

BankThai Public Company Limited
Information Memorandum to shareholders regarding Connected Transactions

A) Information Memorandum in respect of clause 16 of the Notification of the Board of Governors of the Stock Exchange of Thailand B.E. 2546 (A.D. 2003)

1. Date of Transaction:

To occur after the Extraordinary General Meeting of Shareholders No. 1/2009, to be held on 20 February 2009 and, subsequently, the approvals granted by the Bank of Thailand (the “**BOT**”), the Office of Securities and Exchange Commission (the “**SEC**”) and/or any other agencies whose authority relates to the Issuance of Hybrid Tier 2 (defined herein).. The Bank expects that it will be able to complete the Issuance of Hybrid Tier 2 (defined herein) by March 2009.

2. Parties involved:

Issuer : BankThai Public Company Limited (“**BankThai**” or the “**Bank**”)
Purchaser : CIMB Bank Berhad (“**CIMB Bank**”)

3. Relationship:

CIMB Bank, a major shareholder of the Bank pursuant to the Rules on Connected Transactions, holds 6,143,544,532 shares of the Bank, which represents 92.04% of the current entire issued and paid-up share capital of the Bank.

4. Characteristics of the transaction:

The Board of Directors’ meeting No. 2/2009, held on January 22, 2009, resolved to approve the issuance and offering for sale of instruments having a similar in nature of capital which is regarded by the BOT as Hybrid Tier 2 capital (“**Issuance of Hybrid Tier 2**”), up to an amount of THB 2,500,000,000. The Bank has been informed that CIMB Bank, the major shareholder of the Bank, or its nominated party(ies) will be participating in the issuance and offering for sale of Hybrid Tier 2, in order to lend support and credence to the issuance of Hybrid Tier 2, which will ensure the capital needs of the Bank.

Please refer to further details of the Issuance of Hybrid Tier 2 in the indicative principal terms and conditions as attached in Enclosure 2.

5. Total value of the consideration and condition of payment:

With regards to the indicative pricing of the Issuance of Hybrid Tier 2, it was proposed that, based on current market pricing and recent comparable transactions, the indicative average pricing range for the Issuance of Hybrid Tier 2, on the assumption that the Issuance of Hybrid Tier 2 takes place in end January 2009 under current market conditions, is the 10-year Government Bond Yield + 2.1%-3.1% spread. Based on the current 10-year Government Bond Yield of 3.4%, it translates to an average yield of 5.5% to 6.5%.

However, such final yield for the Issuance of Hybrid Tier 2 shall be dependent on the prevailing market conditions at the time of Issuance of Hybrid Tier 2, including demand from investors, and under the agreements and conditions of the Hybrid Tier 2 issued at that time, and to be under the Securities and Exchange Commission of Thailand’s (“**SEC**”) notification and/or the SET and/or the notification or regulations of any government agencies concerned which are still in effect at the time of issuance of

Hybrid Tier 2 and offer (if more than one issue) and the Board of Directors including the person or the group of persons assigned by the foregoing shall be authorised to determine the final yield for the Issuance of Hybrid Tier 2 should there be changes to the prevailing market conditions and other abovementioned factors at the time of issuance of Hybrid Tier 2.

The Issuance of Hybrid Tier 2 may be considered a connected transaction as the receipt of financial assistance, of which the transaction value, taking into account the average yield together with the aforementioned assumption, is expected to be more than 3% of the consolidated net tangible assets (“**NTA**”) of the Bank, including its subsidiaries, according to the reviewed financial statements of the Bank as at 30 September 2008 (the Bank’s NTA pursuant to the financial statement, as at 30 September 2008, was Baht 5,031,687,000)

6. The conditions of the Transaction:

The issuance of Hybrid Tier 2, up to an amount of Baht 2,500,000,000, to supplement the Bank’s capital base requires the approvals from the SEC, the Bank of Thailand and/or any other agencies whose authority relates to the Issuance of Hybrid Tier 2. In addition, the Issuance of Hybrid Tier 2 requires the votes of no less than three quarters of all shareholders in the meeting with rights of votes excluding interested shareholders’ equity.

7. Opinion of the Board of Directors:

The Board of Directors has considered and deliberated the above transaction, and has concluded that the transaction constitutes a major part of the recapitalisation of the Bank which is integral to the strengthening of the Bank’s current capital position, and for sustainable growth and development both in the short and long run.

8. Opinion of Audit Committee and/or Directors of the Bank that are Different from those of the Board of Directors pursuant to Clause 7 above

-None-

9. Directors with special interest:

Mr. Kenny Kim and Dato’ Robert Cheim, the representative directors from CIMB Bank who may be deemed to have interest shall not be entitled to vote.

10. Submission of Invitations to Shareholders

The Bank will submit to the SEC and the SET for its perusal the invitation letter and other attachments before sending them to all shareholders. However, such invitation letter and attachments shall be sent to all shareholders at least 14 days prior to the shareholders’ meeting date.

B) Brief information concerning the company and its business operation

BankThai Public Company Limited

| | |
|----------------------|--|
| Business Type | : Commercial Bank |
| Registered office | : No. 44, North Sathorn Road, Silom, Bangkok 10500, Thailand |
| Registration No. | : 0107537002338 (former Bor. Mor. Jor. 480) |
| Home Page | : www.bankthai.co.th |
| Telephone | : 0-2633-9000-3, 0-2638-8000 |
| Facsimile | : 0-2633-9026 |
| BANKTHAI Care Center | : 0-2626-7777 |

1. Background and key developments

BankThai was established through the amalgamation of the Union Bank of Bangkok Public Company Limited, the 12 state-intervened finance companies¹ and Krungthai Thanakit Finance Public Company Limited² pursuant to the governmental order on 14 August 1998, a Cabinet resolution of 27 October 1998 and the notification of the Ministry of Finance, dated 22 December 1998. The consolidated entity subsequently changed its name to "BankThai Public Company Limited", a new commercial bank established on 21 December 1998. The Financial Institutions Development Fund (the "FIDF") acquired a major shareholding in the Bank and subsequently, the SET approved the trading of the Bank's ordinary shares on 30 March 2001 with "BT" designated as its stock trading sign.

Details of the Bank's major developments are summarised below:

The Bank of Thailand issued an order to the Union Bank of Bangkok Public Company Limited to reduce its registered capital via a par value reduction from Baht 10 per share to Baht 0.01 per share, resulting in a decrease of the registered capital from Baht 1,800 million to Baht 1.8 million. The Bank of Thailand then ordered Union Bank to increase its registered capital from Baht 1.8 million to Baht 12,334 million through the issuance of increased ordinary shares totaling 1,233,220 million shares at 0.01 Baht per share, all of which were allotted to the FIDF. As a result, the Bank's registered and paid-up capital was Baht 12,334 million with the FIDF holding 100%. With that, the Bank's capital funds were sufficient to facilitate the consolidation between the Union Bank of Bangkok PCL, the 12 state-intervened finance companies and Krungthai Thanakit Finance and Securities Public Company Limited, into a new commercial bank, with the FIDF being the major shareholder.

Pursuant to the resolution of the Cabinet on 27 October 1998 and the notification of the Ministry of Finance on 22 December 1998, the following steps taken were:

- transfer of all assets and liabilities of 12 finance companies to Krungthai Thanakit Finance Public Company Limited; and
- transfer of all assets and liabilities of Krungthai Thanakit Finance Public Company Limited to the Union Bank of Bangkok Public Company Limited.

