

## Content

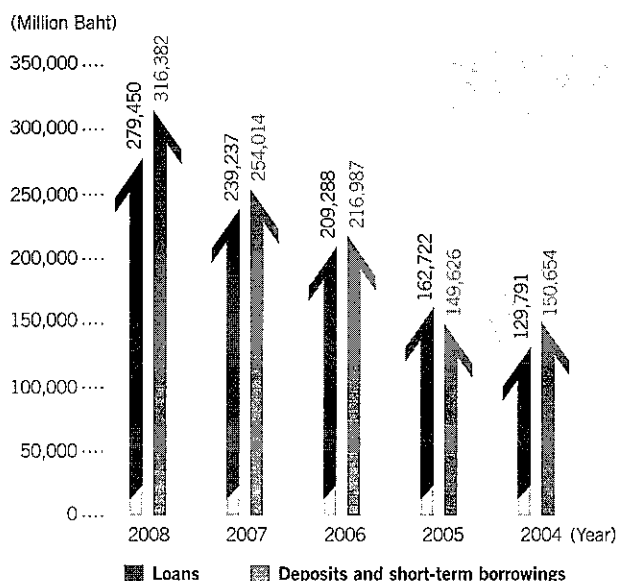
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# FINANCIAL HIGHLIGHTS

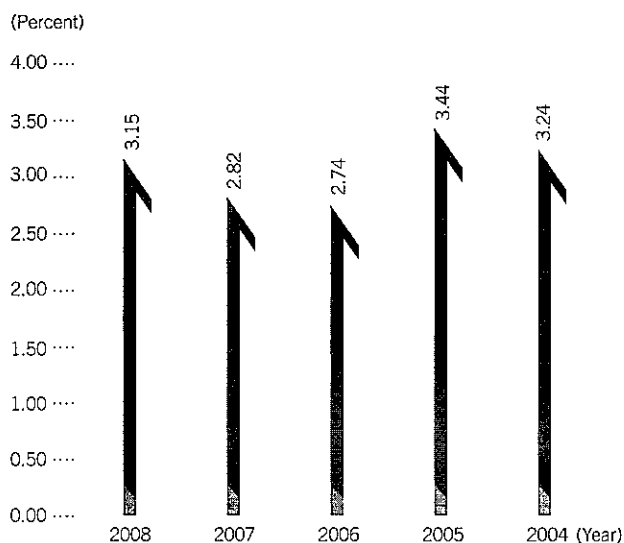
As at and for the year ended 31 December

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

## LOANS AND DEPOSITS AND SHORT-TERM BORROWINGS



## INTEREST SPREAD

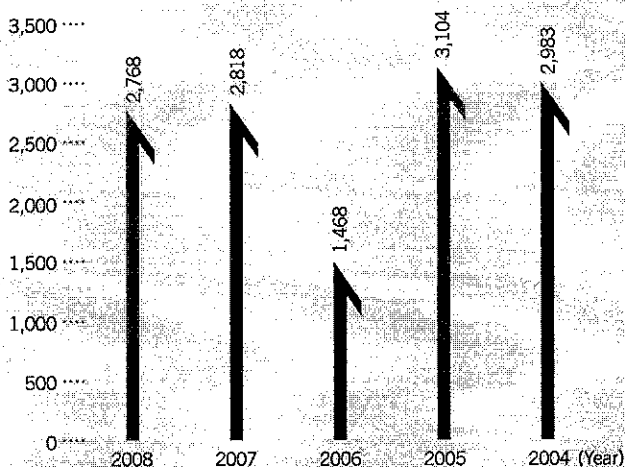


As at and for the year ended 31 December

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

## NET INCOME

(Million Baht)



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

(2) Including loss on debt restructuring

(3) Interest spread = Yield - Cost of fund

Yield = Interest and dividend income/Average earning assets

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

Cost of fund = Interest expenses/Average paying liabilities

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

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

(5) Excluding minority interest

(6) Total allowance/NPLs

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

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

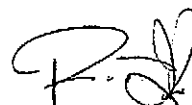
## REPORT OF INDEPENDENT AUDITOR

### To the Shareholders of Thanachart Capital Public Company Limited

I have audited the accompanying consolidated balance sheets of Thanachart Capital Public Company Limited and its subsidiaries as at 31 December 2008 and 2007, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Thanachart Capital Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Capital Public Company Limited and its subsidiaries and of Thanachart Capital Public Company Limited as at 31 December 2008 and 2007, the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.



