

THANACHART CAPITAL PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
(FORMERLY KNOWN AS “NATIONAL FINANCE PUBLIC COMPANY LIMITED”)
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2006

Report of Independent Auditor

To the Board of Directors and Shareholders of
Thanachart Capital Public Company Limited
(Formerly known as “National Finance Public Company Limited”)

I have audited the accompanying consolidated balance sheet of Thanachart Capital Public Company Limited and its subsidiaries as at 31 December 2006, the related consolidated statements of income, changes in shareholders’ equity, and cash flows for the year then ended, and the separate financial statements of Thanachart Capital Public Company Limited for the same period. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of Thanachart Capital Public Company Limited and its subsidiaries and the separate financial statements of Thanachart Capital Public Company Limited as at 31 December 2005 and for the year then ended, as presented herein for comparative purposes, were audited by another auditor of my firm who, under his report dated 23 February 2006, expressed an unqualified audit opinion on those financial statements, but drew attention to the financial business restructuring plan of the Thanachart Group.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit 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 audit provides 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 2006 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the financial statements referred to above, I draw attention to the matter discussed in Note 10.9 to the financial statements relating to provision for non-performing loans, whereby in December 2006 the Bank of Thailand changed its guidelines on determining provisions for non-performing loans. Those new guidelines are effective in three phases in the years 2006 and 2007. The Company and its subsidiaries have set up provisions in 2006 against those loans which fall under the 2006 criteria as required under the guidelines. The effect to 2007 financial statements of the remaining revised criteria cannot be determined at this stage.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok : 28 February 2007

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(FORMERLY KNOWN AS "NATIONAL FINANCE PUBLIC COMPANY LIMITED")

BALANCE SHEETS

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
ASSETS					
CASH		2,466,125,940	800,953,623	40,000	40,000
INTERBANK AND MONEY MARKET ITEMS	6				
Domestic					
Interest bearing		2,559,774,515	348,517,245	9,309,020	-
Non-interest bearing		2,979,958,425	4,506,238,603	265,737,748	830,931,573
Foreign					
Interest bearing		21,420,641,997	-	-	-
Non-interest bearing		104,083,340	57,631,976	-	-
Total interbank and money market items - Net		27,064,458,277	4,912,387,824	275,046,768	830,931,573
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	7	6,300,000,000	19,700,000,000	-	7,200,000,000
INVESTMENTS					
Current investments - Net	8	7,338,916,150	5,838,033,733	8,464,722	8,687,958
Long-term investments - Net	8	26,245,185,644	25,714,103,186	5,835,793,998	2,944,895,141
Investments in subsidiary and associated companies	9	1,765,162,443	1,651,305,657	22,280,951,432	21,780,437,475
Net investments		35,349,264,237	33,203,442,576	28,125,210,152	24,734,020,574
RECEIVABLES FROM CLEARING HOUSE		786,300	163,920,465	-	-
LOANS AND ACCRUED INTEREST RECEIVABLE	10				
Loans		206,362,383,677	160,366,136,079	49,499,797,877	83,114,934,098
Securities business receivable		1,815,873,590	2,355,890,901	-	-
Total loans		208,178,257,267	162,722,026,980	49,499,797,877	83,114,934,098
Accrued interest receivable		277,312,650	239,194,089	17,332,543	36,525,524
Total loans and accrued interest receivable		208,455,569,917	162,961,221,069	49,517,130,420	83,151,459,622
Less : Allowance for doubtful accounts	11	(6,977,313,338)	(6,914,239,097)	(2,473,122,211)	(3,244,646,946)
Less : Revaluation allowance for debt restructuring	12	(203,406,268)	(189,062,423)	(513,991)	(5,412)
Net loans and accrued interest receivable		201,274,850,311	155,857,919,549	47,043,494,218	79,906,807,264
PROPERTY FORECLOSED - Net	14	8,420,480,978	8,144,539,193	3,198,671,684	3,260,212,829
LAND, PREMISES AND EQUIPMENT - Net	15	1,758,009,632	1,277,893,326	344,342,339	559,767,960
INTANGIBLE ASSETS - SOFTWARE	16	156,135,419	89,234,105	96,070,347	37,544,199
GOODWILL		10,215,267	3,406,691	-	-
AMOUNT BY WHICH VALUE OF INVESTMENTS IS					
LOWER THAN BOOK VALUE		(18,111,127)	(31,253,534)	-	-
VALUE ADDED TAX RECEIVABLE		1,475,295,586	2,324,184,801	-	-
OTHER ASSETS	17	2,510,499,351	1,672,530,715	387,864,719	406,429,545
TOTAL ASSETS		286,768,010,171	228,119,159,334	79,470,740,227	116,935,753,944

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(FORMERLY KNOWN AS "NATIONAL FINANCE PUBLIC COMPANY LIMITED")

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY					
DEPOSITS					
	18				
Deposits in Baht		198,526,848,577	148,366,837,216	-	-
Deposits in foreign currencies		75,568	4,371,735	-	-
Total deposits		198,526,924,145	148,371,208,951	-	-
INTERBANK AND MONEY MARKET ITEMS					
	19				
Domestic					
Interest bearing		4,338,927,141	2,555,752,247	39,600,428,747	75,700,134,654
Non-interest bearing		168,430,791	45,096,841	-	-
Net interbank and money market items		4,507,357,932	2,600,849,088	39,600,428,747	75,700,134,654
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS		-	200,000,000	-	-
PAYABLE TO CLEARING HOUSE		609,006,654	25,438,892	-	-
SECURITIES BUSINESS PAYABLE		645,425,567	1,057,862,946	-	-
BORROWINGS					
	20				
Short-term borrowings		18,459,806,407	1,254,460,000	2,935,000,000	968,700,000
Long-term borrowings		26,574,862,400	40,695,574,728	12,730,300,000	16,138,300,000
Total borrowings		45,034,668,807	41,950,034,728	15,665,300,000	17,107,000,000
ACCRUED INTEREST PAYABLE		1,883,846,932	1,255,047,454	122,343,224	102,953,487
LIABILITIES PAYABLE ON DEMAND		1,461,622,782	997,155,289	-	-
CORPORATE INCOME TAX PAYABLE		373,672,153	470,714,418	89,201,602	299,646,985
UNEARNED PREMIUM RESERVE		923,333,476	704,370,473	-	-
LIFE PREMIUM RESERVE		3,550,307,646	3,131,826,050	-	-
OTHER LIABILITIES	21	5,281,967,455	3,969,059,918	889,075,796	1,087,189,599
TOTAL LIABILITIES		262,798,133,549	204,733,568,207	56,366,349,369	94,296,924,725

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(FORMERLY KNOWN AS "NATIONAL FINANCE PUBLIC COMPANY LIMITED")

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
SHAREHOLDERS' EQUITY					
Share capital	22				
Registered					
19,546 preference shares of Baht 10 each and 1,333,134,457 ordinary shares of Baht 10 each (2005 : 19,546 preference shares of Baht 10 each and 2,333,134,457 ordinary shares of Baht 10 each)		13,331,540,030	23,331,540,030	13,331,540,030	23,331,540,030
Issued and paid up					
19,546 preference shares of Baht 10 each		195,460	195,460	195,460	195,460
1,333,134,457 ordinary shares of Baht 10 each		13,331,344,570	13,331,344,570	13,331,344,570	13,331,344,570
		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
Surplus from revaluation of assets of an associated company		539,051,342	540,420,162	539,051,342	540,420,162
Revaluation surplus on investments	23	159,423,516	321,008,326	159,423,516	321,008,326
Revaluation deficit on investments	23	(925,583,445)	(1,151,186,364)	(925,583,445)	(1,151,186,364)
Retained earnings					
Appropriated - statutory reserve	24	597,369,267	523,975,925	597,369,267	523,975,925
Unappropriated		7,336,945,260	7,007,426,252	7,336,945,260	7,007,426,252
Equity attributable to Company's shareholders		23,104,390,858	22,638,829,219	23,104,390,858	22,638,829,219
Minority interest - equity attributable to minority shareholders of subsidiaries		865,485,764	746,761,908	-	-
TOTAL SHAREHOLDERS' EQUITY		23,969,876,622	23,385,591,127	23,104,390,858	22,638,829,219
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		286,768,010,171	228,119,159,334	79,470,740,227	116,935,753,944
		0	0	0	0
OFF-BALANCE SHEET ITEMS - CONTINGENCIES					
	35.1				
Avals to bills and guarantees of loans		63,669,300	249,200,000	10,000,000	10,000,000
Liability under unmatured import bills		18,911,350	3,717,431	-	-
Letter of credits		94,146,696	635,370,238	-	-
Other contingencies		73,567,149,018	52,527,863,851	19,986,966,747	21,724,366,747

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

DIRECTORS

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(FORMERLY KNOWN AS "NATIONAL FINANCE PUBLIC COMPANY LIMITED")

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
INTEREST AND DIVIDEND INCOME					
Loans		2,919,595,558	2,339,816,131	145,128,641	639,543,125
Interbank and money market items		2,255,798,514	557,709,232	96,422,784	261,213,801
Hire purchase and financial lease		10,424,698,645	7,028,429,412	4,325,799,840	6,309,982,220
Investments		1,351,307,271	1,008,736,560	137,671,022	236,477,481
Total interest and dividend income		16,951,399,988	10,934,691,335	4,705,022,287	7,447,216,627
INTEREST EXPENSES					
Deposits		8,182,299,397	3,051,876,824	-	1,123,472,375
Interbank and money market items		108,154,733	82,446,824	3,552,486,999	2,135,597,233
Short-term borrowings		184,236,868	45,610,593	32,582,889	15,739,237
Long-term borrowings		1,567,874,189	1,241,080,257	550,193,054	440,303,947
Total interest expenses		10,042,565,187	4,421,014,498	4,135,262,942	3,715,112,792
Net interest and dividend income		6,908,834,801	6,513,676,837	569,759,345	3,732,103,835
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS					
(BAD DEBT AND DOUBTFUL ACCOUNTS)	25	(103,279,702)	723,375,971	742,486,776	345,896,264
LOSS ON DEBT RESTRUCTURING					
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	26	(165,205,840)	(429,817,482)	(1,233,032)	-
NON-INTEREST INCOME					
Brokerage fees		647,811,506	523,584,027	-	-
Gain (loss) on investments	27	375,748,034	240,482,876	130,260,447	(41,327,235)
Share of income from investments in subsidiary and associated companies accounted for under equity method - net		223,028,360	191,897,442	1,342,234,046	1,504,309,252
Fees and service income					
Acceptances, aval and guarantees		16,576,429	11,807,343	-	-
Others		558,223,720	366,120,559	1,175,782	27,628,196
Discounted income on insurance premium		597,936,703	517,865,973	69,099,983	262,488,147
Gains on debt settlement/disposals		856,800,879	676,199,105	41,845,932	49,486,884
Insurance premium/Life insurance premium income		2,935,330,205	1,770,339,941	-	-
Gains on property foreclosed	28	462,150,817	247,668,670	20,547,068	114,302,652
Other income		856,233,038	597,654,512	593,470,450	471,970,531
Total non-interest income		7,529,839,691	5,143,620,448	2,198,633,708	2,388,858,427

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(FORMERLY KNOWN AS "NATIONAL FINANCE PUBLIC COMPANY LIMITED")

INCOME STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
OPERATING EXPENSES					
Personnel expenses	29	2,568,749,712	1,953,694,499	265,434,205	453,691,108
Premises and equipment expenses		1,189,571,485	882,058,040	354,522,229	426,953,101
Taxes and duties		547,413,618	334,604,285	19,508,246	76,270,420
Fees and service expenses		252,921,043	130,937,407	35,761,422	61,342,446
Directors' remuneration	30	33,735,122	30,490,575	20,135,232	17,854,578
Fund contributed to the Financial Institutions Development Fund		740,395,956	557,190,937	22,043,370	360,316,776
Commission charged on hire-purchase		1,477,963,573	952,654,870	-	360,094,802
Insurance/Life insurance expenses		2,345,149,818	1,379,961,068	-	-
Other expenses		2,429,372,211	1,620,851,303	1,019,411,286	1,061,032,868
Total operating expenses		11,585,272,538	7,842,442,984	1,736,815,990	2,817,556,099
INCOME BEFORE INCOME TAX AND MINORITY INTEREST		2,584,916,412	4,108,412,790	1,772,830,807	3,649,302,427
CORPORATE INCOME TAX		(965,255,505)	(971,606,845)	(304,963,981)	(545,203,132)
INCOME BEFORE MINORITY INTEREST		1,619,660,907	3,136,805,945	1,467,866,826	3,104,099,295
MINORITY INTEREST IN NET INCOME IN					
SUBSIDIARY COMPANIES		(151,794,081)	(32,706,650)	-	-
NET INCOME FOR THE YEARS		1,467,866,826	3,104,099,295	1,467,866,826	3,104,099,295
EARNINGS PER SHARE					
Basic earnings per share	32	1.10	2.33	1.10	2.33
Diluted earnings per share		1.10	2.33	1.10	2.33

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(FORMERLY KNOWN AS "NATIONAL FINANCE PUBLIC COMPANY LIMITED")

CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Cash flows from operating activities				
Net income	1,467,866,826	3,104,099,295	1,467,866,826	3,104,099,295
Adjustments to reconcile net income to net cash provided by (used in) operating activities :-				
Minority interest in income of subsidiary companies	151,794,081	32,706,650	-	-
Share of income from investments accounted for under equity method	(223,028,360)	(191,897,442)	(1,342,234,046)	(1,504,309,252)
Depreciation and amortisation	342,718,346	239,931,286	117,104,800	115,544,148
Bad debt and doubtful accounts and loss on debt restructuring	268,485,542	293,558,489	(741,253,744)	(345,896,264)
Increase in provision for impairment of property foreclosed	134,178,809	66,381,347	16,703,586	12,671,886
Increase in provision for diminution in value of equipment/other assets	513,289,332	280,299,702	174,899,365	278,003,392
Increase in provision for impairment/revaluation of investments	180,295,574	68,504,159	81,507,491	26,906,565
Amortisation of deferred gain on disposal of property foreclosed	(70,176,695)	(153,457,159)	(8,587,930)	(6,660,925)
Amortisation of surplus/discounts on investments in debt securities	(143,243,041)	148,185,682	-	21,683,366
Amortisation of discounts on long-term borrowings	28,810,694	28,187,422	-	-
Amortisation of goodwill/amount by which value of investments is lower than book value	(11,903,611)	(9,937,260)	-	-
Loss (gain) on foreign exchange and financial derivatives	133,057,670	(510,944)	-	-
Increase in unearned premium reserve/life insurance premium reserve	670,537,698	536,880,550	-	-
Gain on debt settlement/property transferred in settlement of debt	(56,818,785)	(91,653,516)	(26,321,568)	(34,352,499)
Gain on disposal of equipment	(10,746,453)	(4,888,723)	(8,428,388)	(3,735,330)
Decrease (increase) in accrued interest and dividend receivable	(253,880,126)	(93,712,530)	15,073,384	64,387,773
Amortisation of deferred hire-purchase and deferred income	(132,908,724)	(85,495,859)	(59,655,111)	(73,130,224)
Decrease (increase) in accrued other income receivable	(32,709,717)	(89,736,665)	(9,387,212)	39,480,060
Increase (decrease) in accrued interest payable	628,799,478	325,863,567	19,389,737	(332,165,387)
Income (loss) from operating activities before changes in operating assets and liabilities	3,584,418,538	4,403,308,051	(303,322,810)	1,362,526,604

