

Thanachart Capital Public Company Limited

Management Discussion and Analysis for the year 2007

(Financial Statement Audited)

Economic and Finance & Banking Sector Outlooks of 4th Quarter of 2007

In the year 2007, the Thai economy has faced with many negative factors, whether it was the political stability, the unrest in the 3 southern boarder-provinces, or the higher oil price, and thus, higher cost of living. Consequently, people were very cautious in their spending and slowed down in investment. The Consumer Confidence Index and Business Sentiment Index had been declining constantly since the beginning of last year. The recovery started to show some sign in the last quarter of the year after the political circumstance was more assuring with the election on December 23, 2007.

The important driven factors of the economy in the year 2007 were government spending and net export. However, the impact from the 5.7% appreciated Baht currency from the beginning of the year caused the income of the exporter in form of Baht currency to expand only slightly.

In the 4th quarter of the year 2007, the crude oil price has broken the record when it went higher than 100 USD per barrel, thus, the price of retail-sale oil in the country increased. The cost of production and the cost of transportation were affected. The headline inflation was at 2.9% in the 4th quarter, which increased from 1.6% of the previous quarter while the core inflation increased to 1.1%.

From the tendency of increasing inflation together with the uncertain domestic demand, the Monetary Policy Committee decided to maintain the interest rate policy since mid 2007 onward. At the end of 2007, the interest rate policy was at 3.25%.

Major events

1. In 2007, the Bank of Thailand approved the Company and Thanachart Bank Public Company Limited to reorganize the Group financial business in accordance with the Consolidated Supervision of the BOT. The Company disposed its investments in 8 subsidiaries to the Bank namely Thanachart Securities Public Company Limited, Thanachart Insurance Company Limited, Thanachart Life Assurance Company Limited, Thanachart Fund Management Company Limited, Thanachart Broker Company Limited, Thanachart Group Leasing Company Limited, Thanachart Management & Services Company Limited and Thanachart Legal and Appraisal Company Limited. This was in line with the resolution of the Annual General Shareholders' Meetings of the Company and the Bank which made on April 30, 2007. Moreover, the BOT approved the Bank of Nova Scotia (BNS) to hold the Bank's paid-up shares not exceeding 24.99%.

The BNS bought 157 million shares of the Bank from the Company and the Bank also sold its 276 million shares for capital increase at Baht 16.37 per share. As a result, the BNS holds 433 million shares or 24.98% of the Bank's total issued and paid-up shares.

2. On October 1, 2007, the Bank's Extraordinary General Shareholders' Meeting No. 1/2007 adopted a resolution to delist the Bank's shares from the Stock Exchange of Thailand (SET). The SET afterward approved the delisting on October 9, 2007. Then, on October 15, 2007, the Company offered to buy all the Bank's shares from every shareholder at Baht 16.37 per share. The period of this tender offer was 45 business days from October 16 to December 20, 2007. In this regard, there were 0.54% or 7,694,450 shares sold to the Company. As a result, the Company holds the total Bank's shares of 74.92% or 1,299,607,043 shares and the securities of the Bank would be delisted on January 15, 2008 announced by the SET.

3. The Company and its subsidiaries have changed the income recognition of the hire purchase business since January 1, 2007. The important standards were:

- Interest income on hire purchase was changed from the Sum of the Year Digits to the Effective Rate.
- For the new contract in 2007, the direct costs that used to be recognized in one-time expense at the end of the month have been changed to be recognized throughout the terms of contracts. In this connection, the interest income on hire purchase shown on income statements has been net off such direct costs.

Furthermore, these changes have not been revised back for 2006 financial statements.

Operating Results of the Company and its subsidiaries

Operating Results and financial analysis

Summary of the Company and its subsidiaries' performance

For the year 2007, the earnings before income tax and minority interest of the Company and its subsidiaries amounted to Baht 4,874 million, representing an increase from the previous year of 88.5% or Baht 2,289 million. After deducting income tax and minority interest, the Company and its subsidiaries registered their net profit of Baht 2,818 million, representing an increase of 92.0% or Baht 1,350 million. The main factors of the increase were:

The net interest income in 2007 amounted to Baht 9,098 million, an increase of 31.7% or Baht 2,189 million, resulted in the improvement of loan spread from 2.7% to 3.5% this year. The main reasons came from the efficiency of cost management as well as the business growth especially hire purchase business which strongly grew even though the interest rate was a downward trend.

