

Thanachart Capital Public Company Limited

Management Discussion and Analysis

For the Second Quarter and the First Half ended 30 June 2008

(Financial Statement Audited)

Economic and Finance & Banking Sector Outlooks of 2nd quarter of 2008

In the 2nd quarter of 2008, the inflation was highly accelerated from the increase in the oil prices and commodities. The average headline and core inflations were 7.6% and 2.8% respectively, moved up from 5.0% and 1.5% of the previous quarter. As a result, the consumers' purchasing power decreased. Also, from the domestic political instability, the Consumer Confidence Index has been decreasing to 78.0 in June in line with the decrease in the Private Consumption.

For the Private Investment, it has also been declining from the previous quarter due to the higher production cost. At the same time, the Producer Price Index rose sharply from 10.8% of the 1st quarter to 15.6% of the 2nd quarter. The increase showed that the inflation would be increasingly passed on to the consumers in the future.

In the 2nd quarter, the government expenditure and the net export which were the key drivers of Thai economy in 2007 have reduced their active roles as seen from the low level of budget disbursement which was partly the result of the political instability. At the same time, the net export tended to show a deficit due to the increase in the fuel energy import.

For the equity market, it was hit by the negative factors from both domestic and international. This included, among others, the oil prices which continued to hit new high, the concern on the world economy, and the domestic political instability. These negative factors resulted in the shares selling in the total amount of Baht 36,600 million from foreign investors during the 2nd quarter. The SET Index moved down to 742.46 points in the middle of June 2008 while the Thai Baht depreciated to 33.65 Baht per U.S. Dollar.

Major events

1. On April 4, 2008, TRIS Rating Company Limited upgraded the ratings of Thanachart Bank Public Company Limited and its bills of exchange to “A+” from “A”. Later, on April 11, 2008, TRIS Rating Company Limited affirmed the ratings of Thanachart Capital Public Company Limited and its senior debentures at “A”.
2. On April 23, 2008, the Annual General Meeting of the Bank’s shareholders (a subsidiary company) approved the payment of a dividend of Baht 0.43 per share to the ordinary shareholders, or a total of Baht 746 million, in respect of income for the year 2007.
3. On April 28, 2008, the Company’s Annual General Shareholders’ Meeting approved the dividend payment paid to ordinary and preferred shareholders for the performance in the second half of 2007 at the rate of Baht 0.60 per share, amounting to Baht 800 million.
4. On April 30, 2008, Thanachart Bank Public Company Limited (a subsidiary company) reorganized the shareholding structure of its financial business group by receiving the approval from the Bank of Thailand to buy 100% of paid up shares of Thanachart Leasing 2000 Company Limited amounting to 18.0 million shares from Thanachart Group Leasing Company Limited. Therefore, Thanachart Leasing 2000 Company Limited was transferred to be one of the Bank’s subsidiaries under the Solo Consolidation Group.
5. In May 2008, Thanachart Bank Public Company Limited issued the 7-year tenure subordinated debentures amounted to Baht 5,000 million or 5 million units at par value of Baht 1,000. The yield of the first year to the third year was fixed at 5.1% and the yield of the forth year to the seventh year was also fixed at 6.0%. These subordinated debentures were sold to the institutional investors and/or high net-worth investors. In addition, these subordinated debentures were rated “A” by TRIS Rating Company Limited.
6. Thanachart Capital Public Company Limited (TCAP) was reclassified its business sector in the Stock Exchange of Thailand from the Finance and Securities sector to the Banking Sector. The reclassification was effective on July 2, 2008.

