

Management Discussion and Analysis

For the year ended December 31, 2007

(This report discusses principal changes in the audited consolidated financial statement for the year ended December 31, 2007)

Movement of Money Market and Capital Market

In 2007, Bank of Thailand (BoT) changed policy rate from Repo 14-days to Repo 1-day. In the first half of 2007, BoT consecutively lowered its policy rate from 4.9375% at the end of 2006 to 4.00% at the end of the second quarter and further lowered the rate twice in the second half, ending at 3.25%. The policy rate cut was aimed to alleviate strong Baht appreciation arising from foreign capital inflow, and help stimulate domestic economy. Consequently, average 1-year fixed deposit rates of commercial banks continuously declined in the first half of 2007 from 4.35% in December 2007 to 2.41% in June 2007 and slightly increased during the second half, ending at 2.50% in the fourth quarter of 2007.

In 2007, the SET index improved by 178.26 points from December 2006, closed at 858.10 in December 2007 mainly resulted from improved political climate with general election taking place during year end. Despite Thai capital market was affected by sub prime crisis in U.S., the increase of trading volume from foreign investor and improvement in overall capital market have contributed to the improvement of SET index. The average daily turnover in 2007 was 17,097.05 million Baht, increased by 816.14 million Baht.

The Management Discussion and Analysis compares operating performance and financial position of the year 2007 with those of the year 2006.

Operating Results

In 2007, the Bank and its subsidiaries recorded net profit of 1,651.11 million Baht, increased by 105.58 million Baht (6.8% YoY) mainly from continuous growth in core businesses especially hire-purchase business together with improvement in loan spread. Loan spread strongly increased from 3.1% to 3.5% YoY as the Bank managed to maintain loan yield by increasing used-car portion in hire-purchase portfolio from the second quarter onwards. Meanwhile, cost of fund declined following declining market interest rates.

Non-interest income increased by 6.6% YoY following continuous business expansion in most areas including bancassurance business while asset management business was very successful in terms of growth of asset under management and higher management fee. Additionally, investment banking business recorded strong growth since the second quarter of 2007 mainly due to realignment of business strategy in coping with change in capital market environment.

Diluted earnings per share in 2007 was 2.01 Baht, increased from 1.87 Baht in 2006. Average return on equity (ROAE) was 13.18% compared with 12.00% at the end of 2006.

Net Interest and Dividend Income

Net interest and dividend income in 2007 was 3,487.81 million Baht, increased by 681.74 million Baht (24.3% YoY), interest and dividend income was 6,944.19 million Baht, increased by 1,238.88 million Baht (21.7% YoY) mainly due to strong expansion in hire purchase business. In 2007, the Bank has changed its accounting method for recognition of initial commissions and direct expenses in hire purchase business (referred to supplemental explanation on changing significant accounting policies, page 8). By excluding the effect of changes in accounting policy, interest and dividend income would otherwise be 7,080.15 million Baht, increased by 1,374.84 million Baht (24.1% YoY). Meanwhile, interest expenses increased by 557.13 million Baht (19.2% YoY) in line with continuous growth in loan portfolio.

Loan spread strongly improved from 3.1% to 3.5% YoY. By excluding the effect of change in accounting policy, loan spread would otherwise increase from 3.1% to 3.7% YoY. The improvement in loan spread was mainly resulted from decline in funding cost following declining market interest rates, while loan yield was well-maintained at high level with higher used-car portion in loan portfolio.

Non-interest Income

Non-interest income for 2007 was 2,444.41 million Baht, increased by 151.19 million Baht (6.6% YoY), mainly as a result of an increase in fee and service income. Fee and service income totaled 1,194.33 million Baht, increased by 307.28 million Baht (34.6% YoY) mainly contributed by the higher volume in banking business, higher commission fee from bancassurance business, as well as higher contribution from asset management business following strong growth in asset under management and exceptional equity fund performance.

Non-interest Expenses

Non-interest expenses for 2007 were 2,948.39 million Baht, slightly increased by 1.32 million Baht. The key elements were:

- Personnel expense was 1,487.38 million Baht; increased by 271.13 million Baht (22.3% YoY) in line with branch network expansion and increase in sales and services coverage.
- Premises and equipment expenses was 511.50 million Baht, increased by 59.87 million Baht (13.3% YoY) mainly from the investment in new branches and system infrastructure in supporting increased business volume and services coverage.