The non-interest income in 2007 was Baht 10,676 million, an increase of Baht 3,033 million. This was due mostly to the banking, insurance/life insurance and securities businesses expansion.

As a result of the appropriate operating cost control, the Company and its subsidiaries had their operating expenses of Baht 12,849 million, representing an increase of 16.4% or Baht 1,806 million. The main factors of the increase were from the personnel expenses, the premises and equipment expenses, and expenses from the business expansion. In this connection, cost to income ratio of the Group went down from 75.9% to 65.0%.

At the same time, the Company and its subsidiaries had the bad debts and doubtful accounts in 2007 amounted to Baht 2,051 million which was higher than the previous year by Baht 1,292 million. The main reasons were to provide the reserve to be in line with the Group's loans growth for efficiently control the NPLs and to cope with the economy slowdown which affected to the increase in the NPLs. In addition, the Company and its subsidiaries also provided 100% of their provision for the difference between the outstanding of the NPLs and the present values of cash flow that is expected to get from selling the collateral. It is the Company's conservative policy of provisioning to protect against potential risk in the future.

Diluted earning per share of 2007 increased from Baht 1.10 in 2006 to Baht 2.11.

(Unit: Baht Million)

	2007	2006	Change (% yoy)	4 th quarter of 2007	3 rd quarter of 2007	Change (% qoq)
Interest and Dividend Income	18,799	16,951	10.9	4,711	4,810	(2.1)
Interest Expenses	9,701	10,042	(3.4)	1,979	2,343	(15.5)
Net Interest and Dividend Income	9,098	6,909	31.7	2,732	2,467	10.7
Non-Interest Income	10,676	7,643	39.7	3,356	3,259	3.0
Operating Expenses	12,849	11,043	16.4	4,095	3,324	23.2
Earnings before Bad Debts and Doubtful Accounts	6,925	3,509	97.3	1,993	2,402	(17.0)
Reversal for Bad Debts and Doubtful Accounts (Bad Debts and Doubtful Accounts)	(2,051)	(924)	122.0	(1,001)	(667)	50.1
Earnings before Income Tax and Minority Interest	4,874	2,585	88.5	992	1,735	(42.8)
Corporate Income Tax	(1,705)	(965)	76.7	(79)	(709)	(88.9)
Minority Interest in Net Losses (Earnings) in Subsidiary Companies	(351)	(152)	130.9	(131)	(202)	(35.1)
Net Earnings (Losses)	2,818	1,468	92.0	782	824	(5.1)

● Net Interest and Dividend Income

The net interest and dividend income of the Company and its subsidiaries amounted to Baht 9,098 million, representing an increase of 31.7% or Baht 2,189 million from the previous year. In this regard, the interest and dividend income amounted to Baht 18,799 million, representing an increase of Baht 1,848 million from the continuous growth in hire purchase lending while the interest expenses decreased by Baht 341 million or 3.4% resulting in the improvement on the interest spread.

● Non-interest income

In 2007, the non-interest income of the Company and its subsidiaries amounted to Baht 10,676 million, an increase of 39.7% or Baht 3,033 million from 2006. The most important contributions came from an increase of Baht 463 million or 27.4% in fees and services income which was from the expansion of the Bank's business transaction. Also, insurance premium/life insurance premium income rose from the previous year by 83.6% or Baht 2,454 million from the hire purchase business.

(Unit: Baht Million)

	2007	2006	Change (% yoy)	4 th quarter of 2007	3 rd quarter of 2007	Change (% qoq)
Non-Interest Income						
Brokerage Fee	714	648	10.2	202	237	(14.8)
Gains (Losses) on Investment	819	358	128.8	46	693	(93.4)
Share of Profit from Investment in Associated Companies	271	223	21.5	57	80	(28.8)
Fees and Services Income	2,153	1,690	27.4	615	551	11.6
Gain(Loss) on Exchanges/ financial derivatives contracts	51	38	34.2	35	19	84.2
Gain on Debt Settlement/Disposals	494	874	(43.5)	172	58	196.6
Insurance Premium/Life Insurance Premium Income	5,389	2,935	83.6	1,970	1,394	41.3
Gain(Loss) on Property Foreclosed/Other Assets	251	590	(57.5)	98	104	(5.8)
Other Income	534	287	86.1	161	123	30.9
Total Non-Interest Income	10,676	7,643	39.7	3,356	3,259	3.0