Operating Results and financial analysis

Operating Results

Summary of the performance

For the first 6-month period of 2008, the net earnings of Thanachart Capital Public Company Limited consolidated income statements amounted to Baht 1,777 million, representing an increase from the same period last year of 46.6% or Baht 565 million. Although the Thai economy in the first half of this year was slowdown, the business of Thanachart Group was able to expand from the appropriate policy and strategy management as well as the collaboration from our partners and every company under the Group. This resulted in the increase in the interest and dividend income by 10.6% or Baht 981 million and also the improvement on loan spread from 3.2% at the end of the first half last year to 4.2% at the end of first half this year. At the same time, insurance/life insurance businesses also expanded resulted in the non-interest income increased by 58.9% or Baht 2,390 million. Consequently, cost to income ratio decreased from 68.2% at the end of the first half last year to 61.8% at the end of first half this year.

In the 2nd quarter of 2008, the Company and its subsidiaries had the net profit of Baht 761 million, representing a decrease of 25.1% or Baht 255 million from the previous quarter. The Company could be able to maintain its loan spread at 4.2% and to build up its non-interest income which increased by 1.2% or Baht 40 million. At the same time, the operating expenses increased by 8.0% or Baht 296 million in line with the business expansion. However, bad debts and doubtful accounts increased by Baht 295 million from the economy condition as well as the continuously expansion of hire purchase business.

Diluted earning per share for the 2nd quarter and the first 6-month period of 2008 were Baht 0.57 and Baht 1.33 respectively compared to Baht 0.76 at the end of the 1st quarter 2008 and Baht 0.91 for the first 6-month of the previous year. Moreover, the average return on equity of the 2nd quarter and the first 6-month period of 2008 were 11.2% and 13.2% respectively.

Consolidated Income Statements	6-month period of 2008		6-month period of 2007		Change
	Amount	Proportion	Amount	Proportion	(%)
	(Million Baht)	(%)	(Million Baht)	(%)	
Interest and Dividend Income					
Loans	1,725	13.9	1,490	18.7	15.8
Interbank and Money Market Items	759	6.1	689	8.7	10.2
Hire Purchase and Financial Lease	7,248	58.5	6,338	79.7	14.4
Investments	527	4.3	761	9.5	(30.8)
Total Interest and Dividend Income	10,259	82.8	9,278	116.6	10.6
Interest Expenses	4,315	34.8	5,379	67.6	(19.8)
Net Interest and Dividend Income	5,944	48.0	3,899	49.0	52.5
Non-Interest Income					
Brokerage Fee	438	3.5	274	3.4	59.9
Fees and Services Income	1,242	10.0	987	12.4	25.8
Insurance Premium/Life Insurance Premium					
Income	3,807	30.7	2,025	25.5	88.0
Other Income	959	7.8	770	9.7	24.6
Total Non-Interest Income	6,446	52.0	4,056	51.0	58.9
Earnings before Bad Debts and Doubtful Accounts	12,390	100.0	7,955	100.0	55.8
Reversal for Bad Debts and Doubtful Accounts					
(Bad Debts and Doubtful Accounts)	(1,747)		(383)		356.1
Earnings after Bad Debts and Doubtful Accounts	10,643		7,572		40.6
Operating Expenses	7,657		5,426		41.1
Earnings before Income Tax and Minority Interest	2,986		2,146		39.1
Corporate Income Tax	(761)		(916)		(16.9)
Minority Interest in Net Losses (Earnings) in					
Subsidiary Companies	(448)		(18)		2,388.9
Net Earnings	1,777		1,212		46.6