Bad Debt and Doubtful Accounts

In 2007, the Bank and its subsidiaries recorded net bad debts and doubtful accounts totaling 695.07 million Baht compared to reversal of net bad debts and doubtful accounts amounting 50.31 million in 2006. Also, there was accounting reclassification of net bad debts and doubtful accounts which were previously booked as other income and other expense amounting 3.14 million Baht and 148.31 million Baht respectively (For 2006, the amounts were 2.50 million Baht and 169.04 million Baht respectively) In addition, the Bank and its subsidiaries recorded net bad debt written back revenue amounting 24.19 million Baht in 2007 compared to 599.30 million Baht in 2006.

Corporate Income Tax

In 2007, the corporate income tax was 637.58 million Baht, equivalent to the effective tax rate of 27.9%, compared with effective tax rate of 28.8% in 2006.

Financial Status

Assets

The Bank and its subsidiaries' total assets as of December 31, 2007 were 98,953.10 million Baht, increased by 14,171.67 million Baht (16.7% YoY). The increase was mainly resulted from strong hire purchase loan growth. Investment was 5,780.57 million Baht, increased by 1,387.37 million Baht (31.6% YoY), mainly due to improvement in market pricing. Moreover, the transfer of hire purchase portfolio from subsidiary company in the first quarter of 2007 amounting 601.45 million Baht was also recorded as investment according to the accounting standard.

Liabilities

Total liabilities as of December 31, 2007 were 86,579.49 million Baht, increased by 14,480.93 million Baht (20.1% YoY) mainly driven by an increase in borrowings to support strong expansion in loan portfolio. In the second quarter, the Bank issued long term debentures in order to replace debenture maturing in the second half with lower interest rate. Specifically, these long term debentures, namely 3-year long term debenture amounting 3,000.00 million Baht with interest rate of 3.75%, and 5-year long-term debenture amounting 1,000.00 million Baht, with interest rate of 4.04%, were issued to replace long-term and short-term debentures amounting 4,800.00 million Baht with average interest rate of 4.36%, which were matured during the second half of 2007.

Shareholders' Equity

Shareholder's equity and unappropriated retained earnings as of December 31, 2007 were 12,373.60 million Baht and 3,666.44 million Baht, respectively, decreased by 309.26 million Baht (2.4% YoY) and 48.64 million Baht (1.3% YoY) respectively. In 2007, shareholder's equity was increased by previous year net profit of 1,545.53 million Baht, and decreased by dividend payment in the second quarter amounting 1,633.23 million Baht. Book value per share (BVPS) as of December 31, 2007 amounting 17.01 Baht, decreased from 17.46 Baht as at December 31, 2006.

Business Segment Performance

(1) Banking Business

Loans

Total consolidated loans and receivables were 86,420.41 million Baht, up by 11,779.18 million Baht (15.8% YoY), mainly contributed by the resumption of aggressive growth in hire purchase business since the second quarter of 2006.

The composition of loan portfolio was 18.1% of corporate loans, 77.0% of retail loans, and 4.9% of other loans.

Corporate lending portfolio of the Bank and its subsidiaries totaled 15,616.55 million Baht, up by 1,042.91 million Baht (7.2% YoY), mainly due to an increase in loans to public utilities and services, real estate and construction industry, and manufacturing and commerce.

Retail lending portfolio consisted of 97.2% of car, motorcycle, and other hire purchase and 2.8% of mortgage loans. The outstanding hire purchase loans equaled 64,684.40 million Baht, rose by 10,439.76 million Baht (19.2% YoY). Car hire purchase new business volume amounted 37,016.81 million Baht, increased by 6,579.53 million Baht (21.6% YoY). The domestic car sales in 2007 reported at 631,243 units lowered from 682,693 units in 2006 (7.5% YoY), resulting in higher new car penetration rate from 7.7% to 9.4%.

