

Thanachart Capital Public Company Limited

Management Discussion and Analysis

For the Third Quarter and the 9-month period ended 30 September 2008

(Financial Statement Reviewed)

Economic Outlook and Banking Industry in the 3rd quarter of 2008

In the 3rd quarter, Thai economy has been facing with various fluctuation and risks as follows:

- The financial crisis has spread and affected more countries whether in Europe, America, Australia or countries in Asia; and thus, making the liquidity to tighten and the financial and capital markets across the globe to fluctuate. This eventually led to the slowdown of global economy.

In the 3rd quarter, the Stock Exchange of Thailand (SET) was also affected by the financial turmoil. The foreign investors, who invest in the SET, have result in a net sale of securities in the amount of Baht 74,775 million in the 3rd quarter, or in other word, Baht 125,000 million net sale since the beginning of 2008. Consequently, SET index decreased from 768.59 points in the end of the 2nd quarter to 596.54 points in the end of the 3rd quarter, a 172.05 points decrease.

- The global economy and the domestic demand have significantly decreased due to a concern regarding financial crisis. Consequently, trade balance in the first 2 months of the 3rd quarter resulted in USD 1,437 million deficit, following the slowdown in export value. At the same time, service and transfer payment balance was USD 1,759 million deficits, following the slowdown of tourism since the tourists had concern regarding the situation in the country.

The payment balance in the first 2 months of the 3rd quarter resulted in USD 1,530 million deficit, partly due to capital outflow of the foreign investor.

- The baht currency has been continuously depreciating under a close monitor of the Bank of Thailand. The average exchange rate in the 3rd quarter was Baht 34 per USD, depreciated from Baht 32.5 per USD in the previous quarter.
- A sharp decrease in consumer goods, together with crude oil price, caused the core inflation in the 3rd quarter to decrease to 7.2% from 7.6% in the 2nd quarter. The core inflation shows an apparent tendency to decrease in the period between August to September, from the peak of 9.2% in July.

With various situations explained above, many central banks proceeded with various measures to enhance liquidity in financial and capital markets. Recently, FED held an urgent Monetary Policy Committee meeting which resulted in a resolution to decrease RP rate by 0.5% to be 1.5% on 8 October 2008, while the Bank of Thailand had a resolution to maintain the RP rate at 3.75% due to the presence of inflation rate risk despite the decrease of the crude oil price.

Key Events

1. Since 2 July 2008, Thanachart Capital Public Company Limited (TCAP) was moved in the business category of the SET from being in the finance and securities category of the financial group to banking category of the financial group.

2. On 25 September 2008, the Company's Board of Directors Meeting issued a resolution to pay the interim dividend to common shareholders and preferred shareholders from the operating results in the first half of 2008 in the amount of Baht 0.30 per share. In total, the dividend payment would amount to Baht 400 million. The name list of shareholders who have the right to receive the interim dividend was specified on 10 October 2008. The names were compiled accordingly to Section 225 of the Securities and Exchange Act. The closing of registrar book to pause the share transfer was scheduled on 13 October 2008 and the interim dividend payment was scheduled to be on 24 October 2008.

Operating Results and financial analysis

Operating Results

Summary of the performance

For the 9-month period of 2008, the net earnings of Thanachart Capital Public Company Limited consolidated income statements amounted to Baht 2,353 million, representing an increase from Baht 2,036 million in the same period last year or an increase of 15.6% or Baht 317 million. This was due to the increase in the yield on loans which increased from 3.4% to 4.1%. At the same time, the non-interest income increased by 25.6% or Baht 1,865 million due mostly to the increase in the insurance/life insurance premium income which increased by 57.0% or Baht 1,949 million. Also, fees and services income increased by 18.9% or Baht 291 million. However, the bad debts and doubtful accounts increased from the economy slowdown which reduced the ability to repay debts of the customers. Moreover, the operating expenses increased following the business expansion resulted in the 62.9% cost to income ratio close to 63.9% in the same period last year.

In the 3rd quarter of 2008, the Company and its subsidiaries had the net profit of Baht 576 million, representing a decrease of 30.1% or Baht 248 million from the same quarter last year. This was mainly due to the economy slowdown which resulted in the increase in the reserve provided for NPLs as well as the maintaining of the Company's yield on loans which was close to the same quarter last year at 3.9%. The non-interest income, excluding the gain on investment increased by 7.5% compared to the same quarter last year. However, the gain on investment decreased by 105.8% or Baht 733 million, following the condition of capital market that has deteriorated. Also, gain on investment in this period of 2007 had included the gain from a dispensation of investment in Thanachart Bank to BNS.