Consolidated Income Statements	2 nd quarter of 2008		1 st quarter of 2008		Change (%)
	Amount	Proportion	Amount	Proportion	
	(Million Baht)	(%)	(Million Baht)	(%)	
Interest and Dividend Income					
Loans	893	14.3	832	13.6	7.3
Interbank and Money Market Items	344	5.5	415	6.8	(17.1)
Hire Purchase and Financial Lease	3,666	58.5	3,582	58.4	2.4
Investments	259	4.1	268	4.4	(3.4)
Total Interest and Dividend Income	5,162	82.4	5,097	83.2	1.3
Interest Expenses	2,143	34.2	2,171	35.5	(1.3)
Net Interest and Dividend Income	3,019	48.2	2,926	47.7	3.2
Non-Interest Income					
Brokerage Fee	224	3.6	214	3.5	4.7
Fees and Services Income	631	10.1	611	10.0	3.3
Insurance Premium/Life Insurance Premium					
Income	1,951	31.1	1,856	30.3	5.1
Other Income	437	7.0	522	8.5	(16.3)
Total Non-Interest Income	3,243	51.8	3,203	52.3	1.2
Earnings before Bad Debts and Doubtful Accounts	6,262	100.0	6,129	100.0	2.2
Reversal for Bad Debts and Doubtful Accounts (Bad Debts and Doubtful Accounts)	(1,021)		(726)		40.6
Earnings after Bad Debts and Doubtful Accounts	5,241		5,403		(3.0)
Operating Expenses	3,977		3,681		8.0
Earnings before Income Tax and Minority Interest	1,264		1,722		(26.6)
Corporate Income Tax	(294)		(467)		(37.0)
Minority Interest in Net Losses (Earnings) in Subsidiary Companies	(209)		(239)		(12.6)
Net Earnings	761		1,016		(25.1)

Interest Spread	6-month period of	
	2008	2007
Yield on Loans (%)	7.2	7.3
Cost of Fund (%)	3.0	4.1
Loan Spread (%)	4.2	3.2

- **Net Interest and Dividend Income**

For the first 6-month period of 2008, the net interest and dividend income of the Company and its subsidiaries amounted to Baht 5,944 million, representing an increase of 52.5% or Baht 2,045 million from the same period last year. At the same time, the interest and dividend income amounted to Baht 10,259 million, representing an increase of 10.6% or Baht 981 million. The increase was mainly from the continuous growth in hire purchase lending while the interest expenses amounted to Baht 4,315 million, a decreased of 19.8% or Baht 1,064 million. This resulted in the increase in loan spread from 3.2% as at the end of the first 6-month period last year to 4.2% as at the end of the first 6-month period this year.

In the 2nd quarter of 2008, the net interest and dividend income amounted to Baht 3,019 million, representing an increase of 3.2% or Baht 93 million from the previous quarter.

- **Non-interest income**

The non-interest income for the first 6-month of 2008 amounted to Baht 6,446 million, an increase of 58.9% or Baht 2,390 million. The increase was mainly from the growth of all businesses under the Group. In this connection, the insurance premium/life insurance premium increased by Baht 1,782 million or 88.0%, fees and services income increased by Baht 255 million or 25.8%, and the brokerage fee increased by Baht 164 million or 59.9%.

For the 2nd quarter of 2008, the non-interest income of the Company and its subsidiaries amounted to Baht 3,243 million, an increase of 1.2% or Baht 40 million from the previous quarter. The most important contributions came from fees and services income of the banking business, fund management businesses transactions, and insurance premium/life insurance premium.

- **Operating Expenses**

For the first 6-month period of 2008, the Company and its subsidiaries' operating expenses were Baht 7,657 million, representing an increase of 41.1% or Baht 2,231 million from the same period last year. The majority of this increase was a result of the insurance/life insurance expenses which increased by 90.9% in line with the transaction increase. Moreover, the personnel expenses as well as the premises and equipment expenses increased by 21.2% and 19.0% respectively. This was the result of the expansion of banking branches of Thanachart Bank. In this connection, as at June 30, 2008, Thanachart Bank had 191 branches compared with 150 branches at the end of the same period last year. Although the business continued to grow, the Company and its subsidiaries were able to effectively control their operating expenses, which resulted in the decrease in the cost to income ratio from 68.2% at the end of the first half last year to 61.8% at the end of the first half this year.

For the 2nd quarter of 2008, the Company and its subsidiaries had the operating expenses of Baht 3,977 million, representing an increase of 8.0% or Baht 296 million from the previous quarter. This was mainly from

the increase in the personnel expenses by Baht 142 million or 18.8% and also the increase in the other expenses from the transaction volume.