• Operating Expenses

The Company and its subsidiaries had their operating expenses of Baht 12,849 million, representing an increase of 16.4% or Baht 1,806 million from the year 2006. This was mainly from the insurance/life insurance expenses which increased by 90.2% in line with the income increase. Moreover, the personnel expenses as well as the premises and equipment expenses increased by 12.5% and 8.3% respectively. This was the result of the expansion of banking branches of Thanachart Bank. In this connection, as at December 31, 2007, Thanachart Bank had 166 branches compared with 133 branches at the end of last year. However, even the business continued to grow, the Company and its subsidiaries were able to effectively control their operating expenses.

	2007	2006	Change (% yoy)	4 th quarter of 2007	3 rd quarter of 2007	Change (% qoq)
Operating Expenses						
Personnel Expenses	2,894	2,572	12.5	819	715	14.5
Premises and Equipment Expenses	1,288	1,189	8.3	345	327	5.5
Taxes and Duties	364	547	(33.5)	75	96	(21.9)
Fees and Service Expenses	252	268	(6.0)	72	79	(8.9)
Directors' Remuneration	31	34	(8.8)	5	4	25.0
Fund Contributed to the Financial Institution						
Development Fund	814	740	10.0	207	207	-
Commission Charged on Hire Purchase*	-	1,478	(100.0)	-	-	-
Insurance/Life Insurance Expenses	4,461	2,345	90.2	1,738	1,120	55.2
Other Expenses	2,745	1,870	46.8	834	776	7.5
Total Operating Expenses	12,849	11,043	16.4	4,095	3,324	23.2

*Commission Charged on Hire Purchase has been deducted from the interest income on hire purchase since January 1, 2007

● Bad debts and doubtful accounts

The Company and its subsidiaries had the bad debts and doubtful accounts in 2007 amounted to Baht 2,051 million, representing an increase of Baht 1,292 million from the previous year. The main reasons were to provide the reserve to be in line with the Group's loans growth for efficiently control the NPLs and to cope with the economy slowdown which affected to the increase in the NPLs. In addition, the Company and its subsidiaries also provided 100% of their provision for the difference between the outstanding of the NPLs and the present values of cash flow that is expected to get from selling the collateral.

Financial Status

Balance sheets

(Unit: Baht million)

	Dec 31, 07	Dec 31, 06	Changes from 2006	
			Increase(Decrease)	% Change
Assets				
Interbank and Money Market Items -Interest Bearing	36,970	23,980	12,990	54.2
Securities Purchased under Resale Agreements	2,500	6,300	(3,800)	(60.3)
Investments-net	28,874	34,766	(5,892)	(16.9)
Loans	239,237	209,288	29,949	14.3
Total Earning Assets	307,581	274,334	33,247	12.1
Other Assets	13,675	11,895	1,780	15.0
Total Assets	321,256	286,229	35,027	12.2
Liabilities and Shareholders' Equity				
Deposits	190,626	198,527	(7,901)	(4.0)
Interbank and Money Market Items -Interest Bearing	4,173	4,339	(166)	(3.8)
Short Term Borrowings	65,398	18,460	46,938	254.3
Long Term Borrowings	11,047	26,575	(15,528)	(58.4)
Total Borrowings	76,445	45,035	31,410	69.7
Total Interest Bearing Liabilities	271,244	247,901	23,343	9.4
Other Liabilities	17,749	14,897	2,852	19.1
Total Liabilities	288,993	262,798	26,195	10.0
Equity attributable to the company's shareholders	26,209	22,565	3,644	16.1
Minority interest – equity attributable to minority shareholders of subsidiaries	6,054	866	5,188	599.1
Total Shareholders' Equity	32,263	23,431	8,832	37.7
Total Liabilities and Shareholders' Equity	321,256	286,229	35,027	12.2

- **Assets**

The Group's assets grew from Baht 286,229 million at the end of 2006 to Baht 321,256 million at the end of 2007, representing an increase of 12.2%. The majority of this increase was a result of loans which amounted to Baht 239,237 million or accounted for 74.5% of the total assets, while the net investment accounted for Baht 28,874 million or 9.0% of all assets, with details as follows:

- As of the end of 2007, the total outstanding hire purchase loans were Baht 191,025 million, accounted for 79.8% of total loans. Although the economy and the car industry slowdown and aggressive competitors coming in, the Company and its subsidiaries continued to maintain their market leader of the new car hire purchase.