Diluted earning per share for the 3rd quarter and the 9-month period of 2008 were Baht 0.43 and Baht 1.76 respectively compared to Baht 0.62 and Baht 1.53 at the same period last year. Moreover, the average return on equity of the 3rd quarter and the 9-month period of 2008 were 8.6% and 11.7% respectively.

Consolidated Income Statements	9-month period of 2008		9-month period of 2007		Change (%)
	Amount	Proportion	Amount	Proportion	
	(Million Baht)	(%)	(Million Baht)	(%)	
Interest and Dividend Income					
Loans	2,722	15.1	2,271	16.6	19.9
Interbank and Money Market Items	1,055	5.8	1,054	7.7	0.1
Hire Purchase and Financial Lease	10,973	60.6	9,687	71.0	13.3
Investments	925	5.1	1,076	7.9	(14.0)
Total Interest and Dividend Income	15,675	86.6	14,088	103.2	11.3
Interest Expenses	6,728	37.2	7,725	56.6	(12.9)
Net Interest and Dividend Income	8,947	49.4	6,363	46.6	40.6
Non-Interest Income					
Brokerage Fee	602	3.3	511	3.7	17.8
Gain (Loss) on Investment	122	0.7	773	5.7	(84.2)
Fees and Services Income	1,829	10.1	1,538	11.3	18.9
Insurance Premium/Life Insurance Premium					
Income	5,368	29.7	3,419	25.1	57.0
Other Income	1,231	6.8	1,046	7.6	17.7
Total Non-Interest Income	9,152	50.6	7,287	53.4	25.6
Earnings before Bad Debts and Doubtful Accounts and Loss on Debt Restructuring	18,099	100.0	13,650	100.0	32.6
Reversal for Bad Debts and Doubtful Accounts (Bad Debts and Doubtful Accounts)	(2,898)		(1,050)		176.0
Loss on Debt Restructuring	(5)		-		100.0
Earnings after Bad Debts and Doubtful Accounts and Loss on Debt Restructuring	15,196		12,600		20.6
Operating Expenses	11,382		8,718		30.6
Earnings before Income Tax and Minority Interest	3,814		3,882		(1.8)
Corporate Income Tax	(926)		(1,626)		(43.1)
Minority Interest in Net Losses (Earnings) in					
Subsidiary Companies	(535)		(220)		143.2
Net Earnings	2,353		2,036		15.6

Consolidated Income Statements	3 rd quarter of 2008		3 rd quarter of 2007		Change
	Amount	Proportion	Amount	Proportion	(%)
	(Million Baht)	(%)	(Million Baht)	(%)	
Interest and Dividend Income					
Loans	997	17.4	781	13.6	27.7
Interbank and Money Market Items	296	5.2	365	6.4	(18.9)
Hire Purchase and Financial Lease	3,725	65.2	3,349	58.6	11.2
Investments	398	7.0	315	5.5	26.3
Total Interest and Dividend Income	5,416	94.8	4,810	84.1	12.6
Interest Expenses	2,412	42.2	2,344	41.0	2.9
Net Interest and Dividend Income	3,004	52.6	2,466	43.1	21.8
Non-Interest Income					
Brokerage Fee	164	2.9	237	4.2	(30.8)
Gain (Loss) on Investment	(40)	(0.7)	693	12.1	(105.8)
Fees and Services Income	587	10.3	551	9.6	6.5
Insurance Premium/Life Insurance Premium					
Income	1,561	27.3	1,394	24.4	12.0
Other Income	437	7.6	375	6.6	16.5
Total Non-Interest Income	2,709	47.4	3,250	56.9	(16.6)
Earnings before Bad Debts and Doubtful Accounts and Loss on Debt Restructuring	5,713	100.0	5,716	100.0	(0.1)
Reversal for Bad Debts and Doubtful Accounts (Bad Debts and Doubtful Accounts)	(1,152)		(667)		72.7
Loss on Debt Restructuring	(5)		-		100.0
Earnings after Bad Debts and Doubtful Accounts and Loss on Debt Restructuring	4,556		5,049		(9.8)
Operating Expenses	3,729		3,314		12.5
Earnings before Income Tax and Minority Interest	827		1,735		(52.3)
Corporate Income Tax	(165)		(709)		(76.7)
Minority Interest in Net Losses (Earnings) in					
Subsidiary Companies	(86)		(202)		(57.4)
Net Earnings	576		824		(30.1)