**Ratana Jala**

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited  
Bangkok: 26 February 2009

# BALANCE SHEETS

Thanachart Capital Public Company Limited and its subsidiaries

As at 31 December 2008 and 2007

(Unit: Baht)

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

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

# BALANCE SHEETS (CONTINUED)

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

(Unit: Baht)

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

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

## BALANCE SHEETS (CONTINUED)

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

(Unit: Baht)					
	Note	Consolidated		Separate	
		financial statements		financial statements	
		2008	2007	2008	2007
<b>Shareholders' equity</b>					
Share capital	23				
Registered, issued and paid-up					
15,856 preference shares of Baht 10 each					
(2007: 19,336 preference shares of Baht 10 each)		158,560	193,360	158,560	193,360
1,333,138,147 ordinary shares of Baht 10 each					
(2007: 1,333,134,667 ordinary shares of Baht 10 each)		13,331,381,470	13,331,346,670	13,331,381,470	13,331,346,670
		13,331,540,030	13,331,540,030	13,331,540,030	13,331,540,030
Share premium		2,065,644,888	2,065,644,888	2,065,644,888	2,065,644,888
Share premium of a subsidiary company		1,141,663,553	1,141,663,553	-	-
Amount by which the value of investment in subsidiary is lower than attributable net book value	2.2	226,460,173	-	-	-
Revaluation surplus on investments	24	380,736,772	510,938,562	99,597,575	355,674,041
Revaluation deficit on investments	24	(1,699,455,335)	(528,018,466)	(543,784,863)	(54,979,876)
Retained earnings					
Appropriated - statutory reserve	25	803,178,954	734,878,415	803,178,954	734,878,415
- treasury stock reserve		110,260,325	-	110,260,325	-
Unappropriated		10,342,356,392	8,951,655,999	8,164,165,206	8,175,864,886
<b>Total shareholders' equity before treasury stock and minority interest</b>		<b>26,702,385,752</b>	<b>26,208,302,981</b>	<b>24,030,602,115</b>	<b>24,608,622,384</b>
Less: Treasury stock	23	(110,260,325)	-	(110,260,325)	-
<b>Equity attributable to the Company's shareholders</b>		<b>26,592,125,427</b>	<b>26,208,302,981</b>	<b>23,920,341,790</b>	<b>24,608,622,384</b>
Minority interest - equity attributable to minority shareholders of subsidiaries		5,769,043,040	6,053,965,927	-	-
<b>Total shareholders' equity</b>		<b>32,361,168,467</b>	<b>32,262,268,908</b>	<b>23,920,341,790</b>	<b>24,608,622,384</b>
<b>Total liabilities and shareholders' equity</b>		<b>394,135,710,727</b>	<b>321,256,152,091</b>	<b>39,924,282,484</b>	<b>51,252,359,349</b>
<b>Off-balance sheet items - commitments</b>					
Avals to bills and guarantees of loans	36.1	128,025,575	33,887,500	10,000,000	10,000,000
Obligation under unmatured import bills		442,517,702	25,150,252	-	-
Letter of credit		664,174,238	399,286,956	-	-
Other contingencies		94,516,146,613	85,246,622,627	8,000,560,088	10,600,966,747

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

# INCOME STATEMENTS

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

(Unit: Baht)