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(FORMERLY KNOWN AS "NATIONAL FINANCE PUBLIC COMPANY LIMITED")

CASH FLOW STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Operating assets (increase) decrease				
Interbank and money market items	-22,209,039,923	(2,646,966,116)	555,884,805	4,768,863
Securities purchased under resale agreements	13,400,000,000	(9,100,000,000)	7,200,000,000	(4,000,000,000)
Investment in trading securities	(98,012,347)	(106,781,836)	-	-
Receivable from clearing house	163,134,165	(163,920,465)	-	-
Loans	(48,575,684,943)	(35,858,078,285)	32,481,364,143	22,431,321,514
Property foreclosed	2,964,291,966	1,673,858,576	1,287,003,070	1,315,557,547
Other assets	(126,239,393)	(2,209,527,809)	(163,985,566)	231,026,528
Intangible assets	(93,829,019)	(111,675,385)	(79,425,815)	(27,404,096)
Operating liabilities increase (decrease)				
Deposits	50,155,715,194	27,329,920,213	-	(79,415,804,901)
Interbank and money market items	1,906,508,844	(818,870,699)	(36,099,705,907)	59,084,743,042
Short-term borrowings	6,653,375,386	1,049,373,473	1,966,300,000	968,700,000
Securities sold under repurchase agreements	(200,000,000)	200,000,000	-	-
Payable to clearing house	583,567,762	(214,189,684)	-	-
Securities business payable	(412,437,379)	715,887,457	-	-
Liability payable on demand	464,467,493	959,658,684	-	-
Other liabilities	1,348,720,893	1,229,986,175	(347,341,912)	147,830,031
Net cash flows from (used in) operating activities	<u>9,508,957,237</u>	<u>(13,668,017,650)</u>	<u>6,496,770,008</u>	<u>2,103,265,132</u>
Cash flows from investing activities				
Decrease (increase) in long-term investments	(2,481,891,216)	9,163,224,671	(3,178,643,457)	6,495,408,781
Cash received from disposal of investments/capital reduction of subsidiary companies	-	117,831,517	-	-
Cash paid for purchase of investments in subsidiary companies - Net	-	(249,997,000)	(211,499,225)	(6,728,099,490)
Cash received from dividend payment of subsidiary and associated companies	137,158,318	127,259,694	1,217,520,436	285,601,098
Cash paid for purchase of land and equipment	(806,818,126)	(886,581,159)	(86,626,177)	(318,093,246)
Cash received from disposal of equipment	28,991,976	63,310,623	235,432,891	61,552,200
Net cash flows from (used in) investing activities	<u>(3,122,559,048)</u>	<u>8,335,048,346</u>	<u>(2,023,815,532)</u>	<u>(203,630,657)</u>

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(FORMERLY KNOWN AS "NATIONAL FINANCE PUBLIC COMPANY LIMITED")

CASH FLOW STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Cash flows from financing activities				
Cash received (paid) from long-term borrowings	(3,597,552,001)	6,862,496,327	(3,408,000,000)	(968,800,000)
Cash received from minority interest for share capital issuance of subsidiaries	-	3,467,810	-	-
Dividend paid	(1,064,954,476)	(932,006,224)	(1,064,954,476)	(932,006,224)
Dividend paid to minority interest	(58,719,395)	(17,241,567)	-	-
Net cash flows from (used in) financing activities	(4,721,225,872)	5,916,716,346	(4,472,954,476)	(1,900,806,224)
Net increase (decrease) in cash	1,665,172,317	583,747,042	-	(1,171,749)
Cash at beginning of the year	800,953,623	217,206,581	40,000	1,211,749
Cash at ending of the year	<u>2,466,125,940</u>	<u>800,953,623</u>	<u>40,000</u>	<u>40,000</u>
	-	-	-	-
Supplemental cash flows information :-				
Cash paid during the year for				
Interest	9,395,074,039	4,071,579,901	4,116,970,933	4,048,509,463
Corporate income tax	1,069,353,648	956,922,142	515,409,364	462,998,733
Non-cash transactions	-			
Conversion of preference shares to ordinary shares		300	-	300
Property foreclosed transferred from loans, other receivable and investment in receivables purchased	3,338,096,545	2,621,154,251	1,134,232,590	1,427,526,316
Loans transferred from investment in receivables purchased	50,036,153	217,017,911	31,639,929	140,612,342
Investment in securities transferred from loans	-	19,701,445	-	-

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(FORMERLY KNOWN AS "NATIONAL FINANCE PUBLIC COMPANY LIMITED")

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED								
	Issued and paid up			Surplus from revaluation of assets	Revaluation surplus (deficit) on investments	Retained earnings		Minority interest	Total
	Preference shares	Ordinary shares	Share premium			Appropriated - statutory reserve	Unappropriated		
Balance - as at 1 January 2005	195,760	13,331,344,270	2,065,644,888	559,034,746	(571,289,332)	368,770,961	4,990,538,145	749,488,746	21,493,728,184
Dividend paid	-	-	-	-	-	-	(933,207,802)	-	(933,207,802)
Reversal of dividend on shares held by foreign shareholders (not right to receive dividend)	-	-	-	-	-	-	1,201,578	-	1,201,578
Decrease in surplus from revaluation of assets	-	-	-	-18,614,584	-	-	-	-	(18,614,584)
Increase in revaluation deficit on investments	-	-	-	-	(258,888,706)	-	-	-	(258,888,706)
Conversion of preference shares to ordinary shares	(300)	300	-	-	-	-	-	-	-
Transfer of retained earnings to statutory reserve	-	-	-	-	-	155,204,964	(155,204,964)	-	-
Decrease in minority interest in subsidiary companies	-	-	-	-	-	-	-	(35,433,488)	(35,433,488)
Net income for the year 2005	-	-	-	-	-	-	3,104,099,295	32,706,650	3,136,805,945
Balance - as at 31 December 2005	195,460	13,331,344,570	2,065,644,888	540,420,162	(830,178,038)	523,975,925	7,007,426,252	746,761,908	23,385,591,127
Dividend paid (Note 22)	-	-	-	-	-	-	(1,066,523,202)	-	(1,066,523,202)
Reversal of dividend on shares held by shareholders (not right to receive dividend)	-	-	-	-	-	-	1,568,726	-	1,568,726
Decrease in surplus from revaluation of assets	-	-	-	(1,368,820)	-	-	-	-	(1,368,820)
Decrease in revaluation deficit on investments	-	-	-	-	64,018,109	-	-	-	64,018,109
Transfer of retained earnings to statutory reserve (Note 24)	-	-	-	-	-	73,393,342	(73,393,342)	-	-
Decrease in minority interest in subsidiary companies	-	-	-	-	-	-	-	(33,070,225)	(33,070,225)
Net income for the year 2006	-	-	-	-	-	-	1,467,866,826	151,794,081	1,619,660,907
Balance - as at 31 December 2006	195,460	13,331,344,570	2,065,644,888	539,051,342	(766,159,929)	597,369,267	7,336,945,260	865,485,764	23,969,876,622

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(FORMERLY KNOWN AS "NATIONAL FINANCE PUBLIC COMPANY LIMITED")

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	THE COMPANY ONLY							
	Issued and fully paid up		Share premium	Surplus from revaluation of assets	Revaluation surplus (deficit) on investments	Retained earnings		Total
	Preference	Ordinary				Appropriated -	Unappropriated	
	shares	shares				statutory reserve		
Balance - as at 1 January 2005	195,760	13,331,344,270	2,065,644,888	559,034,746	(571,289,332)	368,770,961	4,990,538,145	20,744,239,438
Dividend paid	-	-	-	-	-	-	(933,207,802)	(933,207,802)
Reversal of dividend on shares held by foreign shareholders (no right to receive dividend)	-	-	-	-	-	-	1,201,578	1,201,578
Decrease in surplus from revaluation of assets	-	-	-	(18,614,584)	-	-	-	(18,614,584)
Increase in revaluation deficit on investments	-	-	-	-	(258,888,706)	-	-	(258,888,706)
Conversion of preference shares to ordinary shares	(300)	300	-	-	-	-	-	-
Transfer of retained earnings to statutory reserve	-	-	-	-	-	155,204,964	(155,204,964)	-
Net income for the year 2005	-	-	-	-	-	-	3,104,099,295	3,104,099,295
Balance - as at 31 December 2005	195,460	13,331,344,570	2,065,644,888	540,420,162	(830,178,038)	523,975,925	7,007,426,252	22,638,829,219
Dividend paid (Note 22)	-	-	-	-	-	-	(1,066,523,202)	(1,066,523,202)
Reversal of dividend on shares held by shareholders (no right to receive dividend)	-	-	-	-	-	-	1,568,726	1,568,726
Decrease in surplus from revaluation of assets	-	-	-	(1,368,820)	-	-	-	(1,368,820)
Decrease in revaluation deficit on investments	-	-	-	-	64,018,109	-	-	64,018,109
Transfer of retained earnings to statutory reserve (Note 24)	-	-	-	-	-	73,393,342	(73,393,342)	-
Net income for the year 2006	-	-	-	-	-	-	1,467,866,826	1,467,866,826
Balance - as at 31 December 2006	195,460	13,331,344,570	2,065,644,888	539,051,342	(766,159,929)	597,369,267	7,336,945,260	23,104,390,858

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
(FORMERLY KNOWN AS “NATIONAL FINANCE PUBLIC COMPANY LIMITED”)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

1. GENERAL INFORMATION

Thanachart Capital Public Company Limited (“the Company”) was incorporated as a public company limited under Thai laws and operates its business in Thailand. On 31 March 2006, the Company returned its finance business license to the Ministry of Finance, effective from 1 April 2006. The Company’s status was therefore changed from a finance company to a holding company, or the parent company of the Thanachart Group, and it will hold not less than 50% of the registered and paid-up share capital of each of the group companies. On 3 April 2006, the Company registered the change of its name to “Thanachart Capital Public Company Limited” and is the parent company of a financial business group which is under a consolidated supervision of the Bank of Thailand.

In 2005, the Company implemented a plan approved by the Ministry of Finance, whereby it transferred to Thanachart Bank, a subsidiary company, hire purchase business operations on 9 May 2005, deposits of individual customers in the form of promissory notes on 1 July 2005, deposits of juristic customers on 1 November 2005, and loans on 1 October 2005. In December 2005, Thanachart Bank increased its paid-up capital.

During the year 2006, Thanachart Bank proposed a plan to establish a financial group, with the Company as the parent company, to the Bank of Thailand (“BOT”). In December 2006, the BOT approved the establishment of the financial group and allowed the Company to purchase or hold shares in 13 limited companies which are under the financial group (since these were existing subsidiary companies of the Company, the financial business structure of Thanachart Group changed little as a result) and a company engaging in financial business which is under the non-financial group. For those related companies which are under the non-financial group and do not engage in financial business, the Company is required to reduce its holding to no more than 10 percent within 3 years of the date it received approval for the establishment of the financial group. In this respect, the Company is required to deduct from the capital funds of the financial group the amounts directly and indirectly invested by the Company and other subsidiary companies in companies in the financial group in which the Company and its subsidiaries hold less than 50% of shares, investments in companies in the non-financial group, and investments in non-life insurance and life insurance companies.

The Company’s registered address is 444 MBK Tower, 10-11 and 15-20 Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok.

All subsidiary companies are registered as company limited or public company limited under Thai laws and operate in Thailand. Their businesses include commercial bank business, securities business, non-performing assets management business, leasing and hire-purchase business, non-life insurance business, life insurance business and fund management business, among others.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Act B.E. 2547 and with reference to the guidelines stipulated by the BOT. Formerly, the Company was a finance company obligated to follow the BOT's guidelines. The Company is now the parent company of a financial business group which is under a consolidated supervision by the BOT. Therefore, in order to present financial information of the Group in accordance with substance, the presentation of the financial statements has been made in compliance with the Notification of the Bank of Thailand relating to the format of the financial statements of commercial banks, dated 10 May 2001.

The financial statements have been prepared in historical cost basis except where otherwise disclosed in the accounting policy.

3. BASIS OF CONSOLIDATION

3.1 These consolidated financial statements include the financial statements of Thanachart Capital Public Company Limited (hereinafter referred to as "the Company") and the following subsidiary companies (herein after referred to as "the subsidiary companies") as follows :-

	Percentage of shares held by the Company		Percentage of shares held by the subsidiary companies	
	2006	2005	2006	2005
<u>Subsidiary companies directly held by the Company</u>				
Thanachart Bank Plc.	99.36	99.36	-	-
N.F.S. Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	58.45	58.45	-	-
Thanachart Securities Plc.	100.00	100.00	-	-
Thanachart Insurance Co., Ltd.	78.00	70.00	9.94	9.94
Pasara Co., Ltd.	100.00	100.00	-	-
Thanachart Fund Management Co., Ltd.	75.00	75.00	-	-

	Percentage of shares held by the Company		Percentage of shares held by the subsidiary companies	
	2006	2005	2006	2005
<u>Subsidiary companies directly held by the Company</u>				
Thanachart Broker Co., Ltd. (Formerly known as “N.F.S. Capital Co., Ltd.”)	100.00	100.00	-	-
Thiravanit Co., Ltd.	99.90	99.90	-	-
Sinkahakarn Co., Ltd.	95.12	95.12	-	-
Bangkok Home Co., Ltd.	99.87	99.87	-	-
Thanachart Group Leasing Co., Ltd.	100.00	100.00	-	-
Thanachart Management and Services Co., Ltd.	100.00	100.00	-	-
Thanachart Legal and Appraisal Co., Ltd.	100.00	100.00	-	-
NASSET Property Fund 6	99.80	99.80	0.06	0.06
Thanachart SPV 01 Co., Ltd.	100.00	100.00	-	-
Thanachart Life Assurance Co., Ltd.	100.00	100.00	-	-
<u>Subsidiary companies indirectly held by the Company</u>				
Thanachart Leasing 2000 Co., Ltd.	-	-	99.99	99.99
National Leasing Co., Ltd.	-	-	100.00	100.00

During December 2006, Thanachart Insurance Co., Ltd. issued 20 million new ordinary shares for offer to the existing shareholders. The Company exercised its own entitlement to purchase such shares and unexercised entitlements of minority shareholders, to purchase Baht 211 million of such shares at Baht 11.75 per share. The offer price was based on net asset value of such subsidiary. As a result of the acquisition the Company’s interest in that company increased from 70 percent of equity to 78 percent of equity.