Interest Spread	9-month period of	
	2008	2007
Yield on Loans (%)	7.2	7.3
Cost of Fund (%)	3.1	3.9
Loan Spread (%)	4.1	3.4

● Net Interest and Dividend Income

For the 9-month period of 2008, the net interest and dividend income of the Company and its subsidiaries amounted to Baht 8,947 million, representing an increase of 40.6% or Baht 2,584 million from the same period last year. At the same time, the interest and dividend income amounted to Baht 15,675 million, representing an increase of 11.3% or Baht 1,587 million. The increase was mainly from the continuous growth in hire purchase lending while the interest expenses amounted to Baht 6,728 million, a decreased of 12.9% or Baht 997 million. From the maintaining of the yield on loans and the effective cost control, the loan spread increased to 4.1% from 3.4% compared to the same period last year.

In the 3rd quarter of 2008, the net interest and dividend income amounted to Baht 3,004 million, representing an increase of 21.8% or Baht 538 million from the same quarter last year.

● Non-interest income

The non-interest income for the 9-month of 2008 amounted to Baht 9,152 million, representing an increase of 25.6% or Baht 1,865 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 1,949 million or 57.0%, fees and services income increased by Baht 291 million or 18.9%, and the brokerage fee increased by Baht 91 million or 17.8%.

For the 3rd quarter of 2008, the non-interest income of the Company and its subsidiaries amounted to Baht 2,709 million, a decrease of 16.6% or Baht 541 million from the same quarter last year. This was the results of the decrease in the gain in investment and the brokerage fees which declined from the Capital Market situation. In this connection, the gain on investment for the 3rd quarter of last year included the gain from selling the Company's investment in Thanachart Bank to the Bank of Nova Scotia (BNS) amounted to Baht 885 million.

● Operating Expenses

For the 9-month period of 2008, the Company and its subsidiaries' operating expenses were Baht 11,382 million, representing an increase of 30.6% or Baht 2,664 million from the same period last year. The majority of this increase was a result of the insurance/life insurance expenses which increased by 55.5% in line with the transaction increase. Moreover, the personnel expenses as well as the premises and equipment

expenses increased by 27.1% and 20.9% respectively. This was the result of the expansion of banking branches of Thanachart Bank. 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 to 62.9% close to 63.9% of the same period last year.

For the 3rd quarter of 2008, the Company and its subsidiaries had the operating expenses of Baht 3,729 million, representing an increase of 12.5% or Baht 415 million from the same quarter last year. This was mainly from the increase in the personnel expenses by Baht 273 million or 38.2% as well as the increase in the premises and equipment by Baht 80 million or 24.5%.

- **Bad debts and doubtful accounts**

For the 9-month period of 2008, the bad debts and doubtful accounts amounted to Baht 2,898 million, an increase of 176.0% or Baht 1,848 million from the same period last year. This was the results of the slowdown of the economy which affected the ability of the customers to repay debts, resulted in 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 9-month period of 2007, which resulted in the low level of reserve provided for bad debts and doubtful accounts at that time.

For the 3rd quarter of 2008, the Company and its subsidiaries had the bad debts and doubtful accounts amounted to Baht 1,152 million, an increase of 72.7% or Baht 485 million from the same quarter last year. This was from the reserve provided for the NPLs during this period of crisis.