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

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



# INCOME STATEMENTS (CONTINUED)

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

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
<b>Non-interest expenses</b>					
Personnel expenses		3,660,134,901	2,894,603,867	70,523,076	87,297,704
Premises and equipment expenses		1,576,323,775	1,287,629,189	139,811,156	142,998,757
Taxes and duties		222,246,926	363,849,820	3,878,180	22,636,214
Fees and service expenses		271,646,962	251,784,630	11,810,847	15,764,832
Directors' remuneration	30	41,306,048	31,199,766	20,068,386	19,390,232
Fund contributed to the Financial Institutions					
Development Fund/Deposits Protection Fund		822,569,724	814,591,364	-	-
Insurance/Life insurance expenses		5,818,093,457	4,460,895,992	-	-
Other expenses		3,466,208,622	2,708,399,184	434,942,531	559,072,283
<b>Total non-Interest expenses</b>		<b>15,878,530,415</b>	<b>12,812,953,812</b>	<b>681,054,176</b>	<b>847,160,022</b>
<b>Income before corporate income tax</b>		<b>4,341,992,112</b>	<b>4,873,540,831</b>	<b>1,618,431,095</b>	<b>3,810,335,496</b>
Corporate income tax	31	(999,509,115)	(1,704,551,296)	(252,420,316)	(1,060,152,537)
<b>Net income for the year</b>		<b>3,342,482,997</b>	<b>3,168,989,535</b>	<b>1,366,010,779</b>	<b>2,750,182,959</b>
<b>Net income attributable to</b>					
The Company		2,768,410,852	2,817,748,523	1,366,010,779	2,750,182,959
Minority interests of the subsidiaries		574,072,145	351,241,012	-	-
		<b>3,342,482,997</b>	<b>3,168,989,535</b>	<b>1,366,010,779</b>	<b>2,750,182,959</b>
<b>Earnings per share</b>					
33					
<b>Basic earnings per share</b>					
Net income attributable to the Company		2.08	2.11	1.03	2.06
<b>Diluted earnings per share</b>					
Net income attributable to the Company		2.08	2.11	1.03	2.06

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

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

(Unit: Baht)

	Consolidated financial statements										
	Equity attributable to the Company's shareholders										
	Amount by which										
	Ordinary shares	Share premium	Share of a subsidiary company	the value of investment in subsidiary is lower than attributable net book value	Revaluation surplus (deficit) on investments	Statutory reserve	Appropriated Treasury stock reserve	Unappropriated Treasury stock	Total equity attributable to the parent's shareholders	Minority interest - equity attributable to minority shareholders of subsidiaries	Total
<b>Balance as at 1 January 2007</b>	195,460	13,331,344,570	2,065,644,888	-	-	597,369,267	-	7,336,945,260	22,585,339,516	865,485,764	23,430,825,280
Increase in share premium of a subsidiary company	-	-	-	-	-	-	-	-	1,141,663,553	-	1,141,663,553
Decrease in revaluation deficit on investments	-	-	-	-	749,080,025	-	-	-	749,080,025	-	749,080,025
Income recognised directly in equity	-	-	-	-	749,080,025	-	-	-	1,890,743,578	-	1,890,743,578
Net income for the year	-	-	-	-	-	-	-	2,817,748,523	2,817,748,523	351,241,012	3,169,999,535
Total income for the year	-	-	-	-	749,080,025	-	-	2,817,748,523	4,708,492,101	351,241,012	5,655,733,113
Conversion of preference shares to ordinary shares	(2,100)	2,100	-	-	-	-	-	-	(1,066,523,202)	-	(1,066,523,202)
Dividend paid (Note 23)	-	-	-	-	-	-	-	-	-	-	-
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	984,586	-	984,586
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	-	137,509,148	-	(137,509,148)	-	-	-
Increase in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	4,837,239,151	4,837,239,151
<b>Balance as at 31 December 2007</b>	195,360	13,331,346,670	2,065,644,888	-	(17,079,904)	734,878,415	-	8,951,655,959	26,208,302,981	6,053,965,927	32,262,268,908
<b>Balance as at 1 January 2008</b>	195,360	13,331,346,670	2,065,644,888	-	(17,079,904)	734,878,415	-	8,951,655,959	26,208,302,981	6,053,965,927	32,262,268,908
Increase in revaluation deficit on investments	-	-	-	-	(1,301,638,659)	-	-	-	(1,301,638,659)	-	(1,301,638,659)
Amount by which the value of investment in subsidiary is lower than attributable net book value	-	-	-	226,460,173	-	-	-	-	226,460,173	-	226,460,173
Income (expenses) recognised directly in equity	-	-	-	-	(1,901,639,669)	-	-	-	(1,076,178,486)	-	(1,076,178,486)
Net income for the year	-	-	-	-	-	-	-	2,760,410,832	2,760,410,832	574,072,145	3,342,482,977
Total income (expenses) for the year	-	-	-	-	(1,901,639,669)	-	-	2,760,410,832	1,683,232,366	574,072,145	2,257,304,511
Conversion of preference shares to ordinary shares (Note 23)	(34,900)	34,900	-	-	-	-	-	-	-	-	-
Cash payment for treasury stock (Note 23)	-	-	-	-	-	-	-	-	(110,260,325)	-	(110,260,325)
Dividend paid (Note 23)	-	-	-	-	-	-	-	-	(1,199,838,602)	-	(1,199,838,602)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	689,007	-	689,007
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	-	66,300,539	-	(66,300,539)	-	-	-
Transfer of retained earnings to treasury stock reserve	-	-	-	-	-	-	-	-	110,260,325	-	110,260,325
Decrease in minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(658,995,032)	(658,995,032)
<b>Balance as at 31 December 2008</b>	156,560	13,331,381,470	2,065,644,888	226,460,173	(1,318,719,533)	803,178,954	-	10,342,356,392	26,692,125,427	5,769,043,040	32,361,168,467