Deposit and Short-Term Borrowings

Total deposit and short-term borrowings totaled 68,458.96 million Baht, increased by 2,170.82 million Baht (3.3% YoY). The portion of saving accounts and current accounts contributed to 6.2% of total deposits and short-term borrowings, increased from 4.3% as of December 31, 2006. The expansion of the saving accounts and current accounts was resulted from the Bank's success in launching of special-rate saving accounts and current accounts via variety of products. In the first quarter of 2007, the Bank signed agreement with Thailand Post Co., Ltd. in providing alternative deposit and payment channels at post office branches nationwide.

Loans to Deposits and Short-term Borrowings Ratio

The loans to deposits and short-term borrowings ratio increased from 112.6% to 126.2% following increased funding activities in supporting strong loan growth.

Non-Performing Loans (NPLs) and Loan Loss Provision

As of December 31, 2007, non-performing loans (NPLs) to total loans ratio was 4.3% decreased from 4.6% at the end of previous year. Meanwhile, the NPL to total retail loans and NPL to total commercial loans were 2.5% and 7.6% respectively. NPLs of the Bank and its subsidiaries were 3,751.41 million Baht (contained Bank's NPLs of 3,231.52 million Baht and subsidiaries' NPLs of 519.88 million Baht), increased by 302.14 million Baht (8.8% YoY), which was considered relatively low compared to loan growth.

The Bank and its subsidiaries' allowance for doubtful accounts and revaluation allowance for debt restructured totaled 2,805.96 million Baht, and the ratio of the allowance to NPLs was 74.8%. The Bank's allowance was 2,465.46 million Baht, consisting of specific reserve of 2,243.01 million Baht and general reserve of 222.45 million Baht. The Bank's allowance was higher than the minimum requirement of the Bank of Thailand, which was 2,085.20 million Baht. This followed a conservative provisioning policy aimed to protect the Bank from potential risks from business operations. Moreover, the Bank and its subsidiaries had set aside excess provisions to fully cover the effect from the BoT new rules and regulations since the fourth quarter of 2006. However, the specific reserve was completely set following the new rules and regulations on the second quarter of 2007 which was ahead of the BoT's requirement for fully compliance by December 2007.

(2) Securities Business

At the end of year 2007, the SET index ended at 858.10 points, increased from 679.84 points at the end of previous year, with average daily turnover of 17,097.05 million Baht, compared to 16,280.91 million Baht in year 2006. The improvement of SET index was due to improvement in investor confidence toward clearer political climates.

In 2007, daily average turnover of TISCO Securities Co.,Ltd. remained at previous year level at 1,049.24 million Baht with average market share of 3.03%, while brokerage commission income slightly decreased from 648.53 million Baht to 627.34 million Baht. Meanwhile, TISCO brokerage volume comprised of 34.9% of foreign institutions, 26.5% of domestic institutions, and 38.6% of retail customers.

Furthermore, in October 2007, TISCO Securities Co.,Ltd. and Sacombank Securities Co., Ltd., a leading financial advisory firm in Vietnam, became business partners in expanding opportunities of investment banking business in Vietnam. This partnership was the first cooperation between two leading Thai and Vietnamese securities firms after the signing of a cooperative agreement between the Stock Exchange of Thailand (SET) and the Ho Chi Minh Stock Exchange (HOSE) on September 10, 2007.

Fee income from investment banking business continuously improved since the second quarter after realigning business strategy to cope with changing capital market situation. Investment banking fee significantly increased from 8.72 million Baht to 36.84 million Baht mainly from underwriting of debentures (4 companies) and equities (2 companies) including debentures of Thai Airway International PLC. amounting 500.00 million Baht, debentures of Supalai PLC. amounting 1,000.00 million Baht, and shares of Major Development PLC amounting 940.00 million Baht.

(3) Asset Management Business

The total asset under management of TISCO Asset Management Co., Ltd. was 107,713.31 million Baht, increased by 22,976.54 million Baht (27.1% YoY). The composition of total asset under management was 58.2% of provident fund, 28.2% of private fund, and 13.6% of mutual fund. In 2007, TISCO Asset Management Co., Ltd. was re-appointed by the Government Pension Fund for the third time to manage both equity and fixed-income funds. Also, it was appointed to manage

provident fund of the Bank of Thailand, provident fund of the Securities and Exchange Commission, and provident fund of the Stock Exchange of Thailand. In 2007, TISCO Asset Management Co., Ltd. was a market leader in foreign investment fund (FIF) by being the pioneer in launching FIF invested in country with high rate of return, including Japan, China, India, UK and Australia.