Upon completion of the above processes, Krungthai Thanakit Finance Public Company Limited and the other 12 controlled finance companies surrender their finance business licenses to the Ministry of Finance. The Union Bank of Bangkok Public Company Limited changed its name on 21 December 1998 to BankThai Public Company Limited.

¹ Comprises:

| | | |
|---|---|---|
| <i>Nava Finance and Securities Plc.</i> | <i>Vajiradhanathun Finance Co., Ltd.</i> | <i>First City Investment Plc.</i> |
| <i>Thai Summit Finance and Securities Co., Ltd.</i> | <i>Erawan Trust Co., Ltd.</i> | <i>Ksit Finance and Securities Plc.</i> |
| <i>Mahatun Finance Co., Ltd.</i> | <i>Progressive Finance Co., Ltd.</i> | <i>Union Asia Finance Plc.</i> |
| <i>Bangkok Asian Finance Co., Ltd.</i> | <i>Dhana Siam Finance and Securities Plc.</i> | <i>IFCT Finance and Securities Plc.</i> |

² Previously named Krungthai Thanakit Finance and Securities Public Company Limited

In 1999, the Bank changed the par value of its ordinary shares from Baht 0.01 per share to Baht 10 per share and increased capital amounting to Baht 40,000 million via the issuance of non-cumulative preferred shares, of which can be converted into ordinary shares with the right to receive capital reduction upon conversion into ordinary shares for 4,000 million shares with a par value of Baht 10 per share to the FIDF. The allotment was made through a private placement to the FIDF for the entire amount at a price equal to par value, i.e. Baht 10 per share. The FIDF paid for 3,706.80 million shares at the price of 10 Baht per share, totaling Baht 37,068 million. As a result, the Bank's registered capital increased to Baht 52,334 million and the issued shares to Baht 49,402 million, with the FIDF holding 100%.

Subsequently in 2000, the Bank reduced its registered capital by Baht 2,932 million by canceling un-issued preferred shares and then increasing registered capital via the issuance of 260.05 million ordinary shares with a par value of Baht 10 per share. The increased capital was allotted through a private placement offering to shareholders of Krungthai Thanakit Finance Public Company Limited at the price of Baht 5.6184 per share. The purchase was paid with the ordinary shares of Krungthai Thanakit Finance Public Company Limited. The value of the bank's ordinary shares, as appraised by the Bank, was equal to Baht 1.3566 per share, resulting in a share swap ratio of 0.2414478 the Bank's share per 1 share of Krungthai Thanakit Finance Public Company Limited. Upon completion of the share swap, the Bank's registered and paid-up capital stood at Baht 52,002.5 million with the FIDF being the major shareholder holding 5,145.3 million shares (1,438.5 million ordinary shares and 3,706.8 million preferred shares), representing 98.94% of total issued shares.

At the end of 2000, the Bank complied with the resolution with regards to the compensation of non-performing assets as approved by the Cabinet on 19 September 2000. The Bank reduced capital via the cancellation of all preferred shares and returned the total preferred share capital of Baht 37,068 million to the FIDF, in order to relieve the FIDF's burden and to adjust the amount of capital to an appropriate level. The Bank subsequently recorded the FIDF as a creditor and issued promissory notes to the FIDF, which were to be payable by 1 January 2006. The Bank gradually made partial repayment of Baht 15,068 million of the promissory notes in cash, and the remaining Baht 22,000 million was mutually agreed by the FIDF and the Bank to be used against the compensation of non-performing asset transactions the Bank recorded as receivables from the FIDF under a gain/loss sharing and yield maintenance agreement. The Bank had fully set off such an amount by the end of 2005.

Additionally, as the FIDF had been the sole absorber of the burden incurred from the Bank's financial difficulties and capital increase in the past, to provide an opportunity for the Bank to compensate the FIDF and to improve the Bank's business status and operations, on 9 May 2001, the Bank issued 10-year warrants to purchase its preferred shares ("**Warrants**"), totaling 3,706.80 million units and maturing on 8 May 2011 to the FIDF, at no cost. The Warrants carried transfer restrictions, and each Warrant may be converted into 1 preferred share of the Bank at Baht 10 per share. The Bank increased its registered preferred share capital by 3,706.80 million shares at Baht 10 per share as full reserve for the Warrants and registered the same with the Registrar of public limited companies. With that, the Bank's registered capital was equal to Baht 52,002.50 million, consisting of 1,493.45 million ordinary shares with a par value of Baht 10 per share and 3,706.80 million preferred shares with a par value of Baht 10 per share. The Bank's issued shares stood at Baht 14,934.50 million with the FIDF being the major shareholder holding 1,438.45 million ordinary shares, or equivalent to 96.32% of the Bank's total ordinary shares.

In 2002, the FIDF decreased its shareholding in the Bank in line with the government's privatisation policy through the disposal of 707 million of the Bank's ordinary shares held by the FIDF to the public. Accordingly, the FIDF's shareholding declined from 96.32% to 48.98% of the Bank's total shares. In terms of the Warrants issued to the FIDF, to prevent any negative impact on the Bank's share price and to

limit the FIDF's holding in the Bank's shares to less than 50% of the total issued shares, the Bank's Board of Directors' meeting No. 13/2002, held on 28 August 2002, passed a resolution to cancel the Warrants by buying them back from the FIDF. Subsequently, on 23 September 2002, the Bank entered into a Warrant buyback option agreement with the FIDF (the "**Agreement**"). The Bank paid a total of Baht 300 million to the FIDF for its reacquisition rights. The major terms and conditions of the Agreement include, amongst others:

- The FIDF agreed to grant the Bank the right to buy its Warrants at Baht 0.27907 per unit, plus interest determined at the Bank's average funding cost, from 23 September 2002 to the buyback date;
- The exercise period is 23 September 2002 to 8 May 2010; and
- The FIDF agreed not to exercise its conversion rights for the duration of the reacquisition period. If any Warrants remain at the end of the reacquisition period or they are not exercised for all the 3,706.80 million units, the FIDF may exercise its conversion rights in accordance with the original conditions of the Warrants.

On 16 February 2007, the Bank's Board of Directors passed a resolution ratifying the accrual of the Warrants buyback transaction at a total price of Baht 1,034.46 million plus interest of Baht 111.18 million (a total of Baht 1,145.64 million), retrospectively, and effective until 31 December 2006, and the recording of the buyback transaction was made directly against the Bank's deficit with the corresponding credit of amounts due to FIDF in the 31 December 2006 financial statements.

After obtaining approval from the Extraordinary General Meeting of Shareholders No. 1/2007, held on 30 May 2007, the Bank repurchased and canceled its Warrants by way of a payment to the FIDF of Baht 1,162 million (inclusive of interest calculated from 1 January 2007 – 30 May 2007 of Baht 16 million), recorded on the balance sheet, and increasing registration via the cancellation of preferred shares and all remaining unsold shares (3,706.8 million shares) on 12 July 2007.

Additionally, in 2007 the Board of Directors' approved the sale of 556.23 million new ordinary shares to investors, i.e. Newbridge Sukhothai Netherlands B.V ("**Newbridge**"), representing approximately 24.99% of the total paid up shares at the price of Baht 4.17 per share, for a total amount of Baht 2,319.46 million, and to Blum Strategic III BT Hong Kong Limited, and MSOF Hong Kong BT Limited for a total of 175.23 million shares or 7.90% of the total paid-up capital at the price of Baht 4.17 per share, for a total amount of Baht 730.69 million. The Annual General Meeting of Shareholders No.13 (2007) approved a whitewash to the abovementioned investors, and approved a capital reduction via the reduction of par value from Baht 10 per share to Baht 3.75 per share. On 13 November 2008 (the last closing date of the share register book of the Bank), Newbridge Sukhothai Netherlands B.V., Blum Strategic III BT Hong Kong Limited and MSOF Hong Kong BT Limited acquired the shares of the Bank, representing approximately 36.74%, 3.95% and 1.31% of the total paid-up shares, respectively.