- 3.2 Total assets and total income of material subsidiary companies included in the consolidated financial statements as at 31 December 2006 and 2005 and for the years then ended, after eliminating significant intercompany transactions, are as follows :-

	Total assets		Total income	
	2006	2005	2006	2005
Thanachart Bank Plc.	207,781	108,622	12,155	3,643
N.F.S. Asset Management Co., Ltd.	9,720	11,914	1,309	968
Thanachart Life Assurance Co., Ltd.	3,974	3,180	1,372	882
Thanachart Securities Plc.	2,615	3,387	959	668
Max Asset Management Co., Ltd.	2,262	2,048	462	247

(Unit : Million Baht)

- 3.3 The consolidated financial statements as at 31 December 2006 and 2005 did not include the financial statements of Glas Haus Building Co., Ltd., which the Company acquired through troubled debt restructuring and intends to hold as a temporary investment. As at the balance sheet date, such investment was valued at zero in the Company's accounts.
- 3.4 Outstanding balances between the Company and its subsidiary companies have been eliminated in the consolidated financial statements. The investments in subsidiary companies as recorded in the Company and its subsidiary companies' books of accounts have been eliminated with the shareholders' equity of the subsidiary companies. The remaining differences will be amortised since the acquisition date in subsidiary companies.

4. CHANGE IN ACCOUNTING POLICY/ADOPTION OF NEW ACCOUNTING STANDARDS

In October 2006, the Federation of Accounting Professions issued Notification No. 26/2549 regarding Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1), under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method. Entities which are not ready to adopt the cost method in 2006 can continue to use the equity method through the end of 2006 and adopt the cost method as from 1 January 2007.

In this regard, the Company has elected to adopt the change in 2007. Adoption of the change in 2007 will necessitate the restatement of the Company's 2006 separate financial statements to be presented for comparative purposes along with the financial statements for 2007. The restatement will have the effect of decreasing net income in the separate income statement for 2006 by approximately Baht 113 million (Baht 0.08 per share) and decreasing net worth in the balance sheet at 31 December 2006 by approximately Baht 385 million.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Revenue recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on the amount of principal outstanding. Interest on hire purchases receivable is recognised based on the sum-of-the-year-digits method. Interest on financial lease agreement is recognised based on the effective rate method. The Company and its subsidiary companies cease accruing interest income for loans on which principal or interest payments have been defaulted for more than three months and the Company and its financial institution subsidiaries will also reverse interest income formerly recognised for such defaulted loans. Interest is then recognised as income on a cash basis until the Company and its financial institution subsidiaries collect such overdue loans.

The Company and its subsidiary companies recognise interest income on restructured loans on an accrual basis with reference to interest rate stipulated in the agreements, with the exception of loans that are subject to monitoring for compliance with restructuring conditions which the Company and its subsidiary companies recognise as income on a cash basis until the debtors are able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

The Company and its subsidiary companies recognise interest income on investments in purchased/transferred loans, for which loan repayment is received during the year based on multiplication of the effective yield rate of the portfolio, by the acquisition cost of the outstanding loans. Interest on investments in purchased/transferred loans which have been restructured and where repayment was received during the year is recognised under the effective interest rate method.

Interest or discounts, already included in the face values of notes receivable or loans, are recorded as deferred interest income and taken up as income evenly throughout the term of the notes or loans or proportion of the collection.

Deferred interest income on hire-purchase represents discounted on interest given to debtors by dealers, is recognised based on the sum-of-the-year-digits method, in the same manner as interest income recognition on hire-purchases receivable.

b) Interest and dividends on investments in securities

Interest income is recognised as interest accrues based on the effective rate method. Dividends are recognised when the right to receive the dividends is established.

c) Brokerage fee income

Brokerage fee charged on securities trading are recognised as income on the transaction date.

d) Interest on loans for purchase of securities

Interest on loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary company ceases accruing interest for certain loans that fall under the conditions set by the Securities Exchange Commission (SEC).

e) Gain (loss) on investments

Gain (loss) on investments is recognised as income/expenses at the transaction date.

f) Fees and service income

Fees and service income are recognised as income on an accrual basis.

g) Insurance/life insurance premium income

- Insurance premium income on insurance policies is recognised on the date the insurance policy comes into effect, after deducting premium ceded and cancelled for insurance policies with coverage periods of up to 1 year. For long-term insurance policies with coverage periods of longer than 1 year, related revenues and expenses are recorded as unearned and prepaid items, and amortised to income and expenses over the coverage period.

- Life insurance premium income is recognised on the date the insurance policy comes into effect, after deducting premium ceded and cancelled.
- Reinsurance premium income is recognised when the reinsurer places the reinsurance application or statement of accounts.

5.2 Expense recognition

a) Interest expenses

Interest expenses are charged to earnings on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest and amortised to expense evenly throughout the term of the notes.

b) Commission and expenses charged on hire-purchase

Commission and expenses charged on hire-purchase business is recognised as expenses at the transaction date.

5.3 Unearned premium/life insurance premium reserve

Unearned premium reserve of a subsidiary company is set aside in compliance with the Notification of the Ministry of Commerce regarding the appropriation of unearned premium reserve as follows :-

Fire, marine (hull), motors and miscellaneous (except for traveling accident with coverage of not more than 6 months)	-	Monthly average basis (the one-twenty fourth basis)
Marine and transportation (cargo)	-	Net premium written for the last ninety days
Traveling accident with coverage of not more than 6 months	-	Net premium written for the last thirty days

Life insurance premium reserve represents the accumulated total reserve for liability up to the balance sheet date, for all life insurance policies in force. The reserve is calculated by the subsidiary company under the actuarial method prescribed by the Regulation on Life Insurance Policy Reserve as promulgated by the Ministry of Commerce.

- (a) Reserve for life insurance policies of over 1 year is determined using the fractional reserve method.
- (b) Reserve for life insurance policies of 1 year or less is determined based on the full unearned premium reserve and the period of coverage.

5.4 Investments

Investments in securities held for trading are determined at fair value. Gains or losses arising from changes in the value of such securities are included in determining earnings.

Investments in available-for-sale securities, both held for short-term and long-term investments, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, when the changes are included in determining earnings.

Investments in debt securities, both due within one year and expected to be held to maturity, are determined at cost after amortisation. Premiums/Discounts on debt securities are amortised by the effective rate method. The amortised amount is presented as an adjustment to the interest income.

Investments in non-marketable equity securities, which are classified as other investments, are valued at cost net of allowance for impairment (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private sector debt securities is determined using the formula quoted by the BOT, which is based on the yield rate quoted by the Thai Bond Market Association, adjusted by an appropriate risk factor. The fair value of unit trusts is determined based on their net asset value.

The weighted average method is used for computation of the cost of investments.

In the event of the transfer of investment portfolio, the Company and its subsidiary companies value such investments at their fair values prevailing at the transferred date. Difference between the carrying amount of the investments and their fair values at that date are recorded as gain (loss) in determining earnings or surplus (deficit) from revaluation of investments, which is presented as a separate item in shareholders' equity and amortised over the remaining period to maturity of the debt securities, depending on the type of investment which is reclassified.

5.5 Investments in receivables purchased and allowance for impairment

Investments in receivables purchased, which are classified as other investments, are valued at acquisition cost net of allowance for impairment (if any).

Investments in receivables purchased which enter into trouble-debt restructuring are transferred to loans and presented at fair value. The fair value is based on the outstanding balance of investments in receivables purchased as at transferred date or as at the date of restructuring.

Allowance for impairment of investments in receivables purchased is set up based on estimated fair value, determined from the value of the collateral.

5.6 Investments in subsidiary and associated companies

Investments in subsidiary and associated companies are accounted for under the equity method. Under this method, investments are initially recorded at acquisition cost and are adjusted to reflect the attributable share of the earnings from the operations of each subsidiary and associated company, in proportion to the investment.

If the Company and its subsidiary companies have no commitments or guarantees to its associated companies, loss is recognised only to the extent that they do not exceed the outstanding balance of investments.

5.7 Loans

Loans are presented at principal balances, excluding accrued interest receivable. Unrecognised deferred income/discount on loans is deducted from loan balances.

Hire purchase and finance lease receivables are stated at the contract value of the hire purchase and the finance lease receivables net of unearned hire purchase and finance lease income.

Securities business receivables comprise the net receivable balances of cash accounts and credit balance accounts (for which the securities purchased are used as collateral) as well as other receivables, such as overdue in cash accounts and securities receivables which are under legal proceedings, are undergoing restructuring, or are being settled in installments.

5.8 Allowances for doubtful accounts

- a) The Company and its subsidiary companies provide allowances for doubtful accounts in accordance with the notifications of the BOT and adjust these by the additional amount which is expected not to be collectible, based on the evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

Year 2006

During the year 2006, the Company and its subsidiary companies which are financial institutions revised its guidelines on determining allowance for doubtful accounts and the value of collateral to be deducted against the loan balance when setting provisions for non-performing loans in accordance with the new BOT's guideline which was announced on 21 December 2006. Under the new guidelines, the provision has to be set up at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, based on the use of the stipulated discount rate and the time needed to dispose of collateral, in accordance with the BOT's guideline. The timeline for implementing these provisioning guidelines is presented below :-

- a) From the second half-year period of 2006 provisions are to be made for receivables for which a court judgment has already been issued, for which a court order is being executed, and against which legal actions have been brought.
- b) From the half-year period ended 30 June 2007 provisions are to be made for receivables that are classified as doubtful of loss and doubtful.
- c) From the year ended 31 December 2007 provisions are to be made for receivables that are classified as substandard.

The Company and its subsidiary companies set provision at rates of at least 1% and at least 2% of the loan balance (excluding accrued interest receivable) net of collateral value for normal (including restructured receivables) and special mention as required by the BOT's guidelines. However, provision for hire purchase receivables and finance lease receivables of the Company is determined before netting collateral value.

As at 31 December 2006, the Company and its subsidiary companies set provision at 100% on receivables for which a court judgment has already been issued, for which a court order is being executed, and against which legal actions have been brought, in accordance with the new guidelines of the BOT. For doubtful of loss, doubtful and substandard loans the Company and its subsidiary companies still apply provisioning rates of 100%, at least 50% and at least 20% of the loan balance net of collateral value, respectively, in accordance with the prior guidelines. However, one subsidiary company (Thanachart Bank) set full provision for non-performing loans in accordance with the above mentioned guidelines a), b) and c). The values of vehicles placed as collateral of that subsidiary's loans are deducted against the loan balances for the purpose of determining provisions.

Year 2005

The Company and its subsidiary companies provided allowance for doubtful debt in accordance with the BOT's guideline dated 23 August 2004, applying provisioning rates of at least 1% for normal debt, 2% for special mention debt, 20% for substandard debt, 50% for doubtful debt and 100% for doubtful of loss debt. The Company and its subsidiary companies deducted the valuation of collateral against the loan balance before determining provisions, except for hire purchase receivables and finance lease receivables, on which provision was calculated before netting collateral value.

- b) A securities subsidiary has provided an allowance for doubtful accounts based on a review of debtors' repayment capability, taking into consideration the risk of recovery and the value of collateral, in accordance with the notifications of the SEC.
- c) Amounts written off as bad debts, or bad debt recovery are deducted from or added to the allowance for doubtful accounts.
- d) Allowance for doubtful accounts of other receivables is based on the estimated loss that may be incurred in the uncollection of receivables complied with the review of current status as at the balance sheet date.

5.9 Troubled debt restructuring

In cases where the debt restructuring involves modifications of the terms of repayment, the fair values of the receivables after restructuring is based on the present values of expected future cash flows, determined using the minimum loan rate provided to major debtors prevailing at the restructuring date. The Company and its subsidiary companies record the differences between the fair value of receivables as of the restructuring date and their previous book value as "Revaluation allowance for debt restructuring", as an expense in the statement of income. Such allowance is amortised over the remaining period and the amortised amount is recognised as an adjustment against bad debt and doubtful accounts.

In case where the troubled debt restructuring involves the transfer of assets or equity, the Company and its subsidiary companies record such assets at their fair value, based on the value appraised by internal appraisers or external independent appraisers, providing this does not exceed the amount of principal (including interest of which recognition was ceased until the restructuring date) legally claimable by the Company and its subsidiary companies from the debtor. Any excess of the fair value of the assets over the book value is recognised as a gain from debt restructuring or an interest income in the period, as the case may be. In case of the assets transferred with the conditions that the debtor must repurchase or have option to purchase at prices within period specified in the agreements, the Company and its subsidiary companies record such assets at the lower of their fair value or the book value.

Loss from debt restructuring through waiver of part of the principal or recorded accrued interest receivable is recognised in the statement of income when incurred.

5.10 Property foreclosed

Property foreclosed is stated at the lower of cost, or net realisable value with reference to the latest appraisal value less estimated selling expenses.

Gain on the disposal of property foreclosed is recognised in the income statement at the disposal date. In case the purchaser received the loans from the Company or its subsidiary companies, such gain will be recognised in proportion of the collection. Loss on disposal and impairment loss are recognised as expenses in the statement of income.

5.11 Land, premises and equipment and depreciation

- a) Land and assets in progress are stated at cost and depreciation is not provided.
- b) Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment. Depreciation is calculated by reference to cost on a straight-line method over the following estimated useful lives (with the exception as listed below) :-

Buildings	-	20	years
Building improvements	-	5 - 10	years
Furniture, fixtures and equipment	-	5 - 10	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

Depreciation of computers and related equipment of a subsidiary company acquired between 1 July 1995 and 30 June 2001 is calculated using the sum-of-the-year-digits method over estimated useful lives of 5 years. The current net book value of those assets is zero.

- c) Land, land improvement and premises of an associated company which is engaged in real estate business are presented at their fair values (market value or replacement cost). Such accounting policy differs from the Company's policy because the nature of their business differs. Such assets of an associated company are stated at their fair values less accumulated depreciation. Depreciation is not provided for land. As at 31 December 2006, surplus from revaluation of assets of the associated company recognised under the equity method and presented as part of shareholders' equity amounts to Baht 539 million.

5.12 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over estimated useful lives of 5 - 10 years.

Amortisation is included in determining income.

5.13 Goodwill

Goodwill presented as an asset in the consolidated financial statements of the Company is the excess of the purchase price over the fair market value of investment in a subsidiary as of the acquisition date and is stated at cost less accumulated amortisation. Goodwill is recognised as expenses in the statements of income within 5 – 10 years, by the straight-line basis.

Negative goodwill presented as negative assets in the consolidated financial statements of the Company is the discount of the purchase price under the fair market value of investment as of the acquisition date and is stated at cost less accumulated amortisation. Negative goodwill is recognised as income in the statements of income by the straight-line basis over the remaining weighted average useful life of the acquired identifiable assets within 3 – 5 years.

5.14 Long-term leases

The Company and its subsidiary companies capitalise vehicles under financial leases, which transfer substantially all the risks and rewards of ownership, at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. Assets acquired under finance leases are depreciated over their estimated useful lives.

5.15 Premium due and uncollected and allowance for doubtful accounts

Premium due and uncollected is carried at its net realisable value. Subsidiary companies provide an allowance for doubtful accounts based on the estimated loss that may be incurred in the collection of the premium due, on the basis of collection experience and a review of current status of the premium due as at the balance sheet date.

5.16 Sales of commercial paper

Commercial paper sold with aval by the subsidiary company, or commercial paper sold with recourse and without an aval or acceptance is recorded as a liability under the caption of “Liabilities under commercial paper sold”. Commercial paper sold at a discount with recourse, which is avaled by or with acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of “Contingent liabilities”.