Financial Status

Consolidated Balance sheets	30 September 2008		31 December 2007		Change (%)
	Amount	Proportion	Amount	Proportion	
	(Million Baht)	(%)	(Million Baht)	(%)	
Assets					
Cash	2,547	0.7	3,275	1.0	(22.2)
Interbank and Money Market Items - Net	46,456	12.6	40,462	12.6	14.8
Securities Purchased under Resale Agreements	-	-	2,500	0.8	(100.0)
Net Investments	41,121	11.1	28,874	9.0	42.4
Loans and Accrued Interest Receivable	274,270	74.4	239,490	74.5	14.5
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(10,461)	(2.8)	(8,456)	(2.6)	23.7
Other Assets	14,761	4.0	15,111	4.7	(2.3)
Total Assets	368,694	100.0	321,256	100.0	14.8
Liabilities and Shareholders' Equity					
Deposits and Short-term Borrowings	292,864	79.4	254,014	79.1	15.3
Interbank and Money Market Items - Net	8,239	2.2	3,709	1.1	122.1
Long-term Borrowings	15,451	4.2	14,117	4.4	9.4
Total	316,554	85.8	271,840	84.6	16.4
Other Liabilities	19,742	5.4	17,154	5.4	15.1
Total Liabilities	336,296	91.2	288,994	90.0	16.4
Equity Attributable to Company's Shareholders	26,245	7.1	26,208	8.1	0.1
Minority Interest	6,153	1.7	6,054	1.9	1.6
Total Shareholders' Equity	32,398	8.8	32,262	10.0	0.4
Total Liabilities and Shareholders' Equity	368,694	100.0	321,256	100.0	14.8

● Assets

The Company and its subsidiaries' assets as at 30 September 2008 were Baht 368,694 million, representing an increase of 14.8% or Baht 47,438 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 274,270 million or accounted for 74.4% of the total assets, while the net investments amounted to Baht 41,121 million or accounted for 11.1% of all assets, with details as follows:

▫ Loans and accrued interest receivable amounted to Baht 274,270 million, representing an increase of 14.5% or Baht 34,780 million from the end of 2007. This was mainly from the continuous increase in hire purchase loans. As at 30 September 2008, hire purchase loans were Baht 209,095 million, accounted for 76.2% 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 3rd quarter of 2008 were Baht 41,121 million, representing an increase of 42.4% or Baht 12,247 million from the end of last year.

▫ Interbank and money market items -net amounted to Baht 46,456 million, representing an increase of 14.8% or Baht 5,994 million from the end of 2007.

● **Liabilities and shareholders' equity**

As at 30 September 2008, the Company and its subsidiaries had the total liabilities of Baht 336,296 million, representing an increase of 16.4% or Baht 47,302 million from the end of 2007. The related main factors were:

- The deposits and short-term borrowings amounted to Baht 292,864 million, representing an increase of 15.3% or Baht 38,850 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 Depository Insurance Agency Act B.E. 2551.
- Long-term borrowings amounted to Baht 15,451 million, an increase of 9.4% or Baht 1,334 million from the end of last year.
- The Company and its subsidiaries had shareholders' equity of Baht 32,398 million, a 0.4% 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.

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)

	Sep 30, 08		Dec 31, 07	
	Debt balance/ book value	Allowance for doubtful accounts	Debt balance/ book value	Allowance for doubtful accounts
Normal	249,970	681	199,066	528
Special Mention	26,340	156	22,100	141
Substandard	2,568	1,709	2,492	1,685
Doubtful	1,707	1,102	2,244	1,085
Doubtful of Loss	8,180	5,376	6,047	3,870
Total	288,765	9,024	231,949	7,309
General Reserve		603		523
Total Allowance for Doubtful Accounts		9,627		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 942 million in the 2008.

• Non-Performing Loans (NPLs)

As at 30 September 2008, the Company and its subsidiaries had the non-performing loans in accordance with the Bank of Thailand's notification amounting to Baht 13,141 million, representing an increase of Baht 1,881 million or 16.7% 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 4.4%, decreased from 4.7% at the end of last year.

In addition, the outstanding of NPLs-net as at 30 September 2008 amounted to Baht 4,292 million, accounted for 1.5%.

(Unit: Baht million)

	Sep 30, 08	Dec 31, 07
Non-Performing Loans (NPLs)	13,141	11,260
%NPLs to Total Loans	4.4%	4.7%
NPL-net	4,292	4,165
%NPL-net	1.5%	1.8%
Allowance for Doubtful Accounts	10,414	8,417
%Allowance for Doubtful Accounts to NPLs	79.2%	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) 9-month period	
		3 rd quarter of 2008	3 rd quarter of 2007	2008	2007
Thanachart Bank Plc. (the Company only)	74.9%	151	423	1,361	716
Thanachart Securities Plc.	74.9%	14	180	143	202
Thanachart Fund Management	56.2%	28	30	100	67
Thanachart Insurance	74.9%	15	20	41	54
Thanachart Life Assurance	74.9%	100	37	390	147
NFS-AMC	100.0%	38	25	113	11
MAX-AMC	58.5%	21	37	93	54