- **Bad debts and doubtful accounts**

For the first 6-month period of 2008, the bad debts and doubtful accounts amounted to Baht 1,747 million, an increase of 356.1% or Baht 1,364 million from the same period last year. This was the results of the loans growth especially the hire purchase loans and the slowdown of the economy which affected to the increase in the NPLs. The increase also included that the Company had very high level of excess provision compared to the BOT's regulation during the first 6-month period of 2007, which resulted in the low level of reserve provided for bad debts and doubtful accounts at that time.

For the 2nd quarter of 2008, the Company and its subsidiaries had the bad debts and doubtful accounts amounted to Baht 1,021 million, an increase of 40.6% or Baht 295 million from the previous quarter.

Financial Status

Consolidated Balance sheets	30 June 2008		31 December 2007		Change (%)
	Amount	Proportion	Amount	Proportion	
	(Million Baht)	(%)	(Million Baht)	(%)	
Assets					
Cash	2,977	0.9	3,275	1.0	(9.1)
Interbank and Money Market Items - Net	38,364	11.1	40,462	12.6	(5.2)
Securities Purchased under Resale Agreements	-	-	2,500	0.8	(100.0)
Net Investments	36,075	10.4	28,874	9.0	24.9
Loans and Accrued Interest Receivable	264,222	76.2	239,490	74.5	10.3
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(9,844)	(2.9)	(8,456)	(2.6)	16.4
Other Assets	14,878	4.3	15,111	4.7	(1.5)
Total Assets	346,672	100.0	321,256	100.0	7.9
Liabilities and Shareholders' Equity					
Deposits and Short-term Borrowings	265,317	76.5	254,014	79.1	4.5
Interbank and Money Market Items - Net	12,741	3.7	3,709	1.1	243.5
Long-term Borrowings	15,496	4.5	14,117	4.4	9.8
Total	293,554	84.7	271,840	84.6	8.0
Other Liabilities	19,998	5.7	17,154	5.4	16.6
Total Liabilities	313,552	90.4	288,994	90.0	8.5
Equity Attributable to Company's Shareholders	26,917	7.8	26,208	8.1	2.7
Minority Interest	6,203	1.8	6,054	1.9	2.5
Total Shareholders' Equity	33,120	9.6	32,262	10.0	2.7
Total Liabilities and Shareholders' Equity	346,672	100.0	321,256	100.0	7.9

● Assets

The Company and its subsidiaries' assets as at 30 June 2008 were Baht 346,672 million, representing an increase of 7.9% or Baht 25,416 million compared to that at 31 December 2007. The majority of this increase was a result of loans and accrued interest receivable which amounted to Baht 264,222 million or accounted for 76.2% of the total assets, while the net investments accounted for Baht 36,075 million or 10.4% of all assets, with details as follows:

▫ Loans and accrued interest receivable amounted to Baht 264,222 million, representing an increase of 10.3% or Baht 24,732 million from the end of 2007. This was from the continuous increase in hire purchase loans. As at 30 June 2008, hire purchase loans were Baht 207,561 million, accounted for 78.6% of total loans. Although the competitors were aggressively moving forward to this business, Thanachart Group still continued to maintain their market leader of both new and used car hire purchase.

▫ The net investments at the end of the 2nd quarter of 2008 were Baht 36,075 million, representing an increase of 24.9% or Baht 7,201 million from the end of last year.

▫ Interbank and money market items -net amounted to Baht 38,364 million, representing a decrease of 5.2% or Baht 2,098 million from the end of 2007.