5.17 Loss reserve and outstanding claims/Benefits payment to life policy

Outstanding claims have been provided for upon the receipt of claims advices from the insured/life insured. Loss reserve has been provided based on estimates made by independent appraiser or the relevant officers of the subsidiary company on a case by case basis. The estimated value of losses is limited to not more than the sum insured of the related insurance policies.

In addition, a subsidiary company engaged in the non-life insurance business, additionally set up provision for losses incurred but not yet reported (IBNR) at the rate of 2.5 percent of net cash inflows from insurance premiums during the previous 12 months. Such reserve is set up in accordance with the Notification of the Ministry of Commerce governing the appropriation of loss reserves of non-life insurance companies.

5.18 Related party transactions

Related parties comprise enterprises and individuals that control or are controlled by the Company and its subsidiary companies, whether directly or indirectly, or which are under common control with the Company and its subsidiary companies.

They also include associated companies and individuals which have significant influence over the Company and its subsidiary companies, key management personnel, directors and officers with authority in the planning and direction of the Company and its subsidiary companies' operations.

5.19 Impairment of assets

The Company and its subsidiary companies assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and its subsidiary companies make an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statements. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

5.20 Employee benefits

Salary, wages, bonuses and contribution to the social security fund and provident fund are recognised as expenses when incurred.

5.21 Foreign currencies

Foreign currency transactions occurred during the year have been translated into Baht at the rates ruling on the transaction dates. Assets and liabilities in foreign currencies outstanding on the balance sheet date have been translated into Baht at the rates ruling at the balance sheet date.

Gains and losses on the purchase, sale or transaction of foreign currencies are included in determining income.

5.22 Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

5.23 Financial derivatives

The Company and subsidiary companies have entered into off balance sheet transactions involving derivative financial instruments, in order to manage foreign exchange and interest rate risk, and a subsidiary company executes financial derivative transactions to meet client needs.

Forward foreign currency contracts which originated for trading purposes are recorded as off-balance sheets items and presented at its fair value. Gains/losses arising from changes in the fair value of the contracts are recognized in determining income.

Forward foreign currency contracts, interest rate swap contracts, cross currency and interest rate swap contracts which originated for hedging purposes are recorded as off-balance sheet items, and presented on an accrual basis. Foreign currency components are translated at the year-end exchange rate, with unrealised gain or losses on translation recognised in the income statements. Interest rate components are presented on an accrual basis, in the same manner as the hedged assets and liabilities, with gains or losses recorded to interest income and interest expense over the terms of the contracts. Receivables and payables under cross currency and interest rate swap contracts are presented at the net amount in balance sheet.

5.24 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

6. INTERBANK AND MONEY MARKET ITEMS (ASSETS)

(Unit : Million Baht)

	Consolidated					
	2006			2005		
	At call	Term	Total	At call	Term	Total
Domestic :						
Bank of Thailand and Financial Institution Development Fund	2,331	-	2,331	4,031	-	4,031
Commercial banks	1,044	2,001	3,045	493	151	644
Other banks	39	70	109	1	-	1
Other financial institutions	42	40	82	62	157	219
Total	3,456	2,111	5,567	4,587	308	4,895
Add : Accrued interest receivables	1	15	16	-	2	2
Less : Allowance for doubtful accounts	(42)	(1)	(43)	(42)	(1)	(43)
Total interbank and money market - domestic	3,415	2,125	5,540	4,545	309	4,854
Foreign :						
US Dollar	101	21,230	21,331	33	-	33
Others	57	-	57	25	-	25
Total	158	21,230	21,388	58	-	58
Add : Accrued interest receivables	-	136	136	-	-	-
Total interbank and money market - foreign	158	21,366	21,524	58	-	58
Total interbank and money market – net	3,573	23,491	27,064	4,603	309	4,912

(Unit : Million Baht)

	The Company Only					
	2006			2005		
	At call	Term	Total	At call	Term	Total
Domestic :						
Bank of Thailand and Financial Institution Development Fund	-	-	-	515	-	515
Commercial banks	241	-	241	290	-	290
Other banks	15	-	15	7	-	7
Other financial institutions	-	20	20	-	20	20
Total	256	20	276	812	20	832
Less : Allowance for doubtful accounts	-	(1)	(1)	-	(1)	(1)
Total interbank and money market – domestic net	256	19	275	812	19	831

As at 31 December 2006 and 2005, a subsidiary company had loans to defunct financial institutions amounting to approximately Baht 42 million for which interest recognition has been ceased and full allowance for doubtful accounts has been provided for.

In addition, as at 31 December 2005, loans to financial institutions of a subsidiary company amounting to approximately Baht 14 million have been placed as collateral with the Insurance Registrar.

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Government bonds and Bank of Thailand bonds	3,000	1,000	-	-
Financial Institutions Development Fund bonds	3,300	18,700	-	7,200
Total securities purchased under resale agreements	6,300	19,700	-	7,200

8. INVESTMENTS

8.1 Classified by type of investments

(Unit : Million Baht)

	Consolidated				The Company Only			
	2006		2005		2006		2005	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Current investments :								
Trading securities								
Government and state enterprise securities	396	396	264	264	-	-	-	-
Private debt securities	2	2	-	-	-	-	-	-
Domestic marketable equity securities	15	15	52	53	-	-	-	-
	413	413	316	317	-	-	-	-
Add : Allowance for change in value	-		1		-	-	-	-
	413		317		-	-	-	-
Available-for-sale securities								
Government and state enterprise securities	2,318	2,318	337	337	-	-	-	-
Private debt securities	459	457	203	204	-	-	-	-
Domestic marketable equity securities	17	18	10	12	7	8	7	9
	2,794	2,793	550	553	7	8	7	9
Add (less) : Allowance for change in value	(1)		3		1		2	
	2,793		553		8		9	
Held-to-maturity debt securities - due within 1 year								
Government and state enterprise securities	3,641		4,948		-		-	
Private debt securities	63		20		-		-	
Foreign debt securities	429		-		-		-	
	4,133		4,968		-		-	
Total current investments – net	7,339		5,838		8		9	

(Unit : Million Baht)

	Consolidated				The Company Only			
	2006		2005		2006		2005	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Long-term investments :								
Available-for-sale securities								
Government and state enterprise securities	5,018	5,003	330	319	-	-	-	-
Private debt securities	905	899	522	509	-	-	-	-
Domestic marketable equity securities	2,842	2,659	5,394	5,326	894	826	1,357	1,390
	8,765	8,561	6,246	6,154	894	826	1,357	1,390
Add (less) : Allowance for change in value	(204)		(92)		(68)		33	
	8,561		6,154		826		1,390	
Held-to-maturity debt securities								
Government and state enterprise securities	12,736		14,826		504		1,004	
Private debt securities	236		400		3,000		-	
Foreign debt securities	1,441		1,400		-		-	
	14,413		16,626		3,504		1,004	
Less : Allowance for impairment	(443)		(344)		(137)		(119)	
	13,970		16,282		3,367		885	
Other investments								
Investments in receivables purchased	2,686		2,008		1,576		546	
Investments in property fund	1,106		1,259		-		-	
Domestic non-marketable equity securities	356		366		242		235	
	4,148		3,633		1,818		781	
Less : Allowance for impairment	(434)		(355)		(175)		(111)	
	3,714		3,278		1,643		670	
Total long-term investments – net	26,245		25,714		5,836		2,945	

8.2 Classified by due date of debt securities

(Unit : Million Baht)

	Consolidated							
	2006				2005			
	Maturity				Maturity			
	Not over 1 year	Over 1-5 years	Over 5 years	Total	Not over 1 year	Over 1-5 years	Over 5 years	Total
Trading securities								
Government and state								
enterprise securities	396	-	-	396	215	49	-	264
Private debt securities	2	-	-	2	-	-	-	-
Total	398	-	-	398	215	49	-	264
Available-for-sale securities								
Government and state								
enterprise securities	2,298	5,038	-	7,336	327	340	-	667
Private debt securities	459	905	-	1,364	203	522	-	725
Total	2,757	5,943	-	8,700	530	862	-	1,392
Add (less) : Allowance for change in value	(3)	(20)	-	(23)	1	(24)	-	(23)
Total	2,754	5,923	-	8,677	531	838	-	1,369
Held-to-maturity debt securities								
Government and state								
enterprise securities	3,641	7,230	5,506	16,377	4,948	4,309	11,338	20,595
Private debt securities	63	209	27	299	20	374	26	420
Foreign debt securities	429	1,441	-	1,870	-	579	-	579
Total	4,133	8,880	5,533	18,546	4,968	5,262	11,364	21,594
Less : Allowance for impairment	-	(443)	-	(443)	-	-	(344)	(344)
Total	4,133	8,437	5,533	18,103	4,968	5,262	11,020	21,250
Total debt securities	7,285	14,360	5,533	27,178	5,714	6,149	11,020	22,883

(Unit : Million Baht)

	The Company Only							
	2006				2005			
	Maturity				Maturity			
	Not over 1 year	Over 1-5 years	Over 5 years	Total	Not over 1 year	Over 1-5 years	Over 5 years	Total
Held-to-maturity debt securities								
Government and state enterprise securities	-	504	-	504	-	473	531	1,004
Private debt securities	-	-	3,000	3,000	-	-	-	-
Total	-	504	3,000	3,504	-	473	531	1,004
Less : Allowance for impairment	-	(137)	-	(137)	-	-	(119)	(119)
Total debt securities	-	367	3,000	3,367	-	473	412	885

8.3 As at 31 December 2006, the Company and its subsidiary companies have a revaluation surplus and deficit amounting to Baht 45 million and Baht 616 million, respectively, as a result of the recategorisation of debt securities, and these are presented in shareholders' equity (the Company Only : Baht 21 million and Baht 131 million, respectively) (2005 : outstanding revaluation surplus amounting to Baht 54 million and outstanding revaluation deficit amounting to Baht 815 million in the consolidated financial statements, and a revaluation surplus amounting to Baht 24 million and a revaluation deficit amounting to Baht 153 million in the Company's financial statements).

8.4 As at 31 December 2006, long-term investments in held-to-maturity debt securities include Baht 1,769 million of non-transferable, 10-year promissory notes received from Thai Asset Management Corporation ("TAMC") in relation to the transfer of non-performing loans to TAMC (the Company Only : Baht 504 million) (2005 : Baht 2,411 million in the consolidated financial statements and Baht 531 million in the Company's financial statements). However, the transfer price settled in the form of promissory notes may still be increased or reduced after TAMC reviews the prices, appraises the collateral values, or adjusts the prices.

Under the guideline of the Emergency Decree, the Company and its subsidiary companies also share joint responsibility with TAMC for future profits and losses arising from TAMC's management of the non-performing assets. These are to be calculated at the end of the fifth and tenth years, from 1 July 2001. In case of losses, the Company and its subsidiary companies are liable for all initial losses up to 20 percent of the transfer price. Further losses of up to the next 20 percent of the transfer price are to be shared equally between the Company with its subsidiary companies and TAMC. The remaining loss will be the responsibility of TAMC. Such gains or losses will be determined from the cumulative value of the collections made on the assets as at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the receivables.

As at 31 December 2006, the Company and its subsidiary companies are still unable to estimate the exact amount of such losses. However, the Company and its subsidiary companies have estimated their share of losses which may arise from the management of non-performing assets at approximately Baht 443 million. Such losses have been shown as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified by the type of promissory note (the Company Only : Baht 137 million) (2005 : Baht 344 million in the consolidated financial statements and Baht 119 million in the Company's financial statements). The allowances for impairment provided by the Company and its subsidiaries is in excess of the losses notified by TAMC, which are stipulated only for receivables which have entered debt restructuring agreements/negotiated compromises with TAMC and which made actual payment until the end of the fifth year.

During the year 2006, the Company and its subsidiary companies have recognised interest on TAMC's promissory notes amounting to Baht 48 million and have received payment under promissory notes and interest amounting to Baht 669 million (the Company Only : Baht 12 million and Baht 33 million, respectively).

- 8.5** As at 31 December 2006, the Company has investments in debt securities - 7 year subordinated debentures of Thanachart Bank (a subsidiary company) with carrying interest at rate of 6.18 percent per annum.

8.6 As at 31 December 2006, investments in government and state enterprise bonds in the consolidated financial statement at cost after amortisation of Baht 788 million have been placed as collateral for loans from commercial banks and as security with the Insurance Registrar (2005 : at cost after amortisation of Baht 735 million).

8.7 As at 31 December 2006, investments in other equity securities amounting to approximately Baht 19 million, at cost, were received as a result of debt restructuring and prohibited from being sold for a period as specified in the agreements (the Company Only : Baht 10 million) (2005 : investments of Baht 20 million were prohibited from being sold for a period as specified in the agreements, and the debtors had first right to purchase the investments of Baht 14 million in the consolidated financial statements, and Baht 10 million in the Company's financial statements was prohibited from being sold for a period as specified in the agreements).

8.8 As at 31 December 2006 and 2005, investments in which the Company and its subsidiary companies hold not less than 10 percent of the equity of the investees are as follow :-

Name	Nature of business	Consolidated			
		2006		2005	
		Net	Percentage	Net	Percentage
		book value	of holding	book value	of holding
		Million Baht	%	Million Baht	%
<u>Manufacturing and commercial industries</u>					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	294	19.59	266	19.59
Siam V.M.C. Safety Glass Co., Ltd.	Production and distribution of safety glass	-	10.21	-	10.21
Burapa Steel Industry Co., Ltd.	Production and distribution of steel bar	-	-	-	11.43
NEP Realty and Industry Plc.	Packaging (Jute sack)	-	-	62	15.04
<u>Public utilities and services</u>					
Maxwin Property Co., Ltd.	Service apartment	-	10.00	-	10.00
<u>Property development and construction</u>					
HTR Corporation Limited	Office building for rent and property development	20	19.10	20	19.10
Prosperity Industrial Estate Co., Ltd.	Property development	17	18.49	17	18.49
Preecha Group Plc.	Property development	28	10.00	-	10.71
RNS Holding Co., Ltd.	Property development	-	-	-	19.50

		Consolidated			
		2006		2005	
Name	Nature of business	Net book value	Percentage of holding	Net book value	Percentage of holding
		Million Baht	%	Million Baht	%
Others					
The Thai Business Fund 3 ⁽¹⁾	Unit trusts - property fund	502	26.67	577	26.67
Sub Thawee Property Fund ⁽¹⁾	Unit trusts - property fund	237	56.00	277	56.00
Thai Pattana Fund 1 ⁽¹⁾	Unit trusts - property fund	202	20.00	220	20.00
Thanasarn Open-Ended Fund ⁽¹⁾	Unit trusts - debt securities	260	36.59	903	89.72
Thanachart Tuntawee 1 ⁽¹⁾	Unit trusts - equity and debt securities	371	43.21	405	99.28
Thanachart Tuntawee 3 ⁽¹⁾	Unit trusts - debt securities	160	99.68	491	99.88
Thanachart Tuntawee 4 ⁽¹⁾	Unit trusts - debt securities	73	99.63	818	97.33
N-SET Fund	Unit trusts - equity securities	-	-	109	14.54
Nasset Big Cap Long Term Equity Fund	Unit trusts - equity securities	59	10.91	62	15.70
Nasset Long Term Equity Dividend Fund	Unit trusts - equity securities	32	12.54	34	16.39
Thanachart Infrastructure and Natural Resource Fund of Fund ⁽¹⁾	Unit trusts - equity securities	279	27.05	-	-
Thanachart Cash Management Mutual Fund ⁽¹⁾	Unit trusts - debt securities	-	-	152	24.29
Saturn Inc.	Joint venture	-	12.49	-	12.49
Saturn International Management Inc.	Holding	-	-	-	12.64

⁽¹⁾ The Company and its subsidiary companies do not consider the investments in funds to be investments in associated or subsidiary companies as the Company and its subsidiary companies do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund manager and are under supervision of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand. Therefore, the Company and its subsidiary companies account for its investment in these funds as long-term available for sales or other investments subject to the investment objectives.