On 20 June 2008, the FIDF entered into a share purchase agreement with CIMB Bank. Under the agreement, the FIDF agreed to sell its 2,811,862,559 shares in the Bank (equivalent to 42.13% of the total and paid up shares of the Bank) at the price of Baht 2.10 per share, totaling of Baht 5,904.91 million.

On 9 October 2008, the Bank received a letter from the Bank of Thailand approving CIMB Bank to hold the shares in the Bank in excess of the amount limited by law. In addition, the Ministry of Finance also approved the Bank to have non-Thai shareholders of more than 49% of the total issued and paid-up shares, and to have such number of non-Thai directors of more than one-half of the total directors in accordance with the foreign shareholding ratio from CIMB Bank's purchase of shares from the FIDF and tender offer on the Bank, and the impending capital increase to be completed by the first quarter of 2009.

On November 5, 2008, CIMB Bank completed its purchase of ordinary shares of the Bank from the FIDF, and emerged as the largest shareholder of the Bank at 42.13%. On November 17, 2008, the Bank was notified that CIMB Bank will be undertaking a tender offer to purchase all the remaining shares of the Bank it does not own (3,862,838,023 shares or 57.87% of the total issued and paid-up shares of the Bank) at the price of THB 2.10 per share for the total value of Baht 8,111,959,848.30. Upon completion of the tender offer on 6 January 2009, CIMB Bank's shareholding in the Bank had increased to 6,143,544,532 shares, representing 92.04% of the total issued and paid-up shares of the Bank.

2. Type of Business and Business Activities

Nature of Business

BankThai is licensed by the Ministry of Finance and related authorities to engage in the commercial banking business, which constitutes the primary business of the Bank. In addition, the Bank is also focused on innovative and value-added products and services, especially those that can contribute to its fee-based income; such as to cash management, financial advisory service and treasury products.

The main businesses of the Bank can be summarised as follows:

- (i) Commercial banking business: the Bank provides a full suite of commercial banking products and services, such as deposits, loans, discounting, aval/acceptance of bills of exchange, letters of guarantee, foreign exchange trading, letters of credit, tele-banking and ATM services;
- (ii) Insurance business: life and non-life insurance brokerage, as licensed by the Department of Insurance, the Ministry of Commerce;
- (iii) Securities businesses and other related businesses as licensed by the SEC and/or Ministry of Finance such as:
 - (a) Financial advisory;
 - (b) Registrar and paying agent services
 - (c) Debt securities dealing and underwriting ;
 - (d) Bondholder's representative;
 - (e) Brokerage, dealing and underwriting of investment unit trusts;
 - (f) Custodian services; and
 - (g) Derivatives dealing;
- (iv) Business consultancy; and
- (v) Asset management;

In all cases, the Bank holds a stake in businesses that contribute, either directly or indirectly, towards promoting its growth, with some having been transferred to the Bank under the merger process. The Bank's policy remains focused on building synergies between its strategic business units and its subsidiary and associate companies. With this in mind, the Bank intends to retain only those companies with growth potential and which are able to generate good investment returns.

The Bank's strength lies in its well-established and extensive network of domestic branches. As at 31 December 2008, the Bank operated 36 main offices with credit

facilities and 147 branches, all of them equipped with foreign exchange facilities. In addition, customers enjoy easy and convenient access to 1,054 ATM terminals across the country. At the branches, the Bank also has 24 CDMs (Cash Deposit Machines) and 31 Passbook Update Machines.

C) List of the management and list of the first 10 shareholders as at the date of close of share register book

1. Board of Directors

The Board of Directors of the Bank as at 3 February 2009 are as follows:

| No. | Name | Title |
|-----|-----------------------------|--|
| 1 | Mr. Tawee Butsunorn | Chairman of the Board |
| 2 | Mr. Chin Yuen Yin | Acting President |
| 3 | Mr. Techapit Sangsingkeo | Independent Director, Chief of Audit Committee |
| 4 | Mr. Dharin Divari | Independent Director, Audit Committee |
| 5 | Mr. Chatchawal Eimsiri | Independent Director, Audit Committee |
| 6 | Dato' Sharrani Bin Ibrahim | Independent Director |
| 7 | Mr. Preecha Oonchitti | Director |
| 8 | Dato' Robert Cheim Dau Meng | Director |
| 9 | Mr. Kenny Kim | Director |
| 10 | Mr. Ranvir Dewan | Director |
| 11 | Mrs. Watanan Petersik | Director |
| 12 | Mr. Phirasilp Subhapholsiri | Director |

Note: Additional Information relating to Directors

| | |
|--|--------|
| <i>A. Illegal Record</i> | : None |
| <i>B. Debt on Bank or subsidiary companies</i> | : None |
| <i>C. Conflict of Interest</i> | : None |

2. Executive Management

The Executive Management Committee of the Bank as at 3 February 2009 are as follows:

| No. | Name | Title |
|-----|---------------------------------|---|
| 1 | Mr. Chin Yuen Yin | Acting President |
| 2 | Mrs. Duangphorn Sucharittanuwat | Senior Executive Vice President (Business Development Group) |
| 3 | Mr. Ekajai Tivutanond | Senior Executive Vice President (Business Support Group) |
| 4 | Mr. Surachai Chitratsenee | Senior Executive Vice President (Retail Banking Group) |
| 5 | Mrs. Panute Na Chiangmai | Executive Vice President (Group Deputy – Risk Management) |
| 6 | Mr. Phongsuree Bunnag | Executive Vice President (Human Resources Management Division) |
| 7 | Mr. Pipat Eamsherangkoon | Executive Vice President (Technology Division) |

| No. | Name | Title |
|-----|----------------------|--|
| 8 | Mr. Nuekruk Baingern | Executive Vice President (Operation Division) |

Note:

1. "Executive Management" means Director, President, or the top 4 Management positions after the President, according to the definition of the SEC, and another person to be same as
2. Additional Information relating to the Management Committee:
 - A. Illegal Record : None
 - B. Debt on Bank or subsidiary companies : None
 - C. Conflict of Interest : None

3. Shareholders

The top 10 shareholders of the Bank as at 12 January 2009 are as follows:

| | Name of shareholders | Number of Shares | % of Total |
|-----|---|------------------|------------|
| 1. | CIMB BANK BERHAD | 6,143,544,532 | 92.04 |
| 2. | BARCLAYS BANK PLC, SINGAPORE-WEALTH MGT | 264,866,744 | 3.97 |
| 3. | Pannasub Co., Ltd. | 118,790,100 | 1.78 |
| 4. | Thai NVDR Co., Ltd. | 34,209,795 | 0.51 |
| 5. | Mr. Pisit Phruekpaiboon | 9,604,300 | 0.14 |
| 6. | CLEARSTREAM NOMINEES LTD | 2,644,655 | 0.04 |
| 7. | Mrs. Charoonlak Panitchiwa | 2,544,400 | 0.04 |
| 8. | Mrs. Suwanna Supachardkaisorn | 2,000,000 | 0.03 |
| 9. | Mrs. Ruenphet Sethapiyanon | 2,000,000 | 0.03 |
| 10. | Mr. Pairoj Charoenwisuttiwong | 1,826,500 | 0.03 |
| | Other shareholders | 92,669,556 | 1.39 |
| | Total 3,763 shareholders | 6,674,700,582 | 100.00 |

