	130	173	(24.9)	205	(36.6)
Gains (Losses) on Investment	(33)	(125)	(73.6)	171	(119.3)
Share of Profit from Investment in					
Associated Companies	70	37	89.2	56	25.0
Fees and Service Income	275	306	(10.1)	195	41.0
Discounted Income on Insurance Premium	169	144	17.4	170	(0.6)
Gain on Exchanges	13	14	(7.1)	4	225.0
Gain on Debt Settlement/Disposals	34	222	(84.7)	269	(87.4)
Insurance Premium/Life Insurance Premium					
Income	1,004	904	11.1	579	73.4
Gain on Property Foreclosed	89	100	(11.0)	324	(72.5)
Other Income	153	107	43.0	128	19.5
Total Non-Interest Income	1,904	1,882	1.2	2,101	(9.4)

Operating Expenses

For the 1st quarter of 2007, the Company and its subsidiaries had the operating expenses of Baht 2,902 million, representing a decrease of 14.7% or Baht 500 million from the 4th quarter of 2006. This was the result of the aforementioned applying new accounting method that caused commission charged on hire purchase to decrease. However, Insurance /Life insurance expenses increased by 17.9% or Baht 126 million from the previous quarter.

In addition, the operating expenses of the Company and its subsidiaries increased by Baht 282 million, representing an increase of 10.8% compared with the 1st quarter last year. The main factors were premises and equipment expenses as well as the personnel expenses which increased by 16.5% and 11.6% respectively. This was the result of the expansion of banking branches of Thanachart Bank. In this connection, as of the end of the 1st quarter of 2007, Thanachart Bank had 143 branches, compared with 133 branches at the end of last year. While insurance/life insurance expenses increased by 62.1% or Baht 318 million from the same quarter of last year. The details of which are summarized below:

(Unit: Baht Million)

	1 st quarter of 2007	4 th quarter of 2006	Change (% qoq)	1 st quarter of 2006	Change (% yoy)
Operating Expenses					
Personnel Expenses	665	720	(7.6)	596	11.6
Premises and Equipment Expenses	317	350	(9.4)	272	16.5
Taxes and Duties	108	143	(24.5)	130	(16.9)
Fees and Service Expenses	44	62	(29.0)	57	(22.8)
Directors' Remuneration	5	5	-	5	-
Fund Contributed to the Financial Institution Development Fund	200	210	(4.8)	171	17.0
Commission Charged on Hire Purchase	-	415	(100.0)	379	(100.0)
Insurance/Life Insurance Expenses	830	704	17.9	512	62.1
Other Expenses	733	793	(7.6)	498	47.2
Total Operating Expenses	2,902	3,402	(14.7)	2,620	10.8

Bad debts and doubtful accounts

For the 1st quarter of 2007, the Company and its subsidiaries had the reversal of bad debts and doubtful accounts amounted to Baht 461 million while setting aside of the bad debts and doubtful accounts amounting to Baht 108 million in the 4th quarter of 2006. This was the result from that the Company and its

subsidiaries have completely applied provisioning for non-performing loans balance net of collateral value, in accordance with the Bank of Thailand's guidelines announced in December 2006. In this connection, the Company and its subsidiaries completely provided 100% provisions for the difference between outstanding amount and present value of expected cash flow from the sale of collateral. At the same time, for normal and special mentioned loans, the Bank of Thailand allowed vehicles to be used as collateral to be deducted from loans before calculating the amount of the provision. In this regard, the Company and its subsidiaries completely implemented such standard earlier than the requirement of the authorities.

Financial Status

Balance sheets

(Unit: Baht million)

		Changes from 2006		
	Mar 31, 07	Dec 31, 06	Increase(Decrease)	% Change
Assets				
Interbank and Money Market				
Items -Interest Bearing	15,874	23,980	(8,106)	(33.8)
Securities Purchased under				
Resale Agreements	14,000	6,300	7,700	122.2
Investments-net	43,029	35,349	7,680	21.7
Loans	216,449	208,178	8,271	4.0
Total Earning Assets	289,352	273,807	15,545	5.7
Other Assets	13,212	12,961	251	1.9
Total Assets	302,564	286,768	15,796	5.5
Liabilities and Shareholders' Equity				
Deposits	203,339	198,527	4,812	2.4
Interbank and Money Market Items -Interest Bearing	4,290	4,339	(49)	(1.1)
Short Term Borrowings	32,142	18,460	13,682	74.1
Long Term Borrowings	22,247	26,575	(4,328)	(16.3)
Total Interest Bearing Liabilities	262,018	247,901	14,117	5.7
Other Liabilities	15,903	14,897	1,006	6.8
Total Liabilities	277,921	262,798	15,123	5.8
Total Shareholders' Equity	24,643	23,970	673	2.8
Total Liabilities and Shareholders' Equity	302,564	286,768	15,796	5.5