		The Company Only			
		2006		2005	
Name	Nature of business	Net book value	Percentage of holding	Net book value	Percentage of holding
		Million Baht	%	Million Baht	%
Manufacturing and commercial industries					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	147	9.79	133	9.79
Property development and construction					
HTR Corporation Limited	Office building and property development	20	10.00	20	10.00
Prosperity Industrial Estate Co., Ltd.	Property development	10	8.44	10	8.44
Preecha Group Plc.	Property development	28	10.00	-	10.71
RNS Holding Co., Ltd.	Property development	-	-	-	19.50
Others					
Thanachart Tuntawee 1 ⁽¹⁾	Unit trusts - equity and debt securities	107	12.43	116	28.55
Nasset Big Cap Long Term Equity Fund	Unit trusts - equity securities	54	9.92	57	14.27
Nasset Long Term Equity Dividend Fund	Unit trusts - equity securities	26	10.45	28	13.66

⁽¹⁾ The Company does not consider the investments in funds to be investments in associated companies as the Company does not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund manager and are under supervision of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand. Therefore, the Company accounts for its investment in these funds as long-term available-for-sales.

8.9 Investments in receivables purchased

Investments in receivables purchased are loans receivable purchased through bids from local financial institutions. The outstanding balances of loans receivable as at 31 December 2006 and 2005 can be summarised as follow :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Investments in receivables	2,686	2,008	1,576	546
Less : Allowance for impairment	(336)	(239)	(97)	(20)
Investments in receivables - net	2,350	1,769	1,479	526

	2006				2005			
	Number of debtors	Balance per agreement Million Baht	Purchase price Million Baht	Yield Percent	Number of debtors	Balance per agreement Million Baht	Purchase price Million Baht	Yield Percent
<u>Consolidated</u>								
Total accumulated investments in receivables	1,647	33,035	7,526	6.50 - 18.97	1,578	29,404	6,386	6.50 - 18.97
Outstanding investments in receivables as at the balance sheet date	1,033	15,506	2,686		1,069	12,398	2,008	
<u>The Company Only</u>								
Total accumulated investments in receivables	691	8,190	1,937	11.94 - 18.97	622	4,559	797	12.43 - 18.97
Outstanding investments in receivables as at the balance sheet date	549	7,587	1,576		543	4,068	546	

During the year 2006, the Company purchased investments in receivables of Baht 1,140 million. Additionally, the Company and its subsidiary companies have restructured loans with a total of 38 troubled receivables with book balances before restructuring totaling approximately Baht 50 million (the Company Only : 31 debtors with book balances before restructuring of Baht 32 million), by means of various types of restructuring without any loss on debt restructuring, as summarised below :-

Pattern of restructuring	Number of receivables	Outstanding loan	Outstanding loan	Type of assets to be transferred	Fair value of assets to be transferred
		balance before restructuring	balance after restructuring		per agreements
		Million Baht	Million Baht		Million Baht
<u>Consolidated</u>					
Transfer of assets	1	2	2	Land	5
Modification of terms	34	47	47		
Transfer of assets and/or equity securities and/or modification of terms	3	1	1	Land and premises thereon	2
Total	38	50	50		
<u>The Company Only</u>					
Modification of terms	28	31	31		
Transfer of assets and/or equity securities and/or modification of terms	3	1	1	Land and premises thereon	2
Total	31	32	32		

The remaining period to maturity of the restructured debts of the Company and its subsidiary companies, counting from the balance sheet date are as follow :-

Periods	Consolidated		The Company Only	
	Number of receivables	Outstanding loan	Number of receivables	Outstanding loan
		balances after restructuring		balances after restructuring
		Million Baht		Million Baht
Past due after debt restructuring	1	1	-	-
Due within 2006	37	49	31	32
Total	38	50	31	32

Restructured investments in receivables are transferred to the loans account on the debt restructuring agreement executed day, in accordance with the BOT regulations. They are transferred at their book value, which is held to be fair value. Therefore, as at 31 December 2006, there were no restructured receivables outstanding in the balance of investments in receivables.

8.10 As at 31 December 2006 and 2005, investments in securities of the Company and its subsidiary companies, which are financial institutions (bank business and asset management business), include investments in securities of companies with weak financial positions and poor operating results, are summarised as below :-

	Consolidated							
	Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts	
	2006	2005	2006	2005	2006	2005	2006	2005
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Equity securities - common shares</u>								
1. Listed companies vulnerable to delisting from the SET	1	3	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	5	4	-	-	-	-	-	-
3. Companies which have loan settlement problems or have defaulted the repayment of debts	2	2	1	1	1	1	-	-
4. Companies whose auditors' reports cited going concern issues	14	15	139	144	42	45	97	99
<u>Investments in receivables</u>								
1. Closed financial institutions	10	10	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	2	2	38	38	138	138	-	-
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	7	7	7	9	3	-
4. Companies which have loan settlement problems or have defaulted the repayment of debts	352	359	1,566	1,207	2,226	2,207	220	164
5. Companies whose auditors' reports cited going concern issues	19	5	290	6	543	5	9	1

The Company Only

	Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts	
	2006	2005	2006	2005	2006	2005	2006	2005
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Equity securities - common shares</u>								
1. Listed companies vulnerable to delisting from the SET	-	1	-	-	-	-	-	-
2. Companies which have loans settlement problems or have defaulted the repayment of debts	1	1	1	1	1	1	-	-
3. Companies whose auditors' reports cited going concern issues	6	7	113	113	35	35	78	78
<u>Investments in receivables</u>								
1. Closed financial institutions	7	7	-	-	-	-	-	-
2. Companies which have loan settlement problems or have defaulted the repayment of debts	170	154	873	252	1,207	692	61	3
3. Companies whose auditors' reports cited going concern issues	6	2	286	-	487	-	-	-

9. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES

9.1 As at 31 December 2006 and 2005, the Company and its subsidiary companies have the following investments in subsidiary and associated companies :-

(Unit : Million Baht)											
Company's name	Nature of business	Paid-up share capital		Percentage of holding (%)		Investment value				Dividend income for the years ended	
		2006	2005	2006	2005	Cost method		Equity method ⁽¹⁾		31 December	
						2006	2005	2006	2005	2006	2005
Subsidiary companies directly held by the Company											
Thanachart Bank Plc.	Bank business	14,584	14,584	99.36	99.36	16,181	16,181	15,030	15,180	362	200
N.F.S. Asset Management Co., Ltd.	Non-performing assets management	1,000	1,000	100.00	100.00	1,000	1,000	824	429	-	-
Max Asset Management Co., Ltd.	Non-performing assets management	572	572	58.45	58.45	334	334	946	768	-	-
Thanachart Securities Plc.	Securities business	1,500	1,500	100.00	100.00	1,500	1,500	2,079	2,271	555	-
Thanachart Insurance ⁽²⁾ Co., Ltd.	Non-life insurance	500	300	78.00	70.00	422	210	429	275	110	-
Pasara Co., Ltd.	Liquidation	30	30	100.00	100.00	181	181	146	141	-	-
Thanachart Fund Management Co., Ltd.	Fund management	100	100	75.00	75.00	113	113	96	130	75	45
Thanachart Broker Co., Ltd.	Non-life insurance broker	100	100	100.00	100.00	100	100	123	109	-	-
Thiravanit Co., Ltd.	Liquidation	6	6	99.90	99.90	34	34	18	11	-	-
Sinkahakarn Co., Ltd.	Liquidation	25	25	95.12	95.12	20	20	45	43	-	-
Bangkok Home Co., Ltd.	Liquidation	15	15	99.87	99.87	46	46	16	15	-	-
Thanachart Group Leasing Co., Ltd.	Leasing and hire purchase	360	360	100.00	100.00	360	360	387	439	72	-
Thanachart Management and Services Co., Ltd.	Services	6	6	100.00	100.00	8	8	17	6	-	-
Thanachart Legal and Appraisal Co., Ltd.	Legal services	10	10	100.00	100.00	10	10	12	11	-	-
NASSET Property Fund 6	Non-performing assets management	900	900	99.80	99.80	898	898	916	862	-	-
Thanachart SPV 01	Not yet operate	2	2	100.00	100.00	2	2	2	2	-	-
Thanachart Life Assurance Co., Ltd.	Life - insurance	500	500	100.00	100.00	500	500	968	628	-	-
Subsidiary companies directly held by the Company - exclude from consolidation											
Glas Haus Building Co., Ltd.	Office building rental	195	195	100.00	100.00	-	-	-	-	-	-
Less : Investment in an associated company (MBK Plc.) held by subsidiary companies						(681)	(681)	(1,539)	(1,191)	-	-
						<u>21,028</u>	<u>20,816</u>	<u>20,515</u>	<u>20,129</u>	<u>1,174</u>	<u>245</u>
Associated companies directly and indirectly held by the Company											
MBK Plc.	Property rental, hotel and services	1,886	2,000	20.54	19.23	992	992	1,764	1,650	137	127
Puen Pob Paet Co., Ltd.	Clinic	1	1	28.58	28.58	-	-	1	1	-	-
						<u>992</u>	<u>992</u>	<u>1,765</u>	<u>1,651</u>	<u>137</u>	<u>127</u>
						<u>22,020</u>	<u>21,808</u>	<u>22,280</u>	<u>21,780</u>	<u>1,311</u>	<u>372</u>

(1) Calculated by including shares of profits of the subsidiary and associated companies in which the Company has indirect holdings

(2) Paid-up share capital include share capital payable of Baht 200 million, whereby the subsidiary company is registering the new ordinary shares with the Ministry of Commerce.

- 9.2** The consolidated balance sheet and income statement for the year ended 31 December 2006, after eliminated significant intercompany transactions, included assets of a subsidiary company (Thanachart Life Assurance Co., Ltd.) amounting to Baht 3,974 million and income of Baht 1,372 million and net income of Baht 121 million of such subsidiary (2005 : total assets of Baht 3,180 million, total income of Baht 882 million and net income of Baht 113 million). The auditor of the subsidiary company issued a qualified report on its financial statements with regard to the effect to the financial statements of any adjustments which might be required as a result of a scope limitation imposed on the audit of insurance income and related expenses. However, the Company's management believes that there is no material impact to the Company's financial statements as a whole.
- 9.3** The consolidated balance sheet as at 31 December 2006 and statement of income for the year then ended, after eliminated significant intercompany transactions, included assets of 4 subsidiary companies (Thiravanit Co., Ltd., Sinkahakarn Co., Ltd., Pasara Co., Ltd., and Bangkok Home Co., Ltd.) amounting to Baht 195 million, income of Baht 7 million and net income of Baht 3 million. Such subsidiary companies registered their dissolution in December 2006 and are currently liquidating. The financial statements of the subsidiary companies were prepared by their management and were not audited by their auditors.
- 9.4** The consolidated financial statements as at 31 December 2006 and 2005 did not include the financial statements of Glas Haus Building Co., Ltd., as the Company intends to hold such subsidiary company as a temporary investment. The Company has no outstanding guarantees or commitments to give financial support to such company and the investment is therefore recorded at cost, with a full provision (of approximately Baht 0.2 million). As at 31 December 2006, based on financial statements prepared by management of such subsidiary, such subsidiary company has total assets of approximately Baht 142 million, total liabilities of Baht 449 million and a capital deficit of Baht 307 million (2005 : total assets of Baht 161 million, total liabilities of Baht 483 million and a capital deficit of Baht 322 million).

9.5 During November 2006, an associated company (MBK Plc.) registered the reduction in its paid-up shares capital with the Ministry of Commerce by Baht 114 million, by netted to the treasury stocks. As a result, the shareholding structure in such associated company has changed from 19.23 percent holdings to 20.54 percent.

Moreover, the share of income of that associated company recognised in the current year is determined based on financial statements of that associated company prepared for a different period, as a result of limitation on the availability of information. Share of income for the current year amounting to Baht 223 million (or at 15.20 percent of consolidated and the Company's net income) is determined based on the financial statements of such company for the year ended 30 September 2006, prepared by the Company's management with reference to the financial statements as audited/reviewed by its auditor (2005 : share of income of Baht 197 million or at 6.3 percent).

9.6 Cash flow information of asset management companies which are subsidiary companies

Cash flow information of asset management companies which are subsidiary companies for the years ended 31 December 2006 and 2005 are as follows :-

	(Unit : Million Baht)			
	N.F.S. Asset Management Co., Ltd.		Max Asset Management Co., Ltd.	
	2006	2005	2006	2005
Cash flows from operating activities :				
Net income	82	574	310	73
Adjustments to reconcile net income to net cash provided by (used in) operating activities :-				
Gain on assets transferred from receivables	(60)	(33)	(9)	(25)
Loss on impairment of investments in receivables (reversal)	5	1	(34)	(5)
Reversal of allowance for impairment of investments in securities	68	-	-	-
Bad debts and doubtful accounts (reversal of bad debts and doubtful accounts)	133	(699)	(94)	(4)
Loss on debt restructuring	121	259	-	-
Loss on impairment of property foreclosed (reversal)	(1)	34	1	12
Gain on disposal of property foreclosed	(434)	(49)	(67)	(32)
Loss (gain) on disposal of investments	23	(28)	(9)	(5)
Increase (decrease) in corporate income tax payable	(39)	40	48	(126)
Others	(199)	(76)	(18)	(10)
Income (loss) from operating activities before changes in operating assets and liabilities	(301)	23	128	(122)

	(Unit : Million Baht)			
	N.F.S. Asset Management Co., Ltd.		Max Asset Management Co., Ltd.	
	2006	2005	2006	2005
Operating assets (increase) decrease				
Current investments	806	961	10	5
Investments in receivables	-	15	25	14
Loans	366	1,087	135	64
Property foreclosed	831	241	117	28
Other assets	5	(5)	(10)	(7)
Operating liabilities increase (decrease)				
Other liabilities	249	(17)	19	1
Net cash flows from (used in) operating activities	1,956	2,305	424	(17)
Cash flows from investing activities :				
Decrease in loans to financial institutions	-	1,865	226	248
Acquisition of fixed assets	-	-	-	(1)
Proceeds from sales of investments	748	636	-	-
Net cash flows from investing activities	748	2,501	226	247
Cash flows from financing activities :				
Repayment of borrowings	(2,700)	(4,824)	(420)	(440)
Net cash flows used in financing activities	(2,700)	(4,824)	(420)	(440)
Net increase (decrease) in cash and cash equivalents	4	(18)	230	(210)
Cash and cash equivalents at beginning of the year	94	112	106	316
Cash and cash equivalents at end of the year	98	94	336	106

10. LOANS AND ACCRUED INTEREST RECEIVABLE

10.1 Classified by loan types

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
<u>Finance business loans</u>				
Overdrafts	988	372	-	-
Loans	36,236	33,883	695	2,263
Notes receivable	4,950	3,944	1,103	915
Hire-purchases receivable	163,259	121,251	47,702	79,937
Financial leases receivable	929	916	-	-
Total loans	206,362	160,366	49,500	83,115
Add : Accrued interest receivable	276	238	17	37
Less : Allowance for doubtful accounts	(6,670)	(6,594)	(2,473)	(3,245)
Less : Revaluation allowance for debt restructuring	(203)	(189)	(1)	-
Finance business loans and accrued interest receivable – net	199,765	153,821	47,043	79,907
<u>Securities business receivable</u>				
Customer's accounts	955	867	-	-
Margin loans	552	1,167	-	-
Other receivables	309	322	-	-
Total securities business receivable	1,816	2,356	-	-
Add : Accrued interest receivable	1	1	-	-
Less : Allowance for doubtful accounts	(307)	(320)	-	-
Securities business receivable and accrued interest receivable – net	1,510	2,037	-	-
Loans and accrued interest receivable – net	201,275	155,858	47,043	79,907

During the year 2006, the Company and its subsidiary companies transferred 38 investments in purchased receivables, which had been restructured, totaling Baht 50 million (the Company Only : transferred 31 investments in purchased receivables amounting to Baht 32 million) to loans, in accordance with the BOT's guidelines.