(2 February 2009 shall be the closure date of the Share Registry Book for preparing the list of shareholders. The Bank shall distribute the list of shareholders (as at 2 February 2009) to the all shareholders present at the Extraordinary General Meeting of Shareholders No. 1/2009)

D) Related party transactions during the past year and present year until the latest quarter (if any)

Related party transactions constitute part of the Bank's business activities and are subject to the formal approval process. There is every probability that related party transactions will continue to be an integral part of the Bank's businesses, however, they will continue to be governed by clearly-defined procedures and practices for reviewing and approving such transactions

In year 2007, the Bank had significant business transactions with its subsidiary, associate and affiliate companies (related by way of common shareholders and/or common directors), including related persons (directors or executives from the level of vice president upwards). These transactions are in compliance with the conditions and the criteria that are agreeable between the Bank and its subsidiary, associate and affiliate companies. The summary of the related party transactions as follows (as per disclosed in the financial note Item 35):

- (i) As at 31 December 2007, loans and contingent liabilities associated with one executive from the level of vice president upwards amounted to Baht 1 million; and
- (ii) As at 31 December 2007, loans, contingent liabilities and deposits associated with businesses in which the Bank and its subsidiary companies, or directors or

executives from the level of vice president upwards, hold 10% or more of their paid-up capital were as follows:

(millions of Baht)

| Company Name | Obligations | Outstanding loan / Investments in receivables | Interest rate | Deposits | | Nature of relationship |
|------------------------------------|-------------|---|----------------------------|----------|-----------------|---|
| | | | | | % share-holding | Joint Management |
| <u>Subsidiary companies</u> | | | | | | |
| BT Securities Co., Ltd. | - | 86 | MLR-1.5%, MOR-2%, 1% | 31 | 99.99 | Directors with delegated signature authority: Mrs. Duangphorn Sucharittanuwat, Mrs. Panute Na Chiangmai, Mr. Surin Premamornkit |
| BT Leasing Co., Ltd. | - | 2,258 | MOR-2%, 4.07% | 28 | 99.99 | Directors with delegated signature authority: Mr. Surachai Chitratsenee, Mr. Tada Charukitphaisan Mr. Patom Amorndechawat |
| BT Asset Management Co., Ltd. | - | - | - | 8 | 99.99 | Directors with delegated signature authority: Mr. Manit Jeeradit, Mr. Prasert Wangrattanapranee |
| BT Consultant Co., Ltd. | - | 6 | MOR-2% | 2 | 99.99 | Directors with delegated signature authority: Mr. Phongsuree Bunnag, Mr. Prasert Wangrattanapranee |
| BT Insurance Co., Ltd. | - | - | - | 39 | 99.99 | Directors with delegated signature authority: Mr. Preecha Oonchitti, Mr. Phirasilp Subhapholsiri, Mr. Ekajai Tivutanond, Mr. Surachai Chitratsenee |
| Sathon Asset Management Co., Ltd. | - | 2,969 | MOR-2%, 4.05% | 61 | 99.99 | Directors with delegated signature authority: Mr. Ekachai Tivutanond, Mr. Surachai Chitratsenee, Mr. Songwud Buakhem, Mr. Thaphop Kleesuwan |
| Krungthai Thanakit Finance Plc.* | - | - | - | 143 | 99.10 | - |

| Company Name | Obligations | Outstanding loan / Investments in receivables | Interest rate | Deposits | % share-holding | Nature of relationship |
|--|-------------|---|--|----------|-----------------|---|
| BT WorldLease Co., Ltd. | 442 | - | MLR+2%, MOR+2% of obligations | 18 | 75.04 | Joint Management Directors with delegated signature authority: Mr. Surachai Chitratsenee, Mr. Tada Charukitphaisan Mr. Patom Amorndechawat |
| <u>Subsidiary held by the Bank's subsidiary (BT WorldLease Co., Ltd.)</u> | | | | | | |
| Asset Liability Management Co., Ltd. | - | - | - | 1 | - | - |
| <u>Associate Companies</u> | | | | | | |
| Millea Life Insurance (Thailand) Public Co., Ltd. | - | - | - | 68 | 30.00 | Director: Mr. Chamnarn Wangtal, Mr. Tada Charukitphaisan |
| Worldclass Rent A Car Co., Ltd. | 4 | 3 | MLR, 2% of obligations | - | 20.00 | - |
| <u>Related Companies</u> | | | | | | |
| Suetrong Construction Co., Ltd. | 34 | 473 | MLR, 2.5% of obligations | 1 | 50.00 | Director: Mr. Songwud Buakhem |
| Srihethphai Plaschem Co., Ltd. | - | - | 15% | - | 37.48 | - |
| Wongpaitoon Group Plc. | - | 89 | 0.1% | - | 16.26 | - |
| Samchai Public Co., Ltd.* | - | - | 15% | - | 10.00 | - |
| Senju Metal (Thailand) Co., Ltd. | - | - | - | 53 | 10.00 | - |
| Thai Baroda Industry Co., Ltd. | 70 | 262 | No interest, 9.15%, 0.5% & 2% of obligations | - | 9.51 | Director: Mr. Songwud Buakhem |
| Burapa Steel Industries Co. Ltd. | - | - | 15%, 0.1% | - | - | - |
| S. Capital Co. Ltd. | - | - | 15% | - | - | - |
| P.T.K. Metal Co. Ltd. | - | - | 15% | - | - | - |
| Maxwin Builders Ltd. | - | 134 | 5%, no interest | - | - | - |
| Union Petrochemical Public Co., Ltd. | 2 | 40 | MOR, 5.05%, 0.4%, 1.5% of obligations | 4 | - | - |

| Company Name | Obligations | Outstanding loan / Investments in receivables | Interest rate | Deposits | Nature of relationship | |
|--|-------------|---|----------------------|----------|------------------------|------------------|
| | | | | | % shareholding | Joint Management |
| Sukhumvit Asset Management Co., Ltd. | 2 | - | 1.25% of obligations | 50 | - | - |
| Thai Asset Management Corporation Global Leasing Co., Ltd. | - | - | - | 1,669 | - | - |
| | - | - | 15% | - | - | - |

* Currently undergoing liquidation process

The Bank extends the same deposit interest rates to the related parties as to other customers.

The Bank's related party transactions with the FIDF, a former major shareholder, are associated with the Gain/Loss Sharing and Yield Maintenance Agreement, comprising the yield maintenance income, gain/loss sharing, promissory notes, and warrant buyback agreements. The particulars of these transactions are disclosed in the Notes to the Financial Statements for the year ended 31 December 2007. The outstanding and substantial related party transactions are separately disclosed in the balance sheet and the income statements for the year ended 31 December 2007.