● Liabilities and shareholders' equity

As at 30 June 2008, the Company and its subsidiaries had the total liabilities of Baht 313,552 million, representing an increase of 8.5% or Baht 24,558 million from the end of 2007. The related main factors were:

- The deposits and short-term borrowings amounted to Baht 265,317 million, representing an increase of 4.5% or Baht 11,303 million. This was due to the expansion of the Bank branches as well as the issuance of short-term bill of exchange offered to its customers to have more choices of saving and for supporting the Deposit Insurance Act B.E. 2551.
- Long-term borrowings amounted to Baht 15,496 million, an increase of 9.8% or Baht 1,379 million from the end of last year.
- The Company and its subsidiaries had shareholders' equity of Baht 33,120 million, a 2.7% increase from Baht 32,262 million at the end of 2007. The increase was the results of the good performance of the Company and its subsidiaries, and the increase in the revaluation deficit on investments.

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)

	Jun 30, 08		Dec 31, 07	
	Debt balance/ book value	Allowance for doubtful accounts	Debt balance/ book value	Allowance for doubtful accounts
Normal	226,464	632	199,066	528
Special Mention	20,704	145	22,100	141
Substandard	2,516	1,764	2,492	1,685
Doubtful	1,541	985	2,244	1,085
Doubtful of Loss	7,740	4,961	6,047	3,870
Total	258,965	8,487	231,949	7,309
General Reserve		592		523
Total Allowance for Doubtful Accounts		9,079		7,832

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

- The Company and its subsidiaries have written its bad debts of Baht 377 million in the first half of 2008.

• Non-Performing Loans (NPLs)

As at 30 June 2008, the Company and its subsidiaries had the non-performing loans in accordance with the Bank of Thailand's notification amounting to Baht 12,410 million, representing an increase of Baht 1,150 million or 10.2% from the end of 2007. The most important factor was from the increase in non-performing loans of hire purchase business. The NPLs ratio to the Group loans was 4.7%, unchanged from the end of the previous year.

In addition, the outstanding of NPLs-net as at 30 June 2008 amounted to Baht 4,105 million, accounted for 1.6%.

(Unit: Baht million)

	Jun 30, 08	Dec 31, 07
Non-Performing Loans (NPLs)	12,410	11,260
%NPLs to Total Loans	4.7%	4.7%
NPL-net (IAS39)	4,105	4,165
%NPL-net	1.6%	1.8%
Allowance for Doubtful Accounts	9,801	8,417
%Allowance for Doubtful Accounts to NPLs	79.0%	74.8%

Operating Results of the Subsidiary Companies

(Unit: Baht

million)

Subsidiary Companies*	% of direct and indirect holding	Net Profits (Losses) quarter		Net Profits (Losses) 6-month period	
		2 nd quarter of 2008	1 st quarter of 2008	2008	2007
Thanachart Bank Plc. (the Company only)	74.9%	572	638	1,210	293
Thanachart Securities Plc.	74.9%	84	44	128	22
Thanachart Fund Management	56.2%	35	37	72	37
Thanachart Insurance	74.9%	28	(3)	25	34
Thanachart Life Assurance	74.9%	174	115	289	110
NFS-AMC	100.0%	47	28	75	(14)
MAX-AMC	58.5%	45	27	72	17

*Each Company Data

• Significant financial performance of subsidiaries under Thanachart Group

Banking business

Consolidated Financial Statement

The net profit of Thanachart Bank and its subsidiaries for the first 6-month of 2008 was Baht 1,634 million, reflected the continuous growth of the Group from the financial business group operation as well as the collaboration between the Bank, BNS, and the Bank's subsidiaries which resulted in the economies of scale.

For the 2nd quarter of 2008, the net profit of the Bank and its subsidiaries amounted to Baht 708 million, representing a decrease of 23.6% or Baht 218 million which was the result of the economy slowdown. However, the business of Thanachart Group was able to expand from the appropriate policy and strategy management. This included, among others, Banking, Securities, Fund management, Life Insurance and Insurance businesses.