In addition, during the year 2006, the Company transferred performing loans, excluding hire-purchase receivables, welfare loans and consumer loans, to Thanachart Bank totaling Baht 888 million at the agreed contracted rate.

10.2 Classified by remaining period of contract

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
At call *	6,205	7,186	260	347
Not over 1 year	15,404	10,618	4,672	3,602
Over 1 year	187,120	145,659	44,585	79,203
Total loans and accrued interest receivable	208,729	163,463	49,517	83,152
Less : Intercompany profits from loans transferred	(274)	(502)	-	-
Total loans and accrued interest receivable	<u>208,455</u>	<u>162,961</u>	<u>49,517</u>	<u>83,152</u>

* Include expired contracts

10.3 Classified by currency and country

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Baht				
- Domestic	208,325	163,014	49,517	83,152
- Foreign	400	442	-	-
US Dollar - Domestic	4	7	-	-
Total loans and accrued interest receivable	208,729	163,463	49,517	83,152
Less : Intercompany profits from loans transferred	(274)	(502)	-	-
Total loans and accrued interest receivable	<u>208,455</u>	<u>162,961</u>	<u>49,517</u>	<u>83,152</u>

10.4 Classified by type of business and loan classification

(Unit : Million Baht)

	Consolidated					Total
	2006					
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	
Agricultural and mining	1,313	-	11	-	27	1,351
Manufacturing and commercial	4,525	60	113	473	743	5,914
Real estate and construction	5,445	41	196	405	1,437	7,524
Public utilities and services	6,457	158	372	300	709	7,996
Hire purchase business	67	-	-	-	-	67
Personal consuming						
Housing loans	8,541	561	143	106	442	9,793
Securities	1,774	-	6	-	302	2,082
Hire purchase	145,247	15,845	738	556	873	163,259
Others	6,796	398	189	126	273	7,782
Others	1,711	3	789	2	456	2,961
Total loans and accrued interest receivable	<u>181,876</u>	<u>17,066</u>	<u>2,557</u>	<u>1,968</u>	<u>5,262</u>	<u>208,729</u>
Less : Intercompany profits from loans transferred						(274)
Total loans and accrued interest receivable						<u>208,455</u>

(Unit : Million Baht)

	Consolidated					Total
	2005					
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	
Agricultural and mining	64	2	-	11	24	101
Manufacturing and commercial	5,476	54	275	264	1,013	7,082
Real estate and construction	2,070	330	661	315	1,737	5,113
Public utilities and services	8,225	59	1,448	61	488	10,281
Hire purchase business	287	-	-	-	-	287
Personal consuming						
Housing loans	9,950	407	139	112	512	11,120
Securities	2,421	-	12	-	310	2,743
Hire purchase	110,250	9,576	499	346	580	121,251
Others	2,734	185	76	44	212	3,251
Others	1,212	1	24	45	952	2,234
Total loans and accrued interest receivable	<u>142,689</u>	<u>10,614</u>	<u>3,134</u>	<u>1,198</u>	<u>5,828</u>	<u>163,463</u>
Less : Intercompany profits from loans transferred						(502)
Total loans and accrued interest receivable						<u>162,961</u>

(Unit : Million Baht)

The Company Only						
2006						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries – asset management and leasing companies	1,468	-	-	-	-	1,468
Manufacturing and commercial	1	-	-	-	4	5
Real estate and construction	1	-	-	-	-	1
Public utilities and services	1	1	1	1	9	13
Personal consuming						
Housing loans	12	-	1	7	34	54
Hire purchase	40,010	6,378	285	242	787	47,702
Others	113	32	21	34	74	274
Total loans and accrued interest receivable	41,606	6,411	308	284	908	49,517

(Unit : Million Baht)

The Company Only						
2005						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries – asset management and leasing companies	1,638	-	-	-	-	1,638
Agricultural and mining	4	-	-	-	-	4
Manufacturing and commercial	261	8	-	-	16	285
Real estate and construction	4	240	-	-	6	250
Public utilities and services	4	-	-	-	9	13
Personal consuming						
Housing loans	326	44	13	16	18	417
Securities	-	-	2	-	-	2
Hire purchase	70,022	8,571	434	340	570	79,937
Others	445	87	20	19	35	606
Total loans and accrued interest receivable	72,704	8,950	469	375	654	83,152

10.5 Non-performing loans

As at 31 December 2006 and 2005, the Company and its subsidiary companies engaging in financial businesses (bank, asset management and securities) have non-performing loans, classified in accordance with the BOT's and SEC's regulations (debtors classified as substandard, doubtful, doubtful of loss and loss) as follow :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Non-performing loans (excluding accrued interest receivable)				
The Company	1,500	1,498	1,500	1,498
Banking business	3,281	3,582	-	-
Asset management business	4,553	4,643	-	-
Securities business	307	319	-	-

The above mentioned non-performing loans do not include loans for which the Company and its subsidiary companies had already restructured and meet the conditions for classification as normal debts or special mentioned debts.

Additionally, the Company and its subsidiary companies which are financial institutions (bank and securities business) have loans for which income recognition under an accrual basis has been discontinued, as follow :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
The Company	1,888	1,944	1,888	1,944
Banking business	2,657	1,750	-	-
Securities business	307	319	-	-

For subsidiary companies engaging in asset management business, income from loans is recognised under a cash basis.

10.6 Unearned income

As at 31 December 2006 and 2005, unearned income is summarized as follows :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Unearned interest income	119	132	-	-
Unearned income from hire purchase/financial lease	24,202	15,254	3,810	8,414

10.7 Troubled Debt Restructuring

During the year 2006, the Company and its subsidiary companies which are financial institutions (bank, securities and asset management companies) have entered into debt restructuring agreements with a total of 280 debtors, with total outstanding balances before restructuring amounting to approximately Baht 1,773 million, (of these 87 debtors, representing a total outstanding balances before restructuring amounting to approximately Baht 771 million, had previously entered into debt restructuring agreements but were unable to make repayment, and therefore re-entered into new debt restructuring agreements during the year). In the course of such restructuring, losses amounting to Baht 165 million were incurred (of which Baht 41 million from hair-cuts granted at the restructuring date) (the Company Only : 49 debtors, with total outstanding balances before debt restructuring of Baht 66 million, (of these 3 debtors, representing a total outstanding balances before restructuring amounting to approximately Baht 19 million, had previously entered into debt restructuring agreements but were unable to make repayment, and therefore re-entered into new debt restructuring agreements during the year). In the course of such restructuring, losses amounting to Baht 1 million were incurred from hair-cuts granted at the restructuring debt).

Type of restructuring	Number of receivables	Outstanding loan	Outstanding loan	Type of assets to be transferred	Value of
		balance before restructuring ⁽¹⁾	balance after restructuring ⁽¹⁾		assets to be transferred per agreements
		Million Baht	Million Baht		Million Baht
Consolidated					
Modification of terms	261	1,533	1,502		
Transfer of assets and/or equity securities and/or modification of terms	19	240	230	Land and premises thereon	233
Total	280	1,773	1,732		
The Company Only					
Modification of terms	49	66	65		
Total	49	66	65		

(1) Outstanding balance includes both principal and interest receivable

The remaining period to maturity of the restructured debts of the Company and its subsidiary companies, counting from the balance sheet date are as follow :-

Periods	Consolidated		The Company Only	
	Number of receivables	Outstanding loan	Number of receivables	Outstanding loan
		balances after restructuring		balances after restructuring
		Million Baht		Million Baht
Past due after debt restructuring	46	711	3	24
Due within 2006	166	386	37	2
Less than 5 years	33	515	7	27
5 - 10 years	19	82	1	8
10 - 15 years	13	26	1	4
More than 15 years	3	12	-	-
Total	280	1,732	49	65

Supplemental information for the current year relating to restructured receivables is as follows :-

	(Unit : Million Baht)	
	Consolidated	The Company Only
Interest income recognised in statements of income	645	13
Gain on debt repayment/disposals recognised in statements of income	279	42
Loss on debt restructurings recognised in statements of income	165	1
Gain on transfers of assets for debt repayment recognised in statements of income	44	1
Cash proceeds from collection/disposals of debts	2,190	384
Assets transferred from debtors	164	2

The Company and its subsidiary companies cannot estimate the contingent loss of loans who are in the process of restructuring.

As at 31 December 2006, the Company and its subsidiary companies have the following restructured receivables balance (principal and interest receivable), including the restructuring debtors who transferred from investments in receivables :-

	Total number of outstanding receivables	Restructured receivables		
		Number of receivables	Outstanding loans balance, net of collateral	
		Million Baht	Million Baht	
		Outstanding loans balance	Outstanding loans balance, net of collateral	
Thanachart Capital Plc.	253,536	20	73	16
Thanachart Bank Plc.	346,114	293	2,978	623
N.F.S. Asset Management Co., Ltd.	1,508	354	1,616	535
Max Asset Management Co., Ltd.	80	80	425	89
Thanachart Securities Plc.	1,579	1	1	1

10.8 As at 31 December 2006 and 2005, the Company has the following loans to the subsidiary companies :-

Company	Type of credit	Contract period	Interest rate	Outstanding balance	
				2006	2005
				Million Baht	Million Baht
Max Asset Management Co., Ltd.	Long-term loan	5 years (maturing August 2010)	fixed at 11.51% per annum	358	708
National Leasing Co., Ltd.	Promissory note	5 years (maturing August 2008)	fixed at 3.50% per annum	529	900
Thanachat Group Leasing Co., Ltd.	Promissory note	1 year (maturing December 2007)	floating rate of 1 year fixed deposit plus 2.25% per annum	565	-
Total				<u>1,452</u>	<u>1,608</u>

10.9 Classification of loans under the Bank of Thailand's guidelines

As at 31 December 2006 and 2005, the Company and its subsidiary companies, which are financial institutions (bank business and asset management business), classified and made allowances against their loans (including loans to financial institutions which presented as part of interbank and money market items) in accordance with the Bank of Thailand's guidelines as summarised below :-

(Unit : Million Baht)

	Consolidated ⁽¹⁾			
	Debt balance/book value		Allowance for doubtful accounts	
	2006	2005	2006	2005
Loans and accrued interest receivable				
(including interbank and money market items) ⁽²⁾				
Normal	176,921	137,636	1,468	2,579
Special mention	16,649	10,290	187	193
Substandard	1,171	1,553	579	115
Doubtful	1,451	1,119	744	210
Doubtful of loss	2,184	2,442	1,384	1,045
Total	198,376	153,040	4,362	4,142
Additional allowance for possible uncollectable debts	-	-	453	693
	198,376	153,040	4,815	4,835
Loans of N.F.S. Asset Management Co., Ltd.,				
which transferred from Thanachart Group				
Normal	350	882	86	278
Special mention	47	57	-	-
Substandard	1,320	1,479	308	451
Doubtful	487	67	30	1
Doubtful of loss	2,407	2,720	1,206	764
Total	4,611	5,205	1,630	1,494
Additional allowance for possible uncollectable debts	-	-	33	33
	4,611	5,205	1,663	1,527
Total	202,987	158,245		
Revaluation allowance for debt restructuring	(203)	(189)		
Less : Intercompany gain	(274)	(502)		
Total	202,510	157,554		
Investments in receivables transferred to loans				
Normal	14	74	2	5
Special mention	66	156	-	4
Substandard	34	61	13	20
Doubtful	5	9	2	3
Doubtful of loss	336	344	76	159
Total	455	644	93	191
Total loans and accrued interest	202,965	158,198	6,571	6,553

(1) Only the Company and those subsidiary companies overseen by the BOT.

(2) Debt balance/book value of normal and special mention loans excluding accrued interest receivable.

(Unit : Million Baht)

	The Company Only			
	Debt balance/book value		Allowance for doubtful accounts ⁽²⁾	
	2006	2005	2006	2005
Loans and accrued interest receivable				
(including interbank and money market items)⁽¹⁾				
Normal	41,609	72,664	1,205	2,115
Special mention	6,411	8,949	128	173
Substandard	308	467	62	91
Doubtful	284	375	148	179
Doubtful of loss	899	645	865	620
Total	49,511	83,100	2,408	3,178
Additional allowance for possible uncollectable debts	-	-	66	66
Total	49,511	83,100	2,474	3,244
Investments in receivables transferred to loans				
Normal	-	24	-	1
Substandard	-	2	-	-
Doubtful of loss	9	9	-	-
Total	9	35	-	1
Total loans and accrued interest	49,520	83,135	2,474	3,245

(1) Debt balance/book value of normal and special mention loans is excluding accrued interest receivable.

(2) Under the equity method, allowance for doubtful account of normal loans is excluding loans to subsidiary companies.

As mentioned in Note 5.8 to the financial statements relating to the new BOT's guideline on determining the provision for doubtful accounts. As at 31 December 2006, the Company and its subsidiary companies therefore set provision at 100% on receivables for which a court judgment has already been issued, for which a court order is being executed, and against which legal actions have been brought, in accordance with the new guidelines of the BOT. For the remaining non-performing debts classified as doubtful of loss, doubtful and substandard loans the Company and its subsidiary companies still apply provisioning rates of 100%, at least 50% and at least 20%, respectively, in accordance with the prior guidelines (except Thanachart Bank which set full provisions for non-performing loans in accordance with the new BOT's guidelines). Determination of the effect to the financial statements for the year 2007 from the remaining revised criteria under the new BOT's guidelines cannot be determined at this stage.