- The net investment at the end of 2007 was Baht 28,874 million, representing a decrease of 16.9% or Baht 5,892 million from the previous year. This was for liquidity purpose of Thanachart Bank and other subsidiaries.

- Interbank and money market items -interest bearing amounted to Baht 36,970 million, representing an increase of 54.2% or Baht 12,990 million from the end of 2006.

- **Liabilities and shareholders' equity**

As of December 31, 2007, the Company and its subsidiaries had the total liabilities of Baht 288,993 million, representing an increase of 10.0% or Baht 26,195 million from the end of 2006. The related main factors were:

- The deposits and short-term borrowings amounted to Baht 256,024 million, representing an increase of 18.0% or Baht 39,037 million. This was due to the increase in the Bank's saving channels offered to its customers by issuing short-term bill of exchange.
- Long-term borrowings amounted to Baht 11,047 million, a decrease of 58.4% or Baht 15,528 million. This was due to the re-classification of some long-term borrowings whose maturities were less than 1 year to be classified as short-term borrowings.
- The Company and its subsidiaries had shareholders' equity of Baht 32,263 million, a 37.7% increase from Baht 23,431 million at the end of 2006. This increase was the results of the performance of the Company and its subsidiaries. The minority interest -equity attributable to minority increased by Baht 5,188 million from selling Thanachart Bank's shares to BNS as mentioned.

Classification of Loans

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	
	Dec 31, 07	Dec 31, 06	Dec 31, 07	Dec 31, 06
Normal	199,066	177,282	528	1,556
Special Mention	22,100	16,762	141	187
Substandard	2,492	2,525	1,685	953
Doubtful	2,244	1,943	1,085	776
Doubtful of Loss	6,047	5,993	3,870	3,732
Total	231,949	204,505	7,309	7,204
General Reserve			523	486
Total Allowance for Doubtful Accounts			7,832	7,690

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

- The Company and its subsidiaries has written its bad debts of Baht 1,490 million in 2007.

• Non-Performing Loans (NPLs)

As of December 31, 2007, the Company and its subsidiaries had the non-performing loans in accordance with the Bank of Thailand's notification amounting to Baht 11,260 million, representing an increase of Baht 418 million or 3.9% from the end of 2006. The most important factor was from the increase in non-performing loans of hire purchase business, due to the economy slowdown. The NPLs ratio to the Group loans was 4.7%, representing a decrease from 5.2% as at the end of last year.

In addition, the outstanding of NPLs-net of the Company and its subsidiaries according to the new definition of the BOT as of December 31, 2007 amounted to Baht 4,165 million, accounted for 1.8%.

(Unit: Baht million)

	Dec 31, 07	Dec 31, 06
Non-Performing Loans (NPLs)	11,260	10,842
%NPLs to Total Loans	4.7%	5.2%
NPL-net (IAS39)	4,165	5,048
%NPL-net	1.8%	2.5%
Allowance for Doubtful Accounts	8,417	8,139
%Allowance for Doubtful Accounts to NPLs	74.8%	75.1%

Operating Results of the Subsidiary Companies

(Unit: Baht million)

Subsidiary Companies*	% of holding	2007	2006	4 th quarter of 2007	3 rd quarter of 2007
Thanachart Bank Plc. (the Company only)	74.9%	990.6	225.1	274.9	422.6
Thanachart Securities Plc.	74.9%	257.2	206.8	54.9	180.0
Thanachart Fund Management	56.2%	102.0	56.8	35.1	30.3
Thanachart Insurance	74.9%	65.9	28.4	11.6	20.0
Thanachart Life Assurance	74.9%	175.7	102.5	28.6	37.2
NFS-AMC	100.0%	76.2	82.3	65.4	25.0
MAX-AMC	58.5%	103.1	308.3	49.4	37.1

*Company Data

• Significant financial performance of subsidiaries under Thanachart Group

Banking business

For the year 2007, the Bank had its net profit of Baht 991 million, an increase of Baht 766 million or 340.1% from the last year. This was the result of the loan spread continuously increased from 2.7% in 2006 to 3.3%. The key driver of the increase in loan spread was from the effective cost control on cost of fund and cost to income ratio. Also, the business expansion and building up the Bank's total income in down turn interest rate environment helped maintain interest yield. In addition, cost to income ratio decreased to 60.9%.