In the year 2008, the Bank had significant business transactions with its subsidiary, associate and affiliate companies (related by way of common shareholders and/or common directors), including related persons (directors or executives from the level of vice president upwards). Those transactions is complied with the conditions and the criteria that are agreeable between the Bank and its subsidiaries or such related persons. The summary of the related transactions as follows:

- (i) As at 30 September 2008, loans and contingent liabilities associated with one executive from the level of vice president upwards amounted to Baht 1 million; and
- (ii) As at 30 September 2008, loans, contingent liabilities and deposits associated with businesses in which the Bank and its subsidiary companies, or directors or executives from the level of vice president upwards, hold 10% or more of their paid-up capital were as follows:

(millions of Baht)

| Company Name | Obligations | Outstanding loan / Investments in receivables | Interest rate | Deposits | Nature of relationship |
|------------------------------------|-------------|---|---------------------|----------|---|
| | | | | | % share-holding Joint Management |
| <u>Subsidiary companies</u> | | | | | |
| BT Securities Co., Ltd. | - | 85 | MLR-1.5%, 3.75%, 6% | 96 | 99.99 Directors with delegated signature authority: Mrs. Duangphorn Sucharittanuwat, Mrs. Panute Na Chiangmai, Mr. Surin Premamornkit |
| BT Leasing Co., Ltd. | - | 2,256 | 3.53%, 3.55%, 4.20% | 75 | 99.99 Directors with delegated signature authority: Mr. Surachai Chitratsenee, Mr. Tada Charukitphaisan |
| BT Asset Management Co., Ltd. | - | - | - | 4 | 99.99 Directors with delegated signature authority: Mr. Manit Jeeradit, Mr. Prasert Wangrattanapranee |
| BT Consultant Co., Ltd. | - | 6 | MOR-2% | 2 | 99.99 Directors with delegated signature authority: Mr. Phongsuree Bunnag, Mr. Prasert Wangrattanapranee |
| BT Insurance Co., Ltd. | - | - | - | 49 | 99.99 Directors with delegated signature authority: Mr. Preecha Oonchitti, Mr. Phirasilp Subhapholsiri, Mr. Ekajai Tivutanond, Mr. Surachai Chitratsenee |

| Company Name | Obligations | Outstanding loan / Investments in receivables | Interest rate | Deposits | % share-holding | Nature of relationship |
|--|-------------|---|---|----------|-----------------|--|
| Sathon Asset Management Co., Ltd. | - | - | 3.50%,3.53, 3.55% | 237 | 99.99 | Joint Management Directors with delegated signature authority: Mr. Ekachai Tivutanond, Mr. Prasert Wangrattanapranee, Mr. Songwud Buakhem, Mr. Thaphop Kleesuwan |
| Krungthai Thanakit Finance Plc.* | - | - | - | 145 | 99.10 | - |
| BT WorldLease Co., Ltd. | 366 | 433 | MLR, 2% of obligations | 86 | 75.04 | Directors with delegated signature authority: Mr. Surachai Chitratsenee, Mr. Tada Charukitphaisan |
| <u>Subsidiary held by the Bank's subsidiary (BT WorldLease Co., Ltd.)</u> | | | | | | |
| Asset Liability Management Co., Ltd. | - | - | - | 1 | - | - |
| <u>Associate Companies</u> | | | | | | |
| Millea Life Insurance (Thailand) Public Co., Ltd. | - | - | - | 221 | 30.00 | Director: Mr. Chamnarn Wangtal, Mr. Tada Charukitphaisan |
| Worldclass Rent A Car Co., Ltd. | 4 | - | MLR, 2% of obligations | - | 20.00 | - |
| <u>Related Companies</u> | | | | | | |
| Suetrong Construction Co., Ltd. | 9 | 457 | MLR - 3.075%, 2.5% of obligations | 3 | 50.00 | Director: Mr. Songwud Buakhem |
| Wongpaitoon Group Plc. | - | 89 | 0.1% | - | 16.26 | |
| Cenmetal (Thailand) Co., Ltd. | - | - | - | 10 | 10.00 | - |
| Thai Baroda Industry Co., Ltd. | - | - | No interest, 6.3%, 0.5% and 2% of obligations | - | 9.51 | Director: Mr. Songwud Buakhem |
| Maxwin Builders Ltd. | - | 129 | 7.25% | - | - | - |
| Union Petrochemical Public Co., Ltd. | 2 | 40 | MOR, 4.35%, 4.8%, 5.025%, 1.5% of obligations | 2 | - | - |

| Company Name | Obligations | Outstanding loan / Investments in receivables | Interest rate | Deposits | Nature of relationship |
|--------------------------------------|-------------|---|----------------------|----------|--------------------------------------|
| Sukhumvit Asset Management Co., Ltd. | 2 | - | 1.25% of obligations | 2,013 | % share-holding - Joint Management - |
| Thai Asset Management Corporation | - | - | - | 201 | - - |
| Energy Complex Co.,Ltd. | - | - | - | 108 | - - |

* Currently undergoing liquidation process

The Bank extends the same deposit interest rates to its related parties as to other customers.

E) Summary of financial statements during the past 3 years and the present year until the latest quarter, as well as the explanation and analysis of financial condition and operating result in the past year and the present year until the latest quarter

**Table Of Balance Sheet Items And Percentages
Bankthai Public Company Limited, as at 31 December 2005, 2006, 2007 and 30 September 2008**

(millions of Baht)

| | REVIEWED | AUDITED | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 30/09/08 | 2007 | 2006 | 2005 |
| FINANCIAL STANDING | | | | |
| TOTAL ASSETS | 182,315.05 | 204,097.76 | 219,917.01 | 269,175.43 |
| INTERBANK & MONEY MARKET ITEMS | 24,775.63 | 8,474.01 | 13,176.85 | 12,726.36 |
| INVESTMENTS – Net | 48,955.31 | 75,527.07 | 77,614.99 | 65,178.93 |
| LOANS AND ACCRUED INTEREST RECEIVABLES – Net | 81,889.96 | 88,372.44 | 99,292.42 | 119,219.03 |
| TOTAL LIABILITIES | 176,949.89 | 202,683.72 | 214,426.46 | 260,690.17 |
| DEPOSITS | 147,562.14 | 166,183.23 | 181,318.66 | 194,573.32 |
| INTERBANK & MONEY MARKET ITEMS | 5,274.78 | 7,736.62 | 10,857.15 | 50,824.83 |
| BORROWINGS | 6,565.02 | 8,088.75 | 7,018.50 | 3,414.16 |
| TOTAL SHAREHOLDER’S EQUITY | 5,365.16 | 1,414.04 | 5,490.55 | 8,485.26 |
| ISSUED AND PAID-UP SHARE CAPITAL | 25,030.13 | 8,343.38 | 14,934.50 | 14,934.50 |
| SHARE DISCOUNTS | (10,606.99) | - | (1,123.61) | (1,123.61) |
| RETAINED EARNINGS AND UNREALISED | (9,057.98) | (6,929.34) | (8,320.34) | (3,274.50) |
| OPERATING PERFORMANCE | | | | |
| TOTAL INCOME | 7,366.36 | 8,886.09 | 14,249.06 | 9,925.35 |
| INTEREST AND DIVIDEND INCOME | 8,433.04 | 13,935.92 | 13,472.33 | 8,724.59 |
| NON-INTEREST INCOME | (1,066.68) | (5,049.83) | 776.73 | 1,200.76 |
| TOTAL EXPENSES | 9,274.55 | 16,312.96 | 18,727.77 | 9,314.10 |
| INTEREST EXPENSES | 3,902.03 | 7,651.84 | 8,092.14 | 5,021.73 |
| BAD DEBT AND DOUBTFUL ACCOUNTS | 1,584.00 | 3,563.00 | 1,622.00 | 215.00 |
| NON-INTEREST EXPENSE | 3,788.52 | 5,098.12 | 9,013.63 | 4,077.37 |
| NET INCOME / (LOSSES) FOR THE PERIOD | (1,908.19) | (7,426.87) | (4,478.71) | 611.25 |
| Income / (loss) per share attributable to equity holders of the Bank (Baht) | (0.30) | (3.72) | (3.07) | 0.48 |
| FINANCIAL RATIOS | | | | |
| Yield Rate (%) | 5.52 | 8.27 | 6.60 | 4.60 |
| Cost Rate (%) | 2.24 | 3.86 | 3.59 | 2.14 |
| Spread (%) | 3.28 | 4.41 | 3.02 | 2.46 |
| Net Profit (%) | (25.90) | (83.58) | (31.43) | 6.16 |