The fee from asset management totaled 453.73 million Baht, increased by 160.52 million Baht (54.7% YoY), owing to strong growth in asset under management and superior fund performance especially equity funds. In addition, TISCO Asset Management Co., Ltd. earned additional fee income for exceptional fund performance in provident fund business.

Total market share of TISCO Asset Management Co., Ltd. as of December 31, 2007 was 4.8%, ranking 8th in the market. The market share of provident fund and private fund was 14.2% and 17.3%, ranking 2nd in the market for both fund types. For mutual fund, the market share was 0.9%, ranking 17th in the market.

Risk Management

At the end of 2007, the integrated risk capital mainly comprising of credit risk capital stood at 7,689.91 million baht, increasing by 1,222.68 million baht or 18.91% owing to loan growth during the year. However, the capital surplus remained strong at 37.85% compared with total capital of 12,373.60 million baht, reflecting a continuously robust capital position to support future business expansion.

Compared to the end of 2006, the market risk capital increased by 323.82 million baht from 2,214.77 million baht to 2,538.59 million baht, primarily resulted from higher market volatility. Meanwhile, the credit risk capital rose by 863.37 million baht to 4,380.45 million baht following the expansion of hire purchase business and increased portion of used-car portfolio from 13.15% of total hire purchase loan at the end of 2006 to 15.94% at the end of 2007.

In the meantime, the interest rate risk decreased due to declining in market yield curve. Despite of a widening interest rate gap (BPV) from the last year, the gap still be in the manageable level. The difference in the duration of assets and liabilities remained in range between 10 to 11 months as a result of increasing portion of current deposit and saving deposit which has lower sensitivity to interest rate change.

In terms of regulatory capital requirement of Bank and Securities Company, the positions are still in strong levels and sufficient to cushion for the expansion of asset in the future. The regulatory capital adequacy ratio (BIS ratio) reduced from 13.42% to 11.94% following an expansion in loan portfolio while Tier-I capital adequacy ratio decreased from 12.73% to 11.58%. Nevertheless, they remained higher than the 8.5% and 4.25% required by the Bank of Thailand. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. remained strong at 108.39%, greatly higher than the minimum required ratio by the SEC of 7.0%.

Branch expansion in 2007

For year 2007, the Bank has a clear policy to extend distribution coverage and increase serviceability for TISCO customers nationwide. In 2007, the bank has officially operated new bank branches totaling 12 branches nationwide, 8 branches in Bangkok and vicinities, and 4 branches in upcountry. Branches in Bangkok and vicinities were New Petchaburi Sub Branch, Rattanatibet, Nakhon Pathom, Srinakarin, Central World Sub Branch, Rangsit, Fashion Island Sub Branch, The Old Siam Sub Branch. Also, new branches in upcountry were Si Racha Sub Branch, Rayong, Ayutthaya, and Trang.

Awards in 2007

The Bank and its subsidiaries have placed strong focus on sound corporate governance and have been acknowledged by regulators and well-known institutions with the achievement in the following awards:

- Best Shareholder Treatment Awards
- Board of the Year for Exemplary Practices
- Board with Consistent Best Practices, which was granted to board of company that was granted for board of the year award for 3 consecutive years.

Moreover, the bank has an outstanding performance in providing excellence service for corporate bond arrangement to institution investors. As a result, The Asset Magazine ranked TISCO Bank as Best Bank in Thai Baht Corporate Bonds 2007 for the second time.

Supplemental explanation on changing significant accounting policies

1. Investment in subsidiaries

The company would like to report on the effect of the change in accounting for investment in subsidiary as follows:

In the three-month period ended March 31, 2007, the company changed its accounting policy regarding investment in a subsidiary so that the separate financial statement, which formerly reported investment using the equity method, now reports using the cost method. This is to comply with TAS 44. Thus the company restated its financial statement by using the historical cost as the cost of the investment in a subsidiary of the separate financial statement. This adjustment caused the net income on the separate financial statement to differ from the reposted in the consolidated financial statement. The company had net income of 1,651.11 million Baht for the year ended December 31, 2007, according to the consolidated financial statement. However, the separate financial statement over the same period showed a net income of December 1,292.90 million Baht with the additional information as follows:

1. Net income for the year ended December 31, 2007 and December 31, 2006 decreased by 358.21 million Baht and 432.12 million Baht (That is, decreased by 0.49 Baht per share and 0.59

Baht per share) respectively, since the separate financial statement did not include any share of profits from investment.