The Bank only Financial Statement

For the first 6-month of 2008, the Bank had its net profit of Baht 1,210 million, representing an increase from the same period last year of 312.6% or Baht 916 million. The increase was the result of the loan spread improvement which increased from 2.9 at the end of the same period last year to 4.0% at the end of the first half this year. The main reason came from the efficiency of cost of fund management by raising deposits through branch network nationwide and from the acceleration of building up the non-interest income combined with the appropriate operating cost management. As a result, non interest income increased by 41.5% or Baht 381 million and the cost to income ratio dropped down from 64.6% to 53.5%.

For the 2nd quarter of 2008, the net profit of the Bank was Baht 572 million, representing a decrease of 10.3% or Baht 66 million. The main reasons of the decrease were from the increase in the provision from the

expansion of the hire purchase business and from the slowdown of the economy as well. Although the interest rate was uptrend at the end of the second quarter, the Bank was able to maintain its loan spread at 3.9% which was almost the same level as the previous quarter. At the same time, the operating expenses increased in line with the growth of the Bank's business. In this connection, the Bank's cost to income ratio was at 56.3%.

- Loans

The Bank's loans amounted to Baht 250,794 million, an increase of Baht 25,854 million or 11.5%. The majority of the growth came from the hire purchase business which Thanachart Group is the market leader in both new and used car lending. In this regard, the hire purchase loans outstanding were Baht 187,801 million, an increase of 15.8% or Baht 25,597 million from the end of 2007. The amount of the hire purchase new lending in the first half of 2008 was 52,154 million, an increase of Baht 7,512 million compared to the same period of 2007.

- Deposits and short-term borrowings

The Bank's deposits and short-term borrowings amounted to Baht 261,199 million, an increase of Baht 13,114 million or 5.3% from the end of 2007. The increase was due to the expansion of the Bank's branches for more channels of deposits taking. This also included the new financial products launched for serving the customers' needs and the short-term bill of exchange issuance for increasing the customers' choices of saving and supporting the Deposit Insurance Agency Act B.E. 2551. In addition, loans to deposits plus short-term borrowings ratio was at 96.0%, an increase from 90.7% at the end of 2007 due to the growth rate of loans was higher than that of the deposits plus short-term borrowings. However, in the 2nd quarter of 2008, the Bank issued the subordinated debentures amounted to Baht 5,000 million, 7-year tenure, average yield of 5.61% for supporting the future business growth.

- Non-performing Loans

Non-performing loans of the Bank at the end of the first half of 2008 amounted to Baht 6,422 million, an increase of Baht 1,209 million from the end of the previous year in line with the loans expansion especially the hire purchase loans. The Bank's NPLs ratio was at 2.53% increased from 2.31% at the end of last year. In addition, the NPLs after provision (NPL-net) amounted to Baht 1,789 million and the NPL-net ratio accounted for 0.72% of total loans.

The allowance for doubtful accounts amounted to Baht 5,856 million, accounted for 91.2% of non-performing loans, consisted of Baht 5,437 million reserved for classified loans and Baht 419 million for future potential risks. As a result, the Bank's the total allowance reserved for supporting all kind of risks to the BOT reserve requirement was 107.7%. This will, in turn, lead to the stability in the Bank's long-term performance.

- Capital Adequacy ratio

As of June 30, 2008, the Bank's total capital fund was Baht 28,827 million, which could be classified as tier-1 of Baht 20,261 million and tier-2 of Baht 8,671 million. The Bank's capital adequacy ratio equaled 13.22% increased from 12.00% at the end of last year. This was the result of the Bank's

issuance of the unsecured subordinated debentures amounting to Baht 5,000 million in the 2nd quarter of 2008 for supporting its business operation. The Bank's CAR was still higher than the 8.5% minimum requirement by the Bank of Thailand. The details are as follows:

	Jun 30, 08		Dec 31, 07	
	Million Baht	%	Million Baht	%
Tier-1 Capital	20,261	9.29	20,017	10.15
Total Capital Requirement	28,827	13.22	23,661	12.00

Securities Business

For security market in the 2nd quarter of 2008, the SET index closed at 768.59 points, a decrease of 48.44 points at the end of the previous quarter with the average daily turnover equaled to Baht 19,959.32 million increased by Baht 1,113.08 million. This was mainly due to the political instability from the rally of the People Alliance for Democracy, the Subprime crisis, and the increase in the oil prices, which all affected to the investor's confidence.