Having evaluated the 2007 consolidated financial statement of the Bank which included the performance results of 9 subsidiaries (only the second half year performance), the Bank and its subsidiaries had the net profit of Baht 1,327 million. The major reason was the business expansion of the commercial banks, insurance/life insurance businesses.

- Net Interest and Dividend Income

The net interest and dividend income in 2007 was Baht 7,737 million, an increase of 28.7% or Baht 1,728 million from the previous year due to the loan spread improved to 3.3% as a result of the interest and dividend income increase by 10.3% or Baht 1,604 million from the continuous loan growth and the effective liquidity management. Also, the Bank was able to maintain its yield at the same level of that in the last year from the appropriate in cost and deposit portion management even though the interest and dividend income was affected by the interest rate downward trend.

- Non Interest Income

For the year 2007, the non interest income amounted to Baht 2,005 million, representing an increase of 52.1% or Baht 686 from the previous year. The main reason was from the increase in the fees

and services income amounting to Baht 450 million in accordance with the expansion of both domestic and international business transactions.

- Operating Expenses

In 2007, the Bank had its operating expenses of Baht 6,105 million, a decrease of 6.3% or Baht 360 million from the previous year. The details of which were as follows:

- The personnel expenses and the premises and equipment expenses increased in line with the business expansion to support its branch network.
- Other expenses decreased from the appropriate control on expenses.

- Bad Debts and Doubtful Accounts

In 2007, the Bank had its bad debts and doubtful accounts of Baht 2,606 million, an increase of Baht 1,352 million from the year 2006. The majorities of this increase were the results of the loan growth as well as the economic condition which affected to the increase in the non-performing loans. In case of the increase in the non-performing loans, the Bank had to provide 100% in accordance with the reserve provisioning standard and the deduction of the collateral value from the principal of debts in order to provide the provision of the non-performing loans announced by the BOT in December 2006.

- Assets

As at December 31, 2007, the Bank's total assets was 291,098 million, an increase of 13.1% or Baht 33,662 million from the year 2006. The majorities of this increase were the results of loans which increased by Baht 24,289 million and short-term liquidity which amounted to Baht 8,456 million.

The Bank's loans amounted to Baht 224,940 million, an increase of 12.1% or Baht 24,289 million. The main reason came from the continuous growth in hire purchase business even though the domestic car industry slowdown and the aggressive competitors coming in. In this connection, the Bank was able to maintain its market leader of the new car hire purchase, and the hire purchase loans portfolio accounted to Baht 161,808 million, an increase of 42.9%.

Short-term liquidity of the Bank amounted to Baht 58,071 million, an increase of 17.0% or Baht 8,456 million in line with the increase in the deposits and short-term borrowings. However, the Bank was able to manage its excess liquidity and maintain its yield.

- Liabilities

As of December 31, 2007, the Bank's total liabilities amounted to Baht 270,402 million, an increase of 11.6% or Baht 28,165 million. This increase was mainly due to the increase in the short-term borrowings through the Bank's saving channels.

The deposits and short-term borrowings amounted to Baht 250,094 million, representing an increase of 16.6% or Baht 35,588 million. This was due to the increase in the Bank's saving channels

offered to its customers by issuing short-term bill of exchange. Therefore, the savings deposits portion of the Bank increased to 24.4% from 15.5% at the end of 2006.

Long-term borrowings amounted to Baht 9,890 million, a decrease of 42.1% or Baht 7,189 million. This was due to the re-classification of some long-term borrowings whose maturities were less than 1 year to be classified as short-term borrowings which was regarded as the normal accounting standard.