2. The separate balance sheet for the quarter ended December 31, 2007 showed an investment in subsidiary decreased by 736.10 million Baht and the retained earnings increased by 50.69 million Baht. The cumulative effect of the accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiaries in the separate financial statements” in the statement of changes in shareholders’ equity.

The change of accounting policy did not have any effect on the consolidated financial statements or business fundamentals.

2. Commissions and direct expenses of the hire purchase business

The Bank has changed its accounting method for recognition of initial commissions and direct expenses arising in respect of hire purchase contracts originating from 1 January 2007, from recording them as fee and service expenses when they occur to amortizing them by the effective interest rate method, and deducting them from interest income over the installment period. Unearned interest income is stated net of commissions and direct expenses incurred at the initiation of the hire purchase contract. The effects to the financial statements are summarized as follows;

1. Profit and loss statement states the decrease in hire purchase and financial lease income and fees and service expenses, equivalent to the amount of realized commissions and direct expenses.

2. Balance sheet states the increase in loans and receivable, equivalent to deferred commissions and direct expenses

However, the change does not apply to financial statements of 2007 for comparison purpose.

Table 1: Consolidated Revenue Structure

Type of Revenue	2006		2007		Change
	Amount (Bt. Million)	%	Amount (Bt. million)	%	% YoY
Interest and dividend income					
Interest on loans	943.33	18.5	1,044.30	17.6	10.7
Interest on interbank and money market items	438.04	8.6	441.71	7.4	0.8
Hire purchase and financial lease income	4,068.35	79.8	5,173.01	87.2	27.2
Investments	255.59	5.0	285.17	4.8	11.6
Total interest and dividend income	5,705.31	111.9	6,944.19	117.1	21.7
Interest expenses	(2,899.24)	(56.9)	(3,456.38)	(58.3)	19.2
Net interest and dividend income	2,806.07	55.0	3,487.81	58.8	24.3
Non-interest income	0.00	0.0	0.00	0.0	0.0
Brokerage Fees	648.53	12.7	627.34	10.6	(3.3)
Gain on securities	455.38	8.9	398.23	6.7	(12.5)
Fees and services income	887.05	17.4	1,194.33	20.1	34.6
Others	302.26	5.9	224.50	3.8	(25.7)
Total non-interest income	2,293.22	45.0	2,444.41	41.2	6.6
Total income before bad debts and doubtful accounts	5,099.28	100.0	5,932.22	100.0	16.3
Bad debt and doubtful accounts	(548.99)		(719.25)		
Bad debt written back revenue	599.30		24.19		
Total income – net of bad debts and doubtful accounts	5,149.60		5,237.15		
Non-interest expenses	(2,947.07)		2,948.39		
Profit before income tax and minority interest	2,202.53		2,288.77		
Corporate income tax	(633.42)		(637.58)		
Minority interest in net earnings in subsidiary company	(23.57)		(0.07)		
Net Profit	1,545.53		1,651.11		

Table 2: Interest spread

%	2006	2007
Yield on Loans	7.5	7.6
Cost of fund	4.4	4.1
Loan spread	3.1	3.5

Table 3: Assets Breakdown

Assets	December 31, 2006		December 31, 2007		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	210.22	0.2	439.90	0.4	109.3
Interbank and Money Market Items	1,024.24	1.2	1,050.15	1.1	2.5
Securities purchased under resale agreements	1,718.00	2.0	2,400.00	2.4	39.7
Fixed income	1,168.58	1.4	1,390.83	1.4	19.0
Equity	3,224.62	3.8	4,389.73	4.4	36.1
Corporate Loans	14,573.64	17.2	15,616.55	15.8	7.2
Retail Loans	56,249.53	66.3	66,572.29	67.3	18.4
Other Loans	3,818.06	4.5	4,231.56	4.3	10.8
Allowance for doubtful accounts and for loss on debt restructuring	(2,793.63)	(3.3)	(2,805.96)	(2.8)	0.4
Other Assets	5,588.16	6.6	5,668.02	5.7	1.4
Total – The Bank and Subsidiaries	84,781.42	100.0	98,953.09	100.0	16.7