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

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

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

(Unit: Baht)

	Separate financial statements							Total
	Issued and paid-up share capital			Revaluation surplus (deficit) on investments	Retained earnings			
	Preference shares	Ordinary shares	Share premium		Appropriated	Treasury stock	Treasury stock	
Preference shares	Ordinary shares	Share premium	Revaluation surplus (deficit) on investments	Statutory reserve	Treasury stock reserve	Treasury stock	Total	
<b>Balance as at 1 January 2007</b>	195,460	13,331,344,570	2,065,644,888	(66,516,946)	957,969,267	6,626,719,710	-	22,556,756,949
Increase in revaluation surplus on investments	-	-	-	367,211,111	-	-	-	367,211,111
Income recognised directly in equity	-	-	-	367,211,111	-	-	-	367,211,111
Net income for the year	-	-	-	-	-	2,750,182,959	-	2,750,182,959
Total income for the year	-	-	-	-	-	2,750,182,959	-	3,117,394,070
Conversion of preference shares to ordinary shares	(2,100)	2,100	-	-	-	-	-	-
Dividend paid (Note 23)	-	-	-	-	-	-	-	-
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	(1,066,523,202)	-	(1,066,523,202)
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	-	-	994,567	994,567
<b>Balance as at 31 December 2007</b>	193,360	13,331,346,670	2,065,644,888	300,694,165	137,509,148	8,175,864,886	-	24,608,622,384
<b>Balance as at 1 January 2008</b>	193,360	13,331,346,670	2,065,644,888	300,694,165	734,878,415	8,175,864,886	-	24,608,622,384
Increase in revaluation deficit on investments	-	-	-	(744,881,453)	-	-	-	(744,881,453)
Expenses recognised directly in equity	-	-	-	(744,881,453)	-	-	-	(744,881,453)
Net income for the year	-	-	-	-	-	1,366,010,779	-	1,366,010,779
Total income (expenses) for the year	-	-	-	-	-	1,366,010,779	-	621,129,326
Conversion of preference shares to ordinary shares (Note 23)	(34,800)	34,800	-	-	-	-	-	-
Cash payment for treasury stock (Note 23)	-	-	-	-	-	-	-	(110,260,325)
Dividend paid (Note 23)	-	-	-	-	-	-	-	-
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	(1,199,839,602)	-	(1,199,839,602)
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	-	-	689,007	689,007
Transfer of retained earnings to treasury stock reserve	-	-	-	-	68,300,539	-	-	(68,300,539)
<b>Balance as at 31 December 2008</b>	158,560	13,331,381,470	2,065,644,888	(444,187,288)	803,178,954	110,260,325	(110,260,325)	23,920,341,730