- Shareholders' Equity

As at December 31, 2007, the Bank's shareholders' equity was Baht 20,695 million, an increase of 36.2% or Baht 5,497 million compared to the end of 2006. This was mainly due to the shares increase by selling the Bank's shares of 276,263,200 shares at Baht 16.37 per share to the Bank of Nova Scotia (BNS) on July 19, 2007. As a result, the Bank's paid up shares increased by Baht 4,522 million

- Non-performing Loans

As at December 31, 2007, the Bank had the non-performing loans in accordance with the Bank of Thailand's notification amounting to Baht 5,213 million, representing an increase of Baht 1,460 million or 38.9% from the end of 2006. The most important factor was from the increase in non-performing loans of hire purchase business, due to the economy slowdown. The NPLs ratio to the Group loans was 2.31%, representing an increase from 1.87% as at the end of last year due to the increase in loans. Moreover, the Bank had its allowance for doubtful accounts amounting to Baht 4,525 million which accounted to 86.8% of the non-performing loans.

In addition, the outstanding of NPLs-net of the Company and its subsidiaries according to the new definition of the BOT as of December 31, 2007 amounted to Baht 1,790 million, accounted for 0.81%.

- Capital Adequacy ratio

As of December 31, 2007, the Bank maintained the total capital fund of Baht 23,661 million, which could be classified as tier-1 at Baht 20,017 million and tier-2 at Baht 3,644 million. The Capital Adequacy ratio was equal to 12.0 percent, an increase from the end of last year's 11.1 percent, and was still higher than the 8.5% minimum requirement of the Bank of Thailand. Details are following

	Dec 31, 07		Dec 31, 06	
	Million Baht	%	Million Baht	%
Tier-1 Capital	20,017	10.2	15,488	8.8
Total Capital Requirement	23,661	12.0	19,561	11.1

Securities Business

For security market in 2007, the SET index closed at 858.10 points, increased from 679.84 points at the end of last year and the average daily turn over was at Baht 17,097.05 million, increased from Baht 16,280.91 million. This was due to the economic condition and the political became more certain.

The average trade volume per day of Thanachart Securities was Baht 1,216.08 million, increased from the previous year. The market share of 2007 was at 3.49%, ranking at number 11. In this regard, the trade volume from retail customers accounted for 73.2%, institutional customers accounted for 14.4%, and foreign customers accounted for 12.4%.

For the operating side, Thanachart Securities had its net profit of Baht 257 million, an increase of 24.4% or Baht 50 million. This was attributable to the brokerage fee of Baht 714 million, an increase of 10.2% or Baht 66 million and return on equity was at 12.3%.

Fund Management Business

At the end of 2007, Thanachart Fund Management Company had its net asset under management of Baht 78,907 million, increased by 62.6% or Baht 30,388 million from the end of last year. The net asset under management consisted of 91.7% of mutual funds 4.6% of provident funds and 3.7% of private funds.

For its operating results, Thanachart Fund Management had its management fee of Baht 364 million, an increase of 43.6% or Baht 111 million in line with the asset under management expansion. In this connection, its net profit increased by 79.6% or Baht 45 million to Baht 102 million. The Return on Equity was at 57.6%.

Insurance Business

The insurance business has been expanding continuously. Consequently, in 2007, Thanachart Insurance Company increased its gain on insurance premium by Baht 88 million or 36.6%. Although the insurance premium income increased, the severance increased. As a result, Thanachart Insurance had its net profit of Baht 66 million, a 132.0% or Baht 38 million increases from the previous year. The Return on Equity was at 10.1%

Life Insurance Business

For the year 2007, Thanachart Life Assurance Company had its net profit of Baht 176 million, increased from the previous year by Baht 73 million or 71.4%. The income on underwriting increased only Baht 37 million due to the insurance reserve increased from the expansion of the business. However, investment income and other income increased by Baht 112 million. The Return on Equity was at 18.0%.

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 year 2007, the automobile hire purchase businesses continuously expanded resulted in the increase in overall risk of the Group. As transaction volume increased, credit risk and operational risk increased as well. At the same time, market risk went to the same direction from the enlargement of the Company's investment portfolio.

The overall risk of the Company and its subsidiaries will remain under the risk limit. As the Bank of Nova Scotia Asia Limited bought Thanachart Bank's capital-increased shares in July, 2007, Tier I of the Company and its subsidiaries improved, and has still been adequate to accommodate the established future plan of expansion.