Table 4: Liabilities Breakdown by Area

Type of Borrowings	December 31, 2006		December 31, 2007		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Deposits and short-term borrowings	66,288.14	91.9	68,458.96	79.1	3.3
Interbank and money market items	2,156.98	3.0	5,852.19	6.8	171.3
Long-term borrowings	361.70	0.5	8,005.05	9.2	2,113.2
Others	3,291.73	4.6	4,263.29	4.9	29.5
Total – The Bank and Subsidiaries	72,098.56	100.0	86,579.49	100.0	20.1

Table 5: Loans and Receivables Breakdown

Type of Business	December 31, 2006		December 31, 2007		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and commerce	7,329.45	9.8	7,821.51	9.1	6.7
Real estate and construction	4,808.79	6.4	5,041.33	5.8	4.8
Public utilities and services	2,337.48	3.1	2,648.16	3.1	13.3
Agriculture and mining	97.91	0.1	105.55	0.1	7.8
Commercial Lending	14,573.64	19.5	15,616.55	18.1	7.2
Hire purchase	54,244.65	72.7	64,684.40	74.8	19.2
Housing	2,004.88	2.7	1,887.89	2.2	(5.8)
Retail Lending	56,249.53	75.4	66,572.29	77.0	18.4
<i>Others</i>	3,818.06	5.1	4,231.56	4.9	10.8
Total – The Bank and Subsidiaries	74,641.23	100.0	86,420.41	100.0	15.8

Table 6: Deposits Structure

Type of Deposits	December 31, 2006		December 31, 2007		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	1,389.98	2.1	2,089.34	3.1	50.3
Saving accounts	1,464.16	2.2	2,157.76	3.2	47.4
Fixed accounts	32,194.22	48.6	28,089.72	41.0	(12.7)
Negotiate certificate deposit	547.10	0.8	994.30	1.5	81.7
Promissory notes and Bill of exchange	4,972.40	7.5	2,383.05	3.5	(52.1)
Total deposits	40,567.86	61.2	35,714.17	52.2	(12.0)
Short-term borrowings	25,720.28	38.8	32,744.79	47.8	27.3
Total	66,288.14	100.0	68,458.96	100.0	3.3

Table 7: NPL Breakdown by Area

Type of Business	December 31, 2006			December 31, 2007			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	5.8	423.46	12.3	5.6	435.13	11.6	2.8
Real estate and construction	16.9	813.06	23.6	14.2	717.70	19.1	(11.7)
Public utilities and services	0.5	12.62	0.4	1.2	32.33	0.9	156.2
Agriculture and mining	0.9	0.86	0.0	0.3	0.35	0.0	(59.2)
Commercial Lending	8.6	1,250.00	36.2	7.6	1,185.51	31.6	(5.2)
Hire purchase	1.8	997.96	28.9	2.2	1,413.36	37.7	41.6
Housing	13.1	263.31	7.6	12.1	229.07	6.1	(13.0)
Retail Lending	2.2	1,261.27	36.6	2.5	1,642.43	43.8	30.2
Others	20.9	938.01	27.2	16.4	923.46	24.6	(1.6)
Total – The Bank and Subsidiaries	4.6	3,449.27	100.0	4.3	3,751.41	100.0	8.8

Table 8: Assets under Management Breakdown by Type of Fund

Type of Fund	December 31, 2006		December 31, 2007		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Provident Fund	53,016.04	62.6	62,702.81	58.2	18.3
Private Fund	24,392.49	28.8	30,416.85	28.2	24.7
Mutual Fund	7,328.23	8.6	14,593.65	13.5	99.1
Total	84,736.77	100.0	107,713.31	100.0	27.1

Table 9: Average Duration Mismatch of Assets and Liabilities and Its Impact

Type of Fund	Duration (years)		1-Y Net interest income change to 1% interest rate increase	
	2006	2007	2006	2007
Assets	1.30	1.41	279.82	312.28
Liabilities	0.40	0.49	(431.05)	(563.07)
Net Gap	0.90	0.92	(151.23)	(250.79)