*Each Company Data

• Significant financial performance of subsidiaries under Thanachart Group

Banking business

Consolidated Financial Statement

For the 9-month period of 2008, the Bank and its subsidiaries' net profit amounted to Baht 1,963 million, due to the continuous business expansion of Thanachart Group with a business operation as financial business group. Despite the changes in the important factors in business operations, namely economic slowdown, interest rate trend and competition; commercial bank, securities, fund management, insurance and life insurance businesses have been expanding continuously with the proper policy and business strategy.

For the 3rd quarter 2008, the Bank and its subsidiaries' net income amounted to Baht 329 million, a decrease of Baht 299 million or 47.6% from the same quarter last year, due to economic slowdown which reduced the customer's ability to pay. Consequently, bad debt and doubtful account expense increased while the operating expenses increased from the business expansion. However, loan spread increased from 3.6% in the same quarter last year to 3.9%. The non-interest income increased by 5.4% and the proper cost management caused the cost to income ratio to be 68.8%, a decrease from 70.4% in the same quarter last year.

The Bank only Financial Statement

For the 9-month period of 2008, the Bank's net profit amounted to Baht 1,361 million, an increase of Baht 645 million or 90.1% from the same period last year. This was due to the increase of loan spread from 3.1% in the same period last year to 3.8%, yield maintenance, the proper cost management in acquiring deposits through the Bank's branches which are present nationwide, non-interest income increased by 31.9% while the operating expenses increased by 25.0%. The cost to income ratio decreased from 63.5% in the same period last

year to 56.0% due to the attempt to drive up the interest and non-interest income and the efficient management of expenses.

In the 3rd quarter of 2008, the Bank's net profit amounted to Baht 151 million, a decrease of Baht 271 million or 64.2% from the same quarter last year. This was mainly due to provisions which followed the economic slowdown. The economy affected the hire purchase customer's ability to pay when hire purchase is the Bank's main business. However, loan spread increased to 3.7% from 3.5% in the same quarter last year. Also, the non-interest income increased by 14.5%; while the operating expenses increased to 22.8% following the business expansion. The cost to income ratio amounted to 61.3%, a slight decrease from the same quarter last year.

- Loans

The Bank's loans amounted to Baht 263,371 million, an increase of Baht 38,431 million or 17.1% from the end of 2007. This was mainly due to the expansion of car hire purchase loans in the amount of Baht 30,360 million and corporate loan in the amount of Baht 13,703 million while loan to companies in Thanachart Group decreased by Baht 7,868 million.

As for hire purchase loans, Thanachart Group still maintains its position as a market leader for new car and used car hire purchase in the amount of Baht 192,565 million, an increase of Baht 30,360 million or 18.7% from the end of 2007. For the 9-month period, the new business loans amounted to Baht 72,584 million, an increase of Baht 7,728 million or 11.9% from the same period last year.

- Deposits and short-term borrowings

Deposit and short-term borrowing amounted to Baht 288,354 million, an increase of Baht 40,270 million or 16.2% from the end of 2007. This was due to the branch expansion which to serve as additional channel to acquire deposits. The products were issued to satisfy the customer's needs. The short-term B/E was offered as saving alternative for customer, to support the Depository Insurance Agency Act B.E. 2551. The loan to deposit ratio amounted to 91.3%, an increase from 90.7% in the end of 2007, due to the loan expansion rate which was higher than that of deposit and short-term B/E.

- Non-performing Loans

NPLs amounted to Baht 7,166 million, an increase of Baht 1,953 million from the end of last year, following the economic slowdown and the loan expansion, hire purchase loans in particular. NPL ratio amounted to 2.50%, an increase from 2.31% in the end of previous year. Once considered NPL-net, the amount was Baht 1,973 million and the ratio of NPL-net to total loans amounted to 0.70%.

Allowance for doubtful accounts amounted to Baht 6,489 million or 90.6% of NPLs, of which Baht 6,059 million was provisions for individual bad debt of classified loans and Baht 430 million was general provisions to support various business risks. With such provisioning, the Bank's total allowance for bad debt and doubtful accounts was 107.1% according to the Bank of Thailand's regulation, which is considered as the enhancement of the long-term stability of the Bank's operating results.