| | REVIEWED | AUDITED | | |
|---|----------|----------|---------|-------|
| | 30/09/08 | 2007 | 2006 | 2005 |
| Return on Equity (%) | (56.30) | (215.13) | (64.09) | 7.57 |
| Return on Assets (%) | (0.99) | (3.50) | (1.83) | 0.24 |
| Allowance for Doubtful Accounts per Total Loans (%) | 8.91 | 7.66 | 3.57 | 15.81 |
| Bad Debts per Total Loans (%) | 0.24 | 0.02 | 0.26 | 1.15 |
| Dividend Paid (%) | - | - | - | - |
| Capital Funds per Risk Assets (%) | 6.93 | 1.48 | 5.95 | 8.56 |
| 1st Tier Capital Funds per Risk Assets (%) | 4.24 | 0.81 | 4.12 | 8.45 |

Sources:

1. Non-consolidated financial statements for the years ended 2005, 2006 and 2007 audited by certified public accountants (Thailand)
 2. Non-consolidated financial statements for the nine-month period ended 30 September 2008 reviewed by certified public accountants (Thailand)
- * Earnings per share calculated from net income / (loss) for the period to be divided by the weighted average number of ordinary shares issued and paid-up to holders of third persons for the period

Bankthai Public Company Limited And Its Subsidiaries, as at 31 December 2005, 2006, 2007 and for the nine-month period ended 30 September 2008

(millions of Baht)

| | REVIEWED | AUDITED | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 30/09/08 | 2007 | 2006 | 2005 |
| FINANCIAL POSITION | | | | |
| TOTAL ASSETS | 183,875.36 | 205,696.98 | 219,469.62 | 269,837.77 |
| INTERBANK & MONEY MARKET ITEMS | 25,091.16 | 8,741.49 | 13,326.86 | 12,829.51 |
| INVESTMENTS – Net | 48,395.62 | 76,957.44 | 79,407.25 | 64,328.89 |
| LOANS AND ACCRUED INTEREST | | | | |
| RECEIVABLES – Net | 83,132.25 | 88,096.75 | 96,072.87 | 119,657.03 |
| TOTAL LIABILITIES | 178,278.19 | 204,985.96 | 215,186.08 | 261,272.75 |
| DEPOSITS | 147,104.14 | 166,028.94 | 181,219.39 | 194,446.90 |
| INTERBANK & MONEY MARKET ITEMS | 5,680.25 | 7,698.81 | 10,781.28 | 50,762.70 |
| BORROWINGS | 7,170.91 | 9,715.09 | 7,298.64 | 3,414.16 |
| TOTAL SHAREHOLDER'S EQUITY | 5,597.17 | 711.02 | 4,283.54 | 8,565.02 |
| ISSUED AND PAID-UP SHARE CAPITAL | 25,030.13 | 8,343.38 | 14,934.50 | 14,934.50 |
| SHARE DISCOUNTS | (10,606.99) | - | (1,123.61) | (1,123.61) |
| RETAINED EARNINGS AND UNREALISED | (8,365.59) | (7,165.15) | (8,265.88) | (3,194.74) |
| OPERATION RESULTS | | | | |
| TOTAL INCOME | 9,211.97 | 10,350.60 | 15,809.63 | 10,420.40 |
| INTEREST AND DIVIDEND INCOME | 8,687.01 | 14,469.38 | 13,795.77 | 8,839.33 |
| NON-INTEREST INCOME | 524.96 | (4,118.78) | 2,013.86 | 1,581.07 |
| TOTAL EXPENSES | 10,180.05 | 17,277.56 | 20,253.05 | 9,812.63 |
| INTEREST EXPENSES | 3,953.43 | 7,704.80 | 8,092.29 | 5,022.11 |
| BAD DEBT AND DOUBTFUL ACCOUNTS | 1,685.85 | 3,478.26 | 2,115.53 | 238.01 |
| NON-INTEREST EXPENSE | 4,488.54 | 6,084.62 | 10,028.75 | 4,528.31 |
| NET INCOME / (LOSSES) FOR THE PERIOD | (968.08) | (6,926.96) | (4,443.42) | 607.77 |
| Net income / (loss) attributable to equity holders of the Bank | (974.23) | (6,928.73) | (4,423.03) | 611.25 |
| Income (loss) per share attributable to equity holders of the Bank (Baht) | (0.15) | (3.70) | (3.32) | 0.48 |
| FINANCIAL RATIOS | | | | |
| Yield Rate (%) | 5.71 | 8.43 | 6.76 | 4.58 |
| Cost Rate (%) | 2.24 | 3.86 | 3.59 | 2.14 |
| Spread (%) | 3.46 | 4.57 | 3.18 | 2.44 |
| Net Profit (%) | (10.51) | (66.92) | (28.11) | 5.83 |
| Return on Equity (%) | (30.69) | (277.38) | (69.17) | 7.49 |
| Return on Assets (%) | (0.50) | (3.26) | (1.82) | 0.24 |
| Allowance for Doubtful Accounts per Total Loans (%) | 10.67 | 11.15 | 7.29 | 17.14 |
| Bad Debts per Total Loans (%) | 0.33 | 0.09 | 0.62 | 1.18 |
| Dividend Paid (%) | - | - | - | - |

| | <u>REVIEWED</u> | <u>AUDITED</u> | | |
|--|-----------------|----------------|------|------|
| | 30/09/08 | 2007 | 2006 | 2005 |
| Capitals Fund per Risk Assets (%) | 6.93 | 1.48 | 5.95 | 8.56 |
| 1st Tier Capital Funds per Risk Assets (%) | 4.24 | 0.81 | 4.12 | 8.45 |

Sources:

1. *Non-consolidated financial statements for the years ended 2005, 2006 and 2007 audited by certified public accountants (Thailand)*
 2. *Non-consolidated financial statements for the nine-month period ended 30 September 2008 reviewed by certified public accountants (Thailand)*
- * *Earnings per share calculated from net income (loss) for the period, to be divided by the weighted average number of ordinary shares issued and paid-up to holders of third persons for the period (net from treasury stock holders by subsidiary companies).*

Management discussion and analysis of the financial position and operating results of the Bank and its subsidiaries for the nine-month period ended 30 September 2008

1. Consolidated operating results

The Bank remains committed to its strategy of achieving sustainable growth through time by improving its flexibility and ability to adapt to a constantly changing environment. The Bank brought a new and tighter focus to facilitate financing access for corporate customers, especially small and medium sized enterprises (“SME”s), which aims to facilitate financing access for SMEs that are not only one of the country’s major economic drivers, but also exhibit a strong potential to contribute to the Bank’s own business growth. In parallel with this, continued emphasis has been given to developing new products and services to help meet the changing needs of large corporate customers and maintaining close customer relationships. As at 31 December 2007 and for the nine-month period ended 30 September 2008, the Bank reported a net loss of Baht 6,929 million and Baht 969 million respectively, as a result from the impact of the financial crisis on the global economy as evidenced by various declines, the sub prime mortgage crisis in the United States of America, the political crisis within the country, and allowances for bad and doubtful debts and loss valuation of investment in foreign debts instruments.