Assets

The Group's assets grew from Baht 286,768 million at the end of 2006 to Baht 302,564 million at the end of the 1st quarter of 2007, representing an increase of 5.5%. The majority of this increase was a result of the combination of loans and accrued interest receivable which amounted to Baht 210,007 million or accounted for 69.4% of the total assets, while the net investment accounted for Baht 43,029 million or 14.2% of all assets, with details as follows:

As of the end of the 1st quarter of 2007, the total outstanding hire purchase loans were Baht 174,374 million, accounting for 80.5% of total loans, representing an increase of 6.8% from Baht 163,259 million of the last year. The total outstanding hire purchase loans for the 1st quarter of 2007 were Baht 26,356 million compared to Baht 25,299 million of the same quarter last year, representing an increase of 4.2%. The total contracts of hire purchase as of the end of the 1st quarter of 2007 amounted to 614,081 units, an increase of 36,915 units from the end of 2006, which resulted in an increase in hire purchase income for this quarter.

Securities purchased under resale agreements amounted to Baht 14,000 million, representing an increase of 122.2% or 7,700 million from the end of last year. This was due to the adjustment of the excess liquidity for supporting business expansion.

The net investment as of the end of the 1st quarter of 2007 was Baht 43,029 million, representing an increase of 21.7% or Baht 7,680 million from the end of 2006. The majority of this increase was a result of the investments in Euro Commercial Paper (ECP) for liquidity purpose of Thanachart Bank.

Interbank and money market items -interest bearing amounted to Baht 15,874 million, representing a decrease of 33.8% or Baht 8,106 million from the end of the year 2006.

Property foreclosed as of the end of the 1st quarter of 2007 was valued at Baht 7,836 million, a decrease of Baht 585 million from the end of 2006. For the end of the 1st quarter of 2007, the Company and its subsidiaries registered gains of Baht 89 million on property foreclosed. The Company and its subsidiaries appropriated a reserve of Baht 851 million, a decrease of Baht 9 million from the end of 2006, for covering the related risks.

Liabilities and shareholders' equity

As of March 31, 2007, the Company and its subsidiaries had the total liabilities of Baht 277,921 million, representing an increase of 5.8% or Baht 15,123 million from the end of 2006. The related main factors were:

Deposits as of the end of the 1st quarter of 2007 increased from Baht 198,527 million at the end of 2006 to Baht 203,339 million, representing an increase of 2.4% or Baht 4,812 million.

Total borrowings amounted to Baht 54,389 million, which consisted of short-term borrowings amounting to Baht 32,142 million and long-term borrowings amounting to Baht 22,247 million. The Company and its subsidiaries used the long-term borrowings for the financial restructuring in order to match the uses of funds. Therefore, the Company and its subsidiaries' total borrowings increased by 20.8% or Baht 9,354 million from Baht 45,035 million at the end of 2006.

As of the end of the 1st quarter of 2007, the Company and its subsidiaries had shareholders' equity of Baht 24,643 million, a 2.8% increase from Baht 23,970 million at the end of 2006. This increase was a result of the performance of the Company and its subsidiaries.

Quality of Assets

The total outstanding loans and accrued interest receivables

The loans and accrued interest receivables of the Company and its subsidiaries increased by 4.0% from Baht 208,455 million at the end of year 2006 to Baht 216,717 million at the end of the 1st quarter of 2007. The details of loans classified by type of business were as follows:

(Unit: Baht million)

	Mar 31, 07		Dec 31, 06	
	Amount	%	Amount	%
Manufacturing & Commerce	5,902	2.7%	5,914	2.8%
Real Estate & Construction	7,031	3.2%	7,524	3.6%
Public Utilities & Services	7,794	3.6%	7,996	3.9%
Hire Purchase	174,374	80.5%	163,259	78.3%
Housing Loans	9,484	4.4%	9,793	4.7%
Others	12,400	5.7%	14,243	6.8%
Less Inter-Company Profits from Loans Transferred	(268)	(0.1)%	(274)	(0.1)%
Total	216,717	100.0%	208,455	100.0%