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

# CASH FLOWS STATEMENTS

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

(Unit: Baht)

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

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

## CASH FLOWS STATEMENTS (CONTINUED)

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

(Unit: Baht)

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND PERFORMANCE

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

#### SUMMARY OF PERFORMANCE

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

(Unit: Million Baht)

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

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

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

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

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

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

### NET INTEREST AND DIVIDEND INCOME

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

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

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

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

(Unit: Million Baht)

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

### NON-INTEREST INCOME

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

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

(Unit: Million Baht)

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



## NON-INTEREST EXPENSES

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

## BAD DEBT AND DOUBTFUL ACCOUNTS

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

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

## ASSETS

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

### INTERBANK AND MONEY MARKET ITEMS

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

### INVESTMENTS - NET

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

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

(Unit: Million Baht)

## LOANS AND ACCRUED INTEREST RECEIVABLES

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

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

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

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

## CLASSIFIED LOANS

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

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

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

## NON-PERFORMING LOANS (NPLs)

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

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

(Unit: Million Baht)

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

## ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

## DEBT RESTRUCTURING

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

## PROPERTY FORECLOSED - NET

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

## CAPITAL EXPENDITURE

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

## **LIQUIDITY**

As at 31 December 2008, the cash of the Company and its subsidiaries amounted to 4,018 million baht, an increase of 743 million baht from the previous year. The net cash flows were used in the following activities:

- The net cash flows used in operating activities were a result of the important changes in the assets and liabilities; which consisted of an increase of 25,245 million baht in interbank and money market items (assets), a decrease of 2,500 million baht in securities purchased under resale agreements, an increase of 48,608 million baht in loans, a decrease of 6,567 million baht in property foreclosed, an increase of 81,564 million baht in deposits, an increase of 3,584 million baht in interbank and money market items (liabilities), and a decrease of 389 million baht in securities business payable.

- The net cash flows from investing activities amounted to 12,013 million baht. Of these, the cash paid for purchase of investments contributed 12,617 million baht, the cash paid for purchase of premises and equipment/intangible assets contributed 890 million baht, while the cash received from interest and dividend amounted to 1,477 million baht.

- The net cash flows used in financing activities amounted to 18,420 million baht. The cash received from borrowings amounted to 15,692 million baht while the cash paid for borrowings amounted to 30,264 million baht. Other payments included cash worth 2,373 million baht paid for interest expenses, payment of a dividend of 1,153 million baht, and cash worth 109 million baht paid for treasury stock.

## **SOURCES OF FUNDS**

### **CAPITAL STRUCTURE**

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

### **LIABILITIES**

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

- As at the end of 2008, the total deposits and short-term borrowings amounted to 316,382 million baht, an increase of 62,368 million baht or 24.55 percent from the previous year.

- The long-term borrowings amounted to 18,811 million baht, a decrease of 4,694 million baht or 33.25 percent from the previous year.