(i) Revenue of the Bank and its subsidiaries

The Bank and its subsidiaries have an income structure derived from Interest and Dividend Income and Non-Interest Income, where Interest and Dividend Income accounted for the major income stream. As at 31 December 2007, interest and dividend income was Baht 14,469 million, which represented an increase Baht 673 million, or 4.88% from the same period in 2006, which was Baht 13,796 million. Of this amount, only interest from loans decreased by Baht 124 million against the increase in interest from interbank and money market items of Baht 279 million, from hire purchase and financial leases of Baht 118 million, and from investments totaling Baht 400 million.

The Bank’s non-interest income comprised gains / (losses) on investments, fees and charges (for example, acceptances, aval and guarantees) as the major generators of this category of income. The Bank’s non-interest income for 2007 comprised losses of Baht 4,119 million, a 304.52% decrease of Baht 6,133 million compared to the same period in 2006, which was Baht 2,014 million, reflected the Bank’s reclassification of Collateralised Debt Obligations (“CDO”s) and Structured Notes from held-to-maturity investments, which are presented at acquisition cost less provision for impairment, to trading investments, which are presented at fair value, with gains or losses from revaluation recognised as income/expenses in the income statements, in compliance with the new criteria in a recent Bank of Thailand notification.

Total income for the nine-month period ended 30 September 2008 as presented in the consolidated financial statements was Baht 9,212 million, a 14.20% decrease of Baht 1,525 million compared to the same period in 2007, which accounted for Baht 10,737 million. Interest and dividend income for

the Bank and its subsidiaries for the nine-month period ended 30 September 2007 and 2008 was Baht 8,687 million and Baht 11,129 million, respectively, which represented a decrease of Baht 2,442 million or 21.95%, attributed to a decrease in interest from loans of Baht 509 million, from interbank and money market items of Baht 268 million, and from investments of Baht 1,678 million.

Non-interest income of the Bank and its subsidiaries as presented in the consolidated financial report for the nine-month period ended 30 September 2008 was Baht 525 million, a 233.66% increase of Baht 918 million compared to the same period in 2007 with the loss of Baht 393 million. This reflected a subsidiary's gain from sale of investments of Baht 1,145 million and the Bank's unrealised losses caused by the mark-to-market of CDOs of Baht 2,943 million. However, on 29 July 2008, the Bank sold all of its CDOs and realised a gain on the sale of Baht 970 million.

(ii) *Capital Funds and Operating Expenses*

The Capital funds structure and operating expenses comprised both interest expenses and non-interest expenses, wherein interest expenses represented the largest component. As at 31 December 2007, the Bank and its subsidiaries' interest expenses were equivalent to 44.59% of total expenses, which amounted to Baht 7,705 million, a decrease of Baht 387 million or 4.79% from 2006's figures of Baht 8,092 million. This was a consequence of the decrease in expenses from deposits of Baht 754 million and an increase in expenses from borrowings of Baht 465 million.

Non-interest expenses (including allowances for doubtful debts, corporate income tax and minority interests of subsidiaries) in 2006 and 2007 were Baht 12,140 million and Baht 9,574 million, respectively, a decrease by Baht 2,566 million or 21.13% from the previous year, whereby in 2006 the Bank and its subsidiaries recorded losses from the settlement of the gain/loss sharing and yield maintenance agreement of Baht 2,196 million and uncollected yield maintenance income of Baht 1,691 million in 2006.

Interest expense in the consolidated financial statements for the nine-month period ended 30 September 2008 accounted for 38.81% of total expenses. For the nine-month period ended 30 September 2007 and 2008, this figure was Baht 3,953 million and Baht 6,234 million, respectively, which represented a decrease of Baht 2,281 million, or 36.58%, owing to the decrease in expenses from deposit and interest rates for the first half of 2008.

Non-interest expenses (including allowances for doubtful debts, corporate income tax and minority interests of subsidiaries) as presented in the consolidated financial statements as at 30 September 2008 were equivalent to 61.19% of total expenses. Non-interest expenses for the nine-month period ended 30 September 2007 and 2008 were Baht 7,495 million and Baht 6,233 million, respectively, a decrease of Baht 1,262 million or 16.84%. In aggregate, the principal categories of non-interest expenses for the nine-month period ended 30 September 2008 were personnel expenses at 27.78%, and bad debts and doubtful accounts at 27.05%.

(iii) *Net Profit (Loss)*

The Bank and its subsidiaries registered a net loss in the years 2006 and 2007 of Baht 4,423 million and Baht 6,929 million, respectively. The loss in 2007 increased to Baht 2,506 million, or 56.65% over 2006, due to allowances for bad and doubtful debts allocated for loans and investments in receivables corresponding to the guideline on non-performing assets as notified by Bank of Thailand, and equivalent to Baht 1,376 million; a specific provision for President Agri Trading Group for Baht 1,419 million; and losses

from the valuation of investment in foreign debts instruments in the form of CDOs for Baht 7,315 million.

Operating Results for the nine-month period ended 30 September 2007 and 2008, for the Bank and its subsidiaries recorded a net loss of Baht 974 million and Baht 2,992 million, respectively. This was attributed to the Bank's unrealised losses caused by the mark-to-market of CDOs in 2006 and the first half of 2008, and the realisation of a gain on the sale CDOs in the third quarter of 2008.

2. Financial position

(i) Assets

Primary Assets contributed to business operations in the form of loans, money market items and investments. As at 31 December 2006 and 2007, the Bank and its subsidiaries had total assets of Baht 219,470 million and Baht 205,697 million respectively, a decrease of Baht 13,773 million or 6.28% as compared to 2006, resulting from the decreased in interbank and money market items of Baht 4,585 million; from loan and accrued interest receivables by Baht 7,976 million, resulting from the Bank's decreased loans and provided as an allowance for doubtful debt, which together with net investments decreased by Baht 2,450 million.

The total assets of the Bank and its subsidiaries as at 30 September 2008 amounted to Baht 183,875 million, a decrease by Baht 21,822 million or 10.61% from 2007, resulting from an increased in interbank and money market items of Baht 16,350 million; from accounts receivables from the sale of investments of Baht 851 million; against a decrease in investments of Baht 28,561 million, and of loans and accrued interest receivables of Baht 4,965 million.

(ii) Asset Quality

(a) Loans & Loan concentration

As at 30 December 2007, the Bank and its subsidiaries net outstanding loans of Baht 88,097 million decreased from the same period in 2006, which had a value of Baht 96,073 million, by Baht 7,976 million or 8.30%, the repayment of the loans was higher than the extension of the loans during this period.

As at 30 September 2008, the Bank and its subsidiaries' net outstanding loans of Baht 83,132 million decreased by Baht 4,965 million from the end of 2007, or by 5.64%, as the repayment of the loans was higher than the extension of the loans during this period, such bank loans were mainly extended to the manufacturing sector, followed by loans for consumer goods and banking and finance businesses at the percentage of 22.65%, 22.02% and 20.84% of total loans respectively. Loans extended to the manufacturing sector amounting to Baht 24,735 million decreased by Baht 3,956 million or 13.79%, as compared to the same period last year, while loans to the consumer goods sector totaling Baht 24,051 million increased by Baht 4,528 million or 23.19%. Loan extended to the banking and finance businesses sector of Baht 22,759 million increased by Baht 15,185 million or 200.49%.