Moreover, provisions are to be made for hire-purchase receivables of Thanachart Bank which are overdue by not more than 3 installments, Thanachart Bank deducted the value of vehicles placed as collateral against the hire-purchase receivable, in accordance with the new BOT's guidelines. In the past, BOT did not allow vehicles to be counted as collateral for provision calculation purpose.

The above classified loans (including loans to financial institutions) included the following debts with weak financial positions and operating results :-

	Consolidated							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2006	2005	2006	2005	2006	2005	2006	2005
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Closed financial institutions	4	4	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	4	4	45	45	52	76	3	28
3. Non – listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	24	26	1,232	1,105	1,375	1,435	294	75
4. Companies which have loan settlement problems or have defaulted of the repayment of debts	476	387	3,107	3,847	3,349	4,897	924	712
5. Companies whose auditors' reports cited going concern issues	23	19	106	219	31	205	106	119

	The Company Only							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2006	2005	2006	2005	2006	2005	2006	2005
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Non – listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	-	1	-	240	-	310	-	-
2. Companies which have loan settlement problems or have defaulted of the repayment of debts	247	197	117	137	-	-	93	86
3. Companies whose auditors' reports cited going concern issues	-	1	-	43	-	-	-	1

10.10 Classification of securities business receivable in accordance with the Notification of the Office of the Securities and Exchange Commission

As at 31 December 2006 and 2005, a subsidiary company operating in the securities business classified its securities business receivable and accrued interest receivable and provided related allowance for doubtful accounts in accordance with the notification of the Office of the Securities and Exchange Commission (SEC) as follows :-

	(Unit : Million Baht)					
	Receivable and accrued interest receivable		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	2006	2005	2006	2005	2006	2005
Doubtful	299	310	299	310	299	310
Substandard	9	10	-	-	-	-
Total	<u>308</u>	<u>320</u>	<u>299</u>	<u>310</u>	299	310
General reserve					8	10
Allowance for doubtful accounts					<u>307</u>	<u>320</u>

The above substandard debts represent receivable balances with a value equivalent to that of their collaterals.

10.11 Hire-purchase receivable/financial lease receivable of subsidiaries separate by aging

As at 31 December 2006 and 2005, hire-purchase and financial lease receivable of three subsidiary companies engaged in hire-purchase and financial lease businesses are classified by the due date of the contracts as follows :-

	(Unit : Million Baht)	
	2006	2005
Current or overdue less than 90 days	3,220	2,071
Overdue 91 – 365 days	51	36
Overdue more than 1 year	12	2
Debtors under legal actions	22	8
Total	<u>3,305</u>	<u>2,117</u>
Allowance for doubtful accounts	<u>100</u>	<u>42</u>

11. ALLOWANCE FOR DOUBTFUL ACCOUNTS

(Unit : Million Baht)

	Consolidated						
	For the year ended 31 December 2006						
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance – beginning of the year	2,880	199	592	218	2,299	726	6,914
Add : Increase (decrease) during the year	(1,296)	(6)	343	585	737	(240)	123
Less : Bad debt written-off	-	-	-	-	(30)	-	(30)
Reversal from disposals	-	-	(30)	-	-	-	(30)
Balance – end of the year	<u>1,584</u>	<u>193</u>	<u>905</u>	<u>803</u>	<u>3,006</u>	<u>486</u>	<u>6,977</u>

(Unit : Million Baht)

	Consolidated						
	For the year ended 31 December 2005						
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance – beginning of the year	2,847	128	786	336	2,326	1,139	7,562
Add : Increase (decrease) during the year	33	71	(194)	(118)	(29)	(413)	(650)
Bad debt recovery	-	-	-	-	2	-	2
Balance – end of the year	<u>2,880</u>	<u>199</u>	<u>592</u>	<u>218</u>	<u>2,299</u>	<u>726</u>	<u>6,914</u>

(Unit : Million Baht)

	The Company Only						
	For the year ended 31 December 2006						
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance – beginning of the year	2,116	173	91	179	620	66	3,245
Add : Increase (decrease) during the year	(912)	(45)	(29)	(31)	275	-	(742)
Less : Bad debt written-off	-	-	-	-	(30)	-	(30)
Balance – end of the year	<u>1,204</u>	<u>128</u>	<u>62</u>	<u>148</u>	<u>865</u>	<u>66</u>	<u>2,473</u>

(Unit : Million Baht)

	The Company Only						
	For the year ended 31 December 2005						
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance – beginning of the year	2,466	127	107	139	314	436	3,589
Add : Increase (decrease) during the year	(350)	46	(16)	40	304	(370)	(346)
Bad debt recovery	-	-	-	-	2	-	2
Balance – end of the year	<u>2,116</u>	<u>173</u>	<u>91</u>	<u>179</u>	<u>620</u>	<u>66</u>	<u>3,245</u>

12. REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING

(Unit : Million Baht)

	Consolidated		The Company Only	
	For the year ended 31 December		For the year ended 31 December	
	2006	2005	2006	2005
Balance - beginning of the year	189	254	-	-
Add : Increase during the year	40	8	1	-
Less : Amortised during the year	(20)	(73)	-	-
Reversal from hair cut	(6)	-	-	-
Balance – end of the year	203	189	1	-

13. CLASSIFICATION OF ASSETS

The quality of assets of the Company and its subsidiary companies engaging in financial business (bank business and asset management business) is classified in accordance with the announcements of the Bank of Thailand. These are as follows :-

(Unit : Million Baht)

	Consolidated									
	Loans and accrued interest receivable		Investments		Property foreclosed		Other assets		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Normal	177,285	138,592	-	-	-	-	78	50	177,363	138,642
Special mention	16,762	10,503	-	-	-	-	69	46	16,831	10,549
Substandard	2,525	3,093	-	-	-	-	7	4	2,532	3,097
Doubtful	1,943	1,195	-	-	-	-	10	5	1,953	1,200
Doubtful of loss	4,927	5,506	1,029	891	854	724	1,080	568	7,890	7,689
Total	203,442	158,889	1,029	891	854	724	1,244	673	206,569	161,177
Less: Revaluation allowance for debt restructuring	(203)	(189)								
Intercompany gain from loans transferred	(274)	(502)								
	202,965	158,198								

(Unit : Million Baht)

	The Company Only									
	Loans and accrued				Property					
	interest receivable		Investments		foreclosed		Other assets		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Normal	41,609	72,688	-	-	-	-	35	41	41,644	72,729
Special mention	6,411	8,949	-	-	-	-	43	43	6,454	8,992
Substandard	308	469	-	-	-	-	3	3	311	472
Doubtful	284	375	-	-	-	-	4	5	288	380
Doubtful of loss	908	654	442	274	372	356	713	538	2,435	1,822
Total	49,520	83,135	442	274	372	356	798	630	51,132	84,395

14. PROPERTY FORECLOSED

(Unit : Million Baht)

	Consolidated				The Company Only			
	For the year ended 31 December 2006				For the year ended 31 December 2006			
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets transferred in settlement of debts								
Immovable assets	7,050	146	(566)	6,630	3,213	10	(91)	3,132
Movable assets	262	2,805	(2,415)	652	228	1,134	(1,198)	164
Assets foreclosed from purchase by bid on the open market								
Immovable assets	1,558	621	(181)	1,998	175	118	(18)	275
Total property foreclosed	8,870	3,572	(3,162)	9,280	3,616	1,262	(1,307)	3,571
Less : Allowance for impairment	(725)	(706)	571	(860)	(356)	(162)	146	(372)
Property foreclosed – net	8,145	2,866	(2,591)	8,420	3,260	1,100	(1,161)	3,199

As at 31 December 2006, the Company and its subsidiary companies have obligations with regard to property foreclosed received in settlement of debts. For Baht 14 million, the debtors have to buy back the properties at prices and within periods specified in the agreements. For a further Baht 167 million, the debtors have first right of purchase (the Company Only : for Baht 120 million, the debtors have first right of purchase).

As at 31 December 2006, for a further approximately Baht 729 million (at cost) of the property foreclosed of the Company and its subsidiary companies (the Company Only : Baht 635 million), sales agreements have been made with customers, but the payment of installments or the transfer of ownership rights is still in progress. The Company and its subsidiary companies have not recognised any gain in these cases and these assets are still recorded as property foreclosed.

15. LAND, PREMISES AND EQUIPMENT

(Unit : Million Baht)

	Consolidated					Total
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Furniture and fixtures in progress	
<u>Cost :</u>						
31 December 2005	216	155	1,457	187	51	2,066
Additions	25	35	681	36	30	807
Transfers	-	26	43	-	(69)	-
Disposals	-	-	(108)	(44)	-	(152)
31 December 2006	241	216	2,073	179	12	2,721
<u>Accumulated depreciation :</u>						
31 December 2005	-	21	661	106	-	788
Disposals	-	-	(100)	(33)	-	(133)
Depreciation during the year	-	9	271	28	-	308
31 December 2006	-	30	832	101	-	963
<u>Net book value :</u>						
31 December 2005	216	134	796	81	51	1,278
31 December 2006	241	186	1,241	78	12	1,758
Depreciation charge included in the income statements						
for the years ended 31 December						
2005						209
2006						308

(Unit : Million Baht)

	The Company Only					Total
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Furniture and fixtures in Progress	
<u>Cost :</u>						
31 December 2005	70	126	568	58	44	866
Additions	-	-	62	8	17	87
Transfers	-	26	30	-	(56)	-
Disposals	(7)	(5)	(302)	(12)	-	(326)
31 December 2006	63	147	358	54	5	627
<u>Accumulated depreciation :</u>						
31 December 2005	-	21	245	40	-	306
Disposals	-	(3)	(87)	(9)	-	(99)
Depreciation during the year	-	6	63	7	-	76
31 December 2006	-	24	221	38	-	283
<u>Net book value :</u>						
31 December 2005	70	105	323	18	44	560
31 December 2006	63	123	137	16	5	344
Depreciation charge included in the income statements						
for the years ended 31 December :-						
2005						88
2006						76

As at 31 December 2006, the Company and its subsidiary companies have vehicles, acquired under financial leases with net book values amounting to approximately Baht 71 million. In addition, the Company and its subsidiary companies have office equipment and vehicles which have been fully depreciated but is still in use with original costs, before deducting accumulated depreciation, amounting to approximately Baht 248 million (the Company Only : Baht 17 million and Baht 158 million, respectively).

16. INTANGIBLE ASSETS

(Unit : Million Baht)

		Consolidated			
		For the year ended 31 December 2006			
	Remaining useful life	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Computer software	1 - 10 years	178	94	(14)	258
Less : Amortisation		(77)	(22)	2	(97)
Allowance for impairment		(12)	-	7	(5)
Intangible assets - net		<u>89</u>	<u>72</u>	<u>(5)</u>	<u>156</u>
Amortised expenses and impairment loss included in the income statements for the year					<u>22</u>

(Unit : Million Baht)

		The Company Only			
		For the year ended 31 December 2006			
	Remaining useful life	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Computer software	1 - 5 years	67	78	(12)	133
Less : Amortisation		(29)	(8)	-	(37)
Intangible assets - net		<u>38</u>	<u>70</u>	<u>(12)</u>	<u>96</u>
Amortised expenses included in the income statements for the year					<u>8</u>

17. OTHER ASSETS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Premium receivable from direct insurance - net	466	385	-	-
Accrued interest	264	199	24	19
Accrued income	172	179	49	39
Unrealised gain on derivative contracts	476	29	-	-
Other receivable (VAT paid in advance for customers) - net	143	85	67	75
Deferred expenses	39	21	10	5
Withholding tax deducted at source	49	55	-	-
Other receivables	203	197	44	41
Receivable from sales of housing loans to				
Secondary Mortgage Corporation	10	13	7	9
Leasehold rights for land and buildings	379	279	172	194
Deposits	106	76	12	12
Others	203	155	3	12
Total other assets	2,510	1,673	388	406

18. DEPOSITS

18.1 Classified by type of deposits

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
At call	366	210	-	-
Saving	30,700	11,277	-	-
Promissory notes	8,792	44,343	-	-
Fixed				
- Less than 6 months	38,092	40,557	-	-
- 6 months and up to 1 year	92,470	16,964	-	-
- Over 1 year	28,107	35,020	-	-
Total deposits	198,527	148,371	-	-

18.2 Classified by the remaining period of contract

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
At call	31,159	11,990	-	-
Not over 1 year*	156,466	114,107	-	-
Over 1 year	10,902	22,274	-	-
Total deposits	<u>198,527</u>	<u>148,371</u>	<u>-</u>	<u>-</u>

*Include matured contracts

18.3 Classified by currency and location

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Baht - domestic	198,527	148,367	-	-
US Dollar - domestic	-	4	-	-
	<u>198,527</u>	<u>148,371</u>	<u>-</u>	<u>-</u>

19. INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

(Unit : Million Baht)

	Consolidated					
	2006			2005		
	At call	Term	Total	At call	Term	Total
Domestic :						
Bank of Thailand and Financial Institutions Development Fund	-	108	108	-	108	108
Commercial banks	1	-	1	250	-	250
Other banks	1,300	-	1,300	-	-	-
Other financial institutions	732	2,366	3,098	755	1,488	2,243
Total	<u>2,033</u>	<u>2,474</u>	<u>4,507</u>	<u>1,005</u>	<u>1,596</u>	<u>2,601</u>

(Unit : Million Baht)

	The Company Only					
	2006			2005		
	At call	Term	Total	At call	Term	Total
Domestic :						
Commercial banks	39,600	-	39,600	75,700	-	75,700
Total	<u>39,600</u>	<u>-</u>	<u>39,600</u>	<u>75,700</u>	<u>-</u>	<u>75,700</u>

As at 31 December 2006, Baht 39,600 million of borrowings from banks in the Company's financial statements are from a subsidiary company (Thanachart Bank). The interest rate charged is in accordance with money market rates, and not less than TBANK's 1 year fixed deposit rate plus a fixed percentage per annum. Principal is payable at call but not more than May 2007 (2005 : Baht 75,500 million). The Bank is currently preparing a plan to BOT to expand the maturity date.