Classification of loans under the Bank of Thailand's guideline of the Company and its subsidiaries which are financial institutions (the Bank and the Asset management companies)

(Unit: Baht million)

	Debt balance/book value		Allowance for doubtful accounts	
	Mar 31, 07	Dec 31, 06	Mar 31, 07	Dec 31, 06
Normal	183,206	177,285	432	1,556
Special Mention	18,679	16,762	110	187
Substandard	2,168	2,525	1,095	900
Doubtful	2,320	1,943	1,165	776
Doubtful of Loss	5,252	4,927	2,828	2,666
Total	211,625	203,442	5,630	6,085
General Reserve			444	486
Total Allowance for Doubtful Accounts			6,074	6,571

Note: Debt balances of the normal loans and special mention loans did not include accrued interest receivables

• Non-Performing Loans (NPLs)

As of March 31, 2007, the NPLs of the Company and its subsidiaries amounted to Baht 10,119 million, which accounted for 4.6% of total loans. The details of the Group's NPLs classified by type of loans were as follows:

	(Unit: Baht million)			
	Mar 31, 07	% Group loan	Dec 31, 06	% Group loan
Hire Purchase	2,398	1.1%	2,167	1.0%
Others*	7,721	3.5%	7,600	3.7%
Total	10,119	4.6%	9,767	4.7%

Note: * the major portion of these NPLs belongs to the AMC.

Breakdowns of the Group's NPLs by company were as follows:

	(Unit: Baht million)			
	Mar 31, 07	% Group loan	Dec 31, 06	% Group loan
Thanachart Capital Plc.	1,530	0.7%	1,500	0.7%
Thanachart Bank Plc.	3,589	1.6%	3,281	1.6%
Thanachart Securities Plc.	307	0.1%	307	0.1%
NFS-AMC	4,138	1.9%	4,192	2.0%
MAX-AMC	416	0.2%	360	0.2%
Others	139	0.1%	127	0.1%
Total	10,119	4.6%	9,767	4.7%

As of March 31, 2007, the Company and its subsidiaries had the non-performing loans in accordance with the Bank of Thailand's notification amounting to Baht 10,119 million, representing an increase of Baht 352 million or 3.6% from the end of 2006. The ratio of NPLs to the Group loans was 4.6%, representing a decrease from 4.7% as at the end of last year. In addition, the outstanding of NPLs-net of the Company and its subsidiaries amounted to Baht 4,611 million, accounted for 2.2% of Group loans net of the allowance for doubtful accounts.

As of the end of the 1st quarter of 2007, the consolidated allowance for doubtful accounts of the Company and its subsidiaries amounted to Baht 6,553 million, accounted for 64.8% of the non-performing loans, which decreased by Baht 467 million or 6.7% from the end of 2006. They consisted of a specific reserve of Baht 6,109 million and a reserve of Baht 444 million for future potential risks. In this connection, the allowance for doubtful accounts of the Company and its subsidiaries was higher than the requirement of

the Bank of Thailand. It is also the Company and its subsidiaries' conservative policy to build up the level of reserves to protect against all types of risk in order to prevent a serious impact on the operating results. This will, in turn, lead to stability in the Company and its subsidiaries' long-term performance.

Operating Results of the Subsidiary Companies

(Unit: Baht million)

Subsidiary Companies	% of direct holding	1 st quarter of 2007	4 th quarter of 2006	1 st quarter of 2006
Thanachart Bank Plc.	99.4%	128.8	(25.7)	50.4
Thanachart Securities Plc.	100.0%	(11.1)	93.9	22.9
Thanachart Fund Management	75.0%	15.4	12.2	15.3
Thanachart Insurance	78.0%	(10.9)	6.2	(15.3)
Thanachart Life Assurance	100.0%	48.4	57.9	31.6
NFS-AMC	100.0%	(127.2)	(262.4)	388.4
MAX-AMC	58.5%	(4.3)	60.3	60.1

• Significant financial performance of subsidiaries under Thanachart Group

Banking business

For the 1st quarter of 2007, Thanachart Bank has changed its hire purchase revenue recognition since January 1, 2007 as mentioned earlier. As a result, the expenses on hire purchase decreased as well as the income. However, interest rate spread widened when compared with the previous quarter, due to the cost of funds decreased which resulted in net profit of Baht 129 million, an increase of 596.2%.