- Capital Adequacy ratio

As of 30 September 2008, the Bank's total capital fund amounted to Baht 28,876 million, which can be divided to Tier 1 in the amount of Baht 20,261 million and Tier 2 in the amount of Baht 8,720 million. The Bank's BIS ratio amounted to 12.75%, an increase from 12.00% in the end of previous year. This was due to the issuance of subordinated debentures in the amount of Baht 5,000 million in the 2nd quarter of 2008, in order to support the business expansion. The mentioned BIS ratio is higher than the Bank of Thailand's minimum regulated ratio of 8.50%. The details of capital fund to risk assets are shown below.

	Sep 30, 08		Dec 31, 07	
	Million Baht	%	Million Baht	%
Tier-1 Capital	20,261	8.95	20,017	10.15
Total Capital Requirement	28,876	12.75	23,661	12.00

Securities Business

At the end of the 3rd quarter 2008, the SET index closed at 596.57 points, a decrease of 172.05 points from the previous quarter. The average trading value per day decreased from Baht 19,959.32 million to Baht 12,211.95 million. The main factors were the financial crisis in the United States which affected the capital markets across the globe and the political instability which affected the investor's confidence.

The average trading value per day through Thanachart Securities in the 3rd quarter of 2008 amounted to Baht 1,085.5 million, a decrease from Baht 1,552.3 million in the previous quarter. The market share was at 4.44%. The trading value of Thanachart Securities can be divided into 60% retail customers, 30% foreign customers and 10% financial institution customers.

For the 9-month of 2008, Thanachart Securities' performance resulted in a net profit of Baht 143 million, a decrease of Baht 60 million from the same period last year. This was due to the decrease in commission and brokerage fee income which followed the market deteriorating conditions. The Return on Equity was 8.6%.

For the 3rd quarter of 2008, the company's net profit amounted to Baht 14 million, a decrease from the same quarter last year. The decrease in the company's net profit was due to the company's extra gain on investment of Baht 172 million in the same quarter last year followed by the market worsen conditions in this quarter.

Fund Management Business

As of 30 September 2008, Thanachart Fund Management's asset under management amounted to Baht 90,962 million, an increase of Baht 16,470 million or 22.1% from the same period last year. This was mainly due to the increase of mutual funds. As of 30 September 2008, the market share was at 5.44% and was ranked the 8th.

The proportion of the asset under management can be divided into 93% mutual funds, 3% private funds and 4% provident funds.

For the 9-month of 2008, the performance resulted in net profit of Baht 100 million, an increase of Baht 33 million or 49.1% from the same period last year. This was mainly due to the fund management fee income which increased by Baht 87 million, following the expansion of the asset under management. The return on equity (ROE) amounted to 60.4%.

For the 3rd quarter of 2008, the company's net profit amounted to Baht 28 million, a decrease of Baht 3 million from the same quarter last year. The fee income from fund management business increased following the expansion of the asset under management.

Insurance Business

For the 9-month of 2008, Thanachart Insurance Company Limited had underwriting income which increased by Baht 375 million while insurance claims and pension payment from direct insurance increased. Thus, the net income in the first 9 months of 2008 amounted to Baht 41 million, a decrease of Baht 14 million from the same period last year. The return on equity (ROE) amounted to 6.5%.

For the 3rd quarter 2008, the company's performance resulted in net profit in the amount of Baht 15 million, a decrease of Baht 5 million in the same quarter last year. This was mainly due to the loss from sale of securities following the market deteriorating conditions.

Life Insurance Business

Thanachart Life Assurance Company's net profit in the first 9 months of 2008 amounted to Baht 390 million, an increase of Baht 242 million or 164.7% in the same period last year. This was mainly due to underwriting profit which increased by Baht 280 million and gain on investment and other incomes which increased by Baht 111 million. At the same time, operating expenses increased by Baht 42 million following the business expansion. The return on equity (ROE) amounted to 43.2%.

For the 3rd quarter of 2008, the net profit amounted to 100 million baht, an increase of Baht 63 million or 169.7% from the same quarter last year. This was due to the increase in underwriting profit and gain on investment.

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 3rd 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. As a result, the Company and its subsidiaries' capital are still adequate to accommodate the established future plan of expansion.