The Bank continued to diversify the proportion of loans granted to various business sectors to avoid over-concentration in any particular industry, in compliance with a credit policy whereby credit is extended to customers of vital business sectors with good growth

potential and customers from all categories of large, medium, small and retail sectors. In addition, lending continues to focus on customers who are manufacturers in potential sectors and on increasing the valued retail customer portfolio.

The majority of loans carried maturities of more than one year, totaling Baht 67,571 million or 61.86% of the total loans portfolio.

Loan accounts exceeding Baht 10 million totaled Baht 82,461 million, or 75.50% of the total loans portfolio.

(b) Classification of assets

As at 30 September 2008, the Bank's classification of assets (including accrued interest receivables, but excluding loans to financial institutions) totaled Baht 89,949 million, against an allowance for bad and doubtful debts of Baht 8,012 million. The non-consolidated financial statements of the Bank as at 30 September 2008 then showed a ratio of loan-loss reserves to total loans (including accrued interest receivables, but excluding loans to financial institutions) at 8.91%, as compared to 6.97% in 2007. The consolidated financial statements as at 30 September 2008 indicated a ratio of the Bank's loan-loss provisions to total loans (including accrued interest receivables, but excluding loans to financial institutions) at 10.67%, as compared to 10.48% in 2007.

The Bank has closely monitored the status of each loan by maintaining a database of loans with outstanding balances ageing at each month's end and by dividing loan balances into 4 categories, namely: (1) 1-3 months past due; (2) 3-6 months past due; (3) 6-12 months past due; and (4) more than 12 months past due. Based on such information, the Bank reviews repayment records together with accounts history for debts reclassification, the collection process and forecasting trends for non performing loans.

(c) Non-performing loans (substandard loans)

As at 30 December 2007, the Bank and its subsidiaries non-performing loans amounted to Baht 13,854 million or 13.55% of the outstanding loan portfolio (only with respect to principal plus loans to financial institutions). As at 30 September 2008, the Bank and its subsidiaries' non-performing loans amounted to Baht 13,507 million or 12.02% of the outstanding loan portfolio, which were classified according to the Bank of Thailand's notification dated 21 December 2006 defining non-performing loans as substandard, doubtful and lost, and including doubtful loans written off and subsequently reversed for booking.

(iii) *Liabilities and Shareholders' Equity*

The Bank and its subsidiaries had total liabilities as at 31 December 2006 and 2007 of Baht 215,186 million and Baht 204,986 million respectively, which represented a decrease of Baht 10,200 million or 4.74% from the last year. This was due to a decrease in deposits of Baht 15,190 million as a result of compensation for a decrease in the deposit interest rate, while interbank and money market items decreased by Baht 3,082 million, borrowings decreased by Baht 2,416 million and accounts payable for purchases of investments decreased by Baht 8,474 million.

As presented in the consolidated financial statements as at 30 September 2008, total liabilities were Baht 178,278 million, a decrease of Baht 26,708

million or 13.03% compared to 2007. This was due to compensation for a decrease in the deposit interest rate in the first half of the year, interbank and money market items decreasing by Baht 2,019 million and borrowings decreasing by Baht 2,544 million.

Shareholders' equity as at 31 December 2006 and 2007 was Baht 711 million and Baht 4,284 million, respectively. The decrease in shareholders' equity reflected the impact of losses of Baht 6,929 million incurred from the allowance for bad and doubtful debts and loss in investments as mentioned above.

As presented in the consolidated financial statements as at 30 September 2008, shareholders' equity totaled Baht 5,597 million, an increase of Baht 4,886 million, or 687.21% compared to 2007. This demonstrated the effect of the capital increase by Baht 6,079 million in January 2008 and unrealised net losses of Baht 1,980 million.

3. Liquidity

The details of the Bank and its subsidiaries' cash flows for the year ended 31 December 2007 are as follows:

- The Bank's net cash flow received from operational activities was Baht 10,175 million. This was a result of an increase in operating assets outpacing operating liabilities, and income from operating activities before changes in operating assets and liabilities
- The Bank's net cash flow used in investment activities was Baht 15,743 million due to an increase in investments held for trading
- The Bank's net cash flow received from financing activities was Baht 5,662 million, and was the result of a increase in cash received from capital and short-term borrowings, as well as long-term borrowings

As presented in the consolidated financial statements for the nine-month period ended 30 September 2008, the details of the Bank's cash flow are as follows:

- The Bank's net cash flows used in operating activities was Baht 32,550 million. This reflected decreases in interbank and money market items
- The Bank's net cash flow received from investment activities was Baht 28,863 million, due to a decrease in investments held for trading
- The Bank's net cash flow received from financing activities was Baht 3,508 million as a result of an increase in cash received from capital, short-term borrowings and a decrease in long-term borrowings

The difference between the Bank's net cash flows received from (or used in) operating activities and net cash flow received from (or used in) investment activities and financing activities did not have any material impact on the Bank's cash position and liquidity situation at the end of the accounting period, both of which were maintained at the minimum level required by the Bank of Thailand.

4. Maintenance of ratios

(i) Non-compliance with capital fund maintenance provisions

As at 30 September 2008, the Bank's assets exceeded its liabilities by Baht 5,365 million (a positive shareholders' equity balance). However, the Bank maintains its capital funds to risk-weighted assets ratio (BIS ratio) at 6.93% which is less than the level required by law.

(ii) *Liquid assets ratio*

The Bank of Thailand requires all commercial banks to maintain a minimum liquid assets ratio at not less than 6% of total deposits and offshore borrowings with a maturity of less than one year. For the nine-month period ended 30 September 2008, the Bank's total liquid assets were Baht 51,672 million, while its loan-to-deposit ratio stood at 60.74%. The liquid assets to total assets ratio was 28.34% and liquid assets to total deposits stood at 35.02%, all of which were covered by the regulatory minimum.

F) **Other information (if any) that may materially affect the decision of investors**

- None -

G) **Statements indicating that connected persons and/or shareholders having interests shall have no right to vote whereby the names and the number of shares held by such shareholders having no voting rights shall be indicated**

CIMB Bank, a major shareholder of the Bank, holds 6,143,544,532 shares of the Bank, which represents 92.04% of the current entire issued and paid-up share capital of the Bank, shall have no right to vote on this agenda item of Consideration and Approval of the Issuance of Hybrid Tier 2 in the Extraordinary General Meeting of Shareholders No. 1/2009 to be held on 20 February 2009.

H) **Appraisal of asset price by an independent appraiser in case of acquisition or disposal of asset having fundamental significance in a form of asset value such as immovable property**

- None -

I) **Opinion of the Board of Directors about a decision to enter into a connected transaction specifying the reasonableness and the highest benefit to the listed company compared to a decision to enter into a transaction with an independent third party**

The Board of Directors has considered and deliberated the above transaction, and has concluded that the transaction constitutes a major part of the recapitalisation of the Bank which is integral to the strengthening of the Bank's current capital position, and for the sustainable growth and development of the Bank in both the short and long term, in order to lend support and credence to the issuance of Hybrid Tier 2, which will ensure the capital needs of the Bank.

The Bank has certified that the information in this report is true and accurate.

(Mr. Thaphop Kleesuwan)
Senior Vice President
Office of the President