Securities business

According to the political uncertainty and the sluggish market environment, the investments in the Stock Exchange of Thailand have declined, resulted in the decrease in brokerage fee income in the 1st quarter of 2007 by Baht 43 million or 24.9%. As a result, Thanachart Securities registered net losses of Baht 11 million compared with the net profit of Baht 94 million in the previous quarter. After all, the company's market share rose from 3.2% at the end of the 1st quarter last year to 3.6% as at the end of the 1st quarter of 2007.

Insurance business

As Insurance business continuously expanded, Thanachart Insurance had its underwriting income amounting to Baht 498 million, representing an increase of 9.9% or Baht 45 million. As a result, the company registered its net earnings from underwriting of Baht 46 million, a decrease by Baht 16 million from that in the previous quarter. This was due to the increase in the indemnities which resulted in the company's net losses of Baht 11 million compared with the net profit of Baht 6 million in the previous quarter.

Asset management business

At the end of the 1st quarter of 2007, NFS Asset Management had net losses amounting to Baht 127 million, which was the result of the new regulations of the Bank of Thailand in relation to the reserve providing, announced in December 2006. In this connection, the company completely implemented to such regulations earlier than the requirement of the authorities.

Risk Management

The Company and its subsidiaries' risk policy and guidelines were approved by the Board of Directors. The Company has established a department responsible for regularly controlling and monitoring the implementation of the risk policy and guidelines. Having appropriate monitoring tools, the Company and its subsidiaries conduct analyses of risks in different areas including, among others, credit risk, market risk, interest rate risk, and operation risk, for the purpose of measuring the risks. Risk limits and warning signals have also been established in order to prevent the staff concerned from exceeding the established risk limits. The Executive Board and the Board of Directors will monitor the performance of the implementation of the risk management policy monthly.

For the 1st quarter of 2007, the automobile hire purchase businesses continuously expanded, resulted in the increase in credit risk as well as operational risk. At the same time, market risk adversely decreased as a result of the reduction of the Company's investments in line with the interest rates declining.

The overall risk of the Company and its subsidiaries will remain under the risk limit. Taking into account the risk measures mentioned above, the Group shareholders' equity is still adequate to accommodate the established future plan of expansion.

The additional impact on the accounting policy for investments in subsidiaries and associated companies

The Company has changed its accounting policy for investments in subsidiaries and associated companies as mentioned above on the Company's financial statements from the equity method to the cost method in the first quarter ended March 31, 2007. This change is to comply with the notifications regarding accounting standard No. 44. In this regard, the Company has restated its past financial statements in order to compare with the new method by using the historical costs as the beginning costs. The change in such policy has made the differences between the net profits on the Company's financial statements and the consolidated financial statements. In this connection, the consolidated net earnings in the first quarter ended March 31, 2007 amounted to Baht 577 million compared with the net profit of Baht 518 million on the Company's financial statements. Moreover, the change in such policy has resulted in the net profit shown on the Company's financial statements ended March 31, 2007 and 2006 less than that on the consolidated financial statements of Baht 59 million and Baht 522 million, respectively (decreasing of Baht 0.04 per share and Baht 0.39 per share, respectively). This is due to the Company's financial statements do not include the share of profit from investment in subsidiaries and associated companies. As a result, the Company's financial statements for the period ended March 31, 2007 shows the amount of the shareholders equity less than that shown on the consolidated financial statements amounting to Baht 799 million.

However, such policy change has resulted in the change in the investments in subsidiaries item on the Company's financial statements only. Thus, the preparation of the consolidated accounting and the fundamental of the Company's performance remained unchanged.

(Unit: Baht million)

	Consolidated		The Company only	
	Mar 31, 07	Mar 31, 06	Mar 31, 07	Mar 31, 06
Net Earnings	577	748	518	226
Earning per Share	0.43	0.56	0.39	0.17
	Mar 31, 07	Dec 31, 06	Mar 31, 07	Dec 31, 06
Shareholders' Equity	23,777	23,104	22,978	22,557