The average trade volume per day in the 2nd quarter of 2008 of Thanachart Securities was Baht 1,552.3 million increased from Baht 1,381.5 million in the previous quarter. The market share was at 3.89%. In this connection, the trade volume from retail customers accounted for 56%, foreign customers accounted for 34%, and institutional customers accounted for 10%.

For the operating side in the first 6-month period of 2008, Thanachart Securities had its net profit of Baht 128 million, an increase of Baht 106 million from the same period last year. This was the result of the brokerage fee that increased by Baht 164 million. Moreover, the return on equity was 11.2%. For the 2nd quarter of 2008, the company had the net profit of Baht 84 million, an increase from the previous quarter of Baht 40 million due mainly to the increase in the fees and financial management services and also the brokerage fees.

Fund Management Business

As at the end of the 2nd quarter of 2008, Thanachart Fund Management Company had its net asset under management of Baht 99,081 million, representing an increase of 10.3% or Baht 9,260 million from the end of the previous quarter. The majority of the increase was from the mutual fund. The market share as at June 30, 2008 was 5.69%, ranked 8th in the industry. In addition, the net asset under management consisted of 93.5% of mutual funds 2.7% of private funds and 3.8% of provident funds.

For its operating results of the first 6-month of 2008, Thanachart Fund Management had its net profit of Baht 72 million, an increase of 97.3% or Baht 36 million from the same period last year. This was the result of the increase in the management fee by Baht 71 million in line with the size of the asset under management expansion

and the increase in the net asset value according to the market price. In addition, the return on equity was at 65.6%.

For the 2nd quarter of 2008, the company had its net profit of Baht 35 million which close to that of the previous quarter. This was from the management fee of Baht 103 million, an increase of Baht 6 million from the previous quarter due to the asset under management expansion.

Insurance Business

For the first 6-month of 2008, the insurance premium income of Thanachart Insurance Company increased by Baht 230 million while the losses incurred and the commission and brokerage increased. This resulted in the net profit of the company for the first 6-month of 2008 of Baht 25 million, a decrease of Baht 9 million from the same period last year. The return on equity was at 3.7%.

For its operating results of the 2nd quarter of 2008, the company's net profit was Baht 28 million compared to the net loss of Baht 3 million in the previous quarter. This was due to the decrease in the losses incurred and the increase in the interest and dividend income as well.

Life Insurance Business

For the first 6-month of 2008, Thanachart Life Assurance Company had its net profit of Baht 289 million increased from the same period last year by Baht 179 million or 163.1%. This was mainly due to the increase in the earning from underwriting by Baht 201 million, and the increase in the income from investment and other income by Baht 84 million. At the same time, the operating expenses increased by Baht 29 million inline with the business expansion. In addition, the return on equity was at 46.6%.

For the 2nd quarter of 2008, the company had its net profit of Baht 174 million, an increase of 50.6% or Baht 59 million due mainly to the increase in the earning from underwriting by Baht 80 million.

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 2nd quarter of 2008, lending businesses of the Company and subsidiaries continuously expanded especially the hire purchase lending resulted in the increase in overall risk of the Group. As transaction volume increased, credit risk and operational risk increased as well. In addition, the market risk rose from the increase in the investment in securities.

The overall risk of the Company and its subsidiaries will remain under the risk limit. Moreover, Thanachart Bank issued the Baht 5,000 million subordinated debentures using as Tier 2 capital. As a result, the Company and its subsidiaries' capital are still adequate to accommodate the established future plan of expansion.