(Unit: Million Baht)

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

### SHAREHOLDERS' EQUITY

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

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

### OBLIGATIONS

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

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

(Unit: Million Baht)

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

## **THANACHART BANK PUBLIC COMPANY LIMITED**

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

### **FINANCIAL POSITION**

#### **ASSETS**

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

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

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

#### **LIABILITIES**

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

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

#### **SHAREHOLDERS' EQUITY**

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

#### **DEBT TO EQUITY RATIO**

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

## **OBLIGATIONS**

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

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

## **ASSET QUALITY**

### **1. Loans, Debtors and Accrued Interest Receivables**

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

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

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

### **3. Non-Performing Loans (NPLs)**

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

### **4. Investments in Securities**

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



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

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

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

#### **OVERALL PERFORMANCE**

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

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

1. As regards lending growth, Thanachart Bank successfully extended more new loans, both hire purchase loans and corporate loans, in a continuous manner. In particular, the automobile hire purchase loans which were the Bank's key business increased by 22.28 percent from 162,205 million baht in 2007 to 198,344 million baht in 2008.

2. In relation to its deposits, Thanachart Bank managed to expand its depositor base, despite the decline in interest rates. The Bank was also able to achieve an appropriate proportion of different types of deposit products. Noteworthy was its successful introduction of various new products that provided its customers with more alternatives. The efforts enabled Thanachart Bank to expand its client base and achieve a larger market share. As a result, Thanachart Bank was also able to cut its cost of funds to 3.21 percent from 3.76 percent in 2007.

3. To boost more non-interest income and to cut its operational costs in 2008, Thanachart Bank stepped up efforts to introduce more new products as well as streamlining basic infrastructure and work systems. Apart from helping the Bank prepare for future business expansion, the efforts enabled Thanachart Bank to maintain its non-interest income ratio at 17.92 percent.

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

#### **INTEREST AND DIVIDEND INCOME**

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

#### **INTEREST EXPENSES**

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

#### **BAD DEBTS AND DOUBTFUL ACCOUNTS**

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

#### **NON-INTEREST INCOME**

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

#### **NON-INTEREST EXPENSES**

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

### **THANACHART SECURITIES PUBLIC COMPANY LIMITED**

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

### **FINANCIAL POSITION**

#### **ASSETS**

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

## **LIABILITIES**

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

## **SHAREHOLDERS' EQUITY**

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

## **LIQUIDITY**

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

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

## **OPERATING RESULTS**

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

### **REVENUE**

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

### **COSTS AND EXPENDITURES**

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

## **THANACHART FUND MANAGEMENT COMPANY LIMITED**

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

## **FINANCIAL POSITION**

### **ASSETS**

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

### **LIABILITIES**

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

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

### **SHAREHOLDERS' EQUITY**

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

## **OPERATING RESULTS**

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

### **REVENUE**

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

### **COSTS AND EXPENDITURES**

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

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

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

## **THANACHART INSURANCE COMPANY LIMITED**

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

## **FINANCIAL POSITION**

### **ASSETS**

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

### **LIABILITIES**

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

### **SHAREHOLDERS' EQUITY**

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

### **LIQUIDITY**

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

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

## **OPERATING RESULTS**

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

### **REVENUE**

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

#### **COSTS AND EXPENDITURES**

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

#### **THANACHART LIFE ASSURANCE COMPANY LIMITED**

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

#### **FINANCIAL POSITION**

##### **ASSETS**

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

##### **LIABILITIES**

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

##### **SHAREHOLDERS' EQUITY**

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

#### **OPERATING RESULTS**

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

##### **REVENUE**

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

##### **COSTS AND EXPENDITURES**

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

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

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

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

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

## **MAX ASSET MANAGEMENT COMPANY LIMITED**

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

### **FINANCIAL POSITION**

#### **ASSETS**

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

#### **LIABILITIES**

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

#### **SHAREHOLDERS' EQUITY**

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

### **OPERATING RESULTS**

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

#### **INCOME**

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

#### **COSTS AND EXPENDITURE**

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

#### **NFS ASSET MANAGEMENT COMPANY LIMITED**

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

#### **FINANCIAL POSITION**

##### **ASSETS**

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

##### **LIABILITIES**

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

##### **SHAREHOLDERS' EQUITY**

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

#### **OPERATING RESULTS**

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

##### **INCOME**

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

##### **COSTS AND EXPENDITURE**

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