20. BORROWINGS

			(Unit : Million Baht)			
Type of borrowings	Interest rate per annum	Maturity date	Consolidated		The Company Only	
			2006	2005	2006	2005
<u>Short-term borrowings</u>						
Liabilities under commercial papers sold avaled by Bank which is a subsidiary company	Fixed rate of 3.40 percent	2006	-	286	-	-
Bill of exchange	Fixed rate of 3.75 - 4.08 percent	2007	5,552	670	-	670
Bill of exchange	Fixed rate of 4.625 - 5.00 percent	2007	4,814	-	-	-
Promissory note	Floating rate based on the six-month Thai Baht Swap Offer rate	2006	-	299	-	299
Promissory note	Fixed rate of 3.90 - 4.10 percent	2007	2,777	-	2,777	-
Promissory note	Floating rate based on the six-month Thai Baht Swap Offer rate but not over 4.5 percent at the fourth year and 5 percent at the fifth year	2007	158	-	158	-
Promissory note	Three-months fixed deposit rate plus the fixed rate	2007	5,000	-	-	-
Unsubordinated, unsecured and unconvertible debentures	Fixed rate of 4.625 - 5.00 percent	2007	159	-	-	-
Total short-term borrowings			18,460	1,255	2,935	969

(Unit : Million Baht)

Type of borrowings	Interest rate per annum	Maturity date	Consolidated		The Company Only	
			2006	2005	2006	2005
<u>Long-term borrowings</u>						
Subordinated debenture						
Issued in accordance with the plan to establish the Restricted Bank	Fixed rate of 9 percent	2008	1,943	1,943	-	-
Issued under the scheme to increase Tier II capital	Fixed rate of 3.50 - 5.00 percent	2009 - 2010	-	578	-	473
Unsubordinated and unsecured debentures	Fixed rate of 2.95 percent	2008	1,000	1,000	1,000	1,000
Unsubordinated and unsecured debentures	Floating rate of the average MLR of 4 commercial banks minus the fixed rate	2010	3,985	4,000	4,000	4,000
Long-term loan agreement	Fixed rate of 11.51 percent	2010	72	141	-	-
Bill of exchange	Fixed rate 4.10 - 4.80 percent	2008 - 2010	8,445	13,968	-	-
Bill of exchange	Floating rate of the average MLR of 4 commercial banks minus the fixed rate	2008 - 2009	2,650	2,650	-	-
Bill of exchange	Floating rate THB-THBFIX-REUTERS plus the fixed rate	2010	750	750	-	-
Promissory notes	Fixed rate of 3.90 - 4.10 percent	2007	-	2,777	-	2,777
Promissory notes	Three - months fixed deposit rate plus the fixed rate	2007	-	5,000	-	-
Promissory notes	Floating rate based on the six-month Thai Baht Swap Offer rate but not over 4.5 percent at the fourth year and 5 percent at the fifth year	2007	-	158	-	158
Promissory notes	4.40 percent minus six-month Thai Baht Swap Office rate	2008	150	150	150	150
Promissory notes	Floating rate of the average MLR of 4 commercial banks minus the fixed rate	2008 - 2009	7,580	7,580	7,580	7,580
Total long term borrowings			26,575	40,695	12,730	16,138
Total borrowings			45,035	41,950	15,665	17,107

21. OTHER LIABILITIES

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Insurance premium payable	620	595	11	112
Value added tax payable	198	243	181	230
Deferred gain on disposal of property foreclosed	292	327	1	9
Losses reserve and outstanding claims from insurance/life insurance	493	336	-	-
Cash received from contracted sales on property foreclosed	73	180	49	10
Amounts withheld on reinsurance treaties	70	76	-	-
Unearned income from hire purchase	213	249	81	141
Accrued personnel expenses	270	201	36	50
Suspense account receivable	1,673	751	292	283
Payables for property foreclosed	282	260	47	58
Others	1,098	751	191	194
Total	5,282	3,969	889	1,087

22. SHARE CAPITAL

As at 31 December 2006, 19,546 preference shares, with each preference share convertible to 1 ordinary share, remain unconverted which the conversion rights are unconditional and do not expire.

On 27 April 2006, the Annual General Meeting of the Company's shareholders have approved the payment of the dividend of Baht 0.50 per share to the ordinary shareholders and preference shareholders, a total of Baht 667 million. In addition, the Annual General Meeting of the Company also approved the reducing of the Company's registered share capital by Baht 10,000 million, by means of cancellation of the 1,000 million registered but not paid-up shares. The Company registered the reducing of these share capital on 9 May 2006. On 28 September 2006, the Board of Directors of the Company approved the interim dividend of Baht 0.30 per share to the ordinary shareholders and preference shareholders, a total of Baht 400 million.

Since 1 April 2006, the Company will not be required to maintain the capital funds in accordance with Section 4 of the Act on Undertaking of Finance Business result from the Company has already returned its finance business license.

23. REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Revaluation surplus on investments :-				
Available-for-sale investments				
Debt instruments	22	21	-	-
Equity instruments	77	244	64	80
Held-to-maturity debt securities	45	54	21	24
Surplus recognised for subsidiary and associated companies - under equity method	15	2	74	217
Total	159	321	159	321
Revaluation deficit on investments :-				
Available -for-sale investments				
Debt instruments	(55)	(30)	-	-
Equity instruments	(254)	(306)	(130)	(45)
Held-to-maturity debt securities	(616)	(815)	(131)	(153)
Deficit recognised for subsidiary and associated companies - under equity method	-	-	(664)	(953)
Total	(925)	(1,151)	(925)	(1,151)
Revaluation deficit on investments	(766)	(830)	(766)	(830)

24. STATUTORY RESERVE

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Company is required to set aside as a statutory reserve at least 5 percent of its net profit, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. The statutory reserve could not be used for dividend payment.

As at 31 December 2006, the Company allocated Baht 73,393,342 of net income for the year 2006 to the statutory reserve.

25. BAD DEBTS AND DOUBTFUL ACCOUNTS

Bad debts and doubtful accounts in the statements of income for the years 2006 and 2005 consists of :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Bad debts and doubtful accounts (reversal of bad debt and doubtful accounts) from loans	123	(650)	(742)	(346)
Amortisation of revaluation allowance for debt restructuring during the year	(20)	(73)	-	-
Total	103	(723)	(742)	(346)

26. LOSS FROM DEBT RESTRUCTURING

Loss from debt restructuring in the statements of income for the years 2006 and 2005 consists of the following :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Loss from hair-cut	125	422	-	-
Increase in revaluation allowance for debt restructuring	40	8	1	-
Total loss from debt restructuring	165	430	1	-

27. GAIN (LOSS) ON INVESTMENTS

Gain (loss) on investments for the years 2006 and 2005 consists of the following :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Unrealised gain (loss) on valuation adjustment	(2)	1	-	-
Loss from conversion of investment	(2)	-	-	-
Reversal of allowance for impairment	18	5	13	1
Increase in provision for impairment of TAMC's promissory notes	(99)	(26)	(18)	(26)
Provision for impairment of investments in receivables	(97)	(49)	(77)	(2)
Gain on debt settlement/assets transferred from investments in receivables	140	90	36	4
Realised gain (loss) on sales of investments				
Trading securities	5	58	-	-
Available-for-sale securities	414	280	123	108
Held-to-maturity securities	(51)	(124)	-	(126)
Other securities	50	5	53	-
Total	<u>376</u>	<u>240</u>	<u>130</u>	<u>(41)</u>

During the year 2006, subsidiary companies disposed of held-to-maturity debt securities with an amortised cost of Baht 1,091 million, with loss on disposal of Baht 51 million. This was mainly due to liquidity management and the modification of investment strategy in line with economic circumstances.

In addition, during the year 2006, the Company and its subsidiary company early redeemed investments of Baht 578 million in government bonds under the conditions of the Ministry of Finance's Tier II capital support scheme and withdrew the related subordinated debentures as issued by the Company and the subsidiary company, with net gains amounting to Baht 2 million recognised in the consolidated financial statements (the Company Only : Baht 473 million and Baht 2 million, respectively).

28. GAIN ON PROPERTY FORECLOSED

Gain on property foreclosed for the years 2006 and 2005 consists of the following :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Realised gain on disposal of property foreclosed	597	314	37	127
Allowance for impairment	(135)	(66)	(16)	(13)
Total	462	248	21	114

29. NUMBER OF EMPLOYEES

	Consolidated		The Company Only	
	2006	2005	2006	2005
Number of employees as at year end (persons)	6,988	5,529	643	629
Personnel expenses for the year (Million Baht)	2,569	1,954	265	454

30. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company and a public subsidiary company's directors in accordance with Section 90 of the Public Company Limited Act, exclusive of salaries and related benefits payable to directors who hold executive positions.

In addition, in April 2006, the Annual General Meeting of shareholders had approved the payment of director's remuneration amounting to approximately Baht 14 million to the directors of the Company and a subsidiary company (the Company Only : Baht 11 million).

31. PROVIDENT FUND

The Company, certain of its subsidiary companies and their employees have jointly registered provident funds scheme under the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees, at the rate of 5 percent of their basic salaries, and by the companies at the same rate, and will be paid to employees upon termination in accordance with the rules of the funds. During the year 2006, Baht 58 million has been contributed to the funds by the Company and its subsidiary companies (the Company Only : Baht 10 million).

32. RECONCILIATION OF DILUTED EARNINGS PER SHARE

Earnings per share as determined in the statement of income is basic earnings per share which is calculated by dividing net income for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing net income for the year by the total sum of the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares to be issued upon conversion of all ordinary shares equivalent into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares equivalent were issued.

	Consolidated and the Company Only					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2006	2005	2006	2005	2006	2005
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net income	1,467,867	3,104,099	1,333,134	1,333,134	1.10	2.33
Effect of dilutive securities						
Preference shares convertible to ordinary shares	-	-	20	20	-	-
Diluted earnings per share						
Net income of ordinary shareholders assuming conversion of dilutive securities	<u>1,467,867</u>	<u>3,104,099</u>	<u>1,333,154</u>	<u>1,333,154</u>	<u>1.10</u>	<u>2.33</u>

33. RELATED PARTY TRANSACTIONS

During the years 2006 and 2005, the Company and its subsidiary companies had significant business transactions with their related parties. These transactions, which have been concluded on the commercial terms and based specified in the agreements between the Company, its subsidiary companies and those companies, are summarised below :-

	Consolidated		The Company Only		(Unit : Million Baht)
	2006	2005	2006	2005	Pricing Policies (For the year 2006)
Subsidiary companies :-					
Sales of investments in debt securities (with loss on sales of Baht 0.3 million) (2005 : with loss on sales of Baht 114 million)	-	-	2,416	6,557	At market price
Purchase of investments in debt securities	-	-	10,473	-	At market price
Cash paid for investment in subsidiaries	-	-	211	6,728	At the rate reference to net asset value of that subsidiary company
Purchase of assets	11	-	-	-	Reference to appraisal value
Sales of assets	-	-	229	-	At the rate determined with reference to appraised value and book value
Sales of deposits in form of promissory notes	-	-	-	80,207	
Sales of loans	-	-	888	535	At contract rate, determined with reference to basis approved by financial advisor
Sales of properties foreclosed	-	-	11	-	At the rate determined with reference to their book value
Interest income from loans	-	-	87	468	At interest rates of 3.5,7.125 and 11.51 percent per annum
Interest income from cash at bank	-	-	13	-	At interest rates of 2.5 percent per annum
Interest income from investments in debentures	-	-	12	-	At interest rates of 6.18 percent per annum
Rental and other service income	-	-	237	142	At the rate determined under the contract between related parties
Fees and other income	33	12	1	24	At the rate determined under the contract between related parties
Interest expenses	1	-	3,552	2,138	At interest rates of 5.50 – 7.125 percent per annum
Rental expenses	16	13	1	-	At the rate determined under the contract between related parties
Other service expenses	11	9	256	209	At the rate determined under the contract between related parties
Insurance expenses	-	-	5	7	As insurance policy

(Unit : Million Baht)

	Consolidated		The Company Only		Pricing Policies
	2006	2005	2006	2005	(For the year 2006)
Associated companies :-					
Interest income	-	1	-	-	
Other income	1	1	-	1	
Interest expenses	13	19	-	1	At interest rates of 2.50 , 5.25 and 11.51 percent per annum
Other expenses	42	42	35	28	
Related companies:-					
Dividend income	60	30	19	10	As declared
Interest income	97	78	3	16	At interest rates of 0.5 - 8.5 percent per annum
Other income	5	115	2	3	
Interest expenses	48	29	-	8	At interest rates of 0.5 - 5.25 and 9 percent per annum
Project management expenses	60	51	29	25	At the rate determined under the contract between related parties
Other expenses	63	54	14	34	

During the year 2006, Thanachart Bank transferred additional non-performing loans amounting to Baht 773 million to N.F.S. Asset Management Co., Ltd. and Thanachart Life Assurance Co., Ltd. disposed of held-to-maturity debt securities with amortised costs amounting to Baht 255 million to Thanachart Bank, with loss on disposal of Baht 9 million. Such debt securities are classified as available-for-sale securities by Thanachart Bank. Such loss has been eliminated in the consolidated financial statements and recognised as revaluation deficit in shareholders' equity. A further Baht 777 million of held-to-maturity debt securities were transferred to Thanachart Bank by Thanachart Life Assurance, with loss on disposal of Baht 58 million, and were disposed to third parties during the year.

The outstanding balances of the above transactions during the years 2006 and 2005 are below shown at the average month end balance :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
<u>Subsidiary companies</u>				
Interbank and money market items (Assets)	-	-	390	52
Investments in debt securities	-	-	231	-
Loans	-	-	1,257	11,586
Deposits	22	28	-	1,740
Interbank and money market items (Liabilities)	-	-	54,086	44,509
Borrowings and debentures	-	-	5	-
<u>Associated companies</u>				
Investments in debt securities	15	24	-	-
Loans	2	4	-	-
Deposits	31	10	-	-
Borrowings and debentures	108	177	-	12
<u>Related companies</u>				
Interbank and money market items (Assets)	428	401	57	107
Investments in debt and equity securities	1,275	1,219	280	294
Loans	1,347	2,041	78	280
Deposits	904	742	-	428
Interbank and money market items (Liabilities)	70	40	3	20
Borrowings and debentures	112	112	-	-

As of 31 December 2006 and 2005, the outstanding balances of the above transactions are separately in balance sheet as follow :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
<i>Interbank and money market items (Assets)</i>				
Subsidiary company - Thanachart Bank Plc.	-	-	74	131
Related companies	653	289	74	94
Total	653	289	148	225
<i>Investments in debt securities</i>				
Subsidiary company - Thanachart Bank Plc.	-	-	3,000	-
Associated company - MBK Plc.	15	24	-	-
Related companies	640	306	-	-
Total	655	330	3,000	-
<i>Loans</i>				
Subsidiary companies :-				
Thanachart Group Leasing Co., Ltd.	-	-	565	-
Max Asset Management Co., Ltd.	-	-	358	708
National Leasing Co., Ltd.	-	-	529	900
	-	-	1,452	1,608
Associated company - MBK Plc.	-	4	-	-
Related companies	1,258	1,645	11	269
Total	1,258	1,649	1,463	1,877
<i>Accrued interest receivable from investments and loans</i>				
Subsidiary companies :-				
Max Asset Management Co., Ltd.	-	-	16	29
Thanachart Bank Plc.	-	-	12	-
	-	-	28	29
Related companies	12	10	-	1
Total	12	10	28	30

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
<i>Other assets</i>				
Subsidiary companies :-				
Thanachart Bank Plc.	-	-	48	10
Thanachart Securities Plc.	-	-	1	8
Other subsidiary companies	7	2	2	4
	<u>7</u>	<u>2</u>	<u>51</u>	<u>22</u>
Associated companies	9	9	4	4
Related companies	22	44	1	12
Total	<u>38</u>	<u>55</u>	<u>56</u>	<u>38</u>
<i>Deposits</i>				
Subsidiary companies	27	27	-	-
Associated companies :-				
MBK Plc.	14	20	-	-
Other associated companies	2	-	-	-
	<u>16</u>	<u>20</u>	<u>-</u>	<u>-</u>
Related companies	759	1,092	-	-
Total	<u>802</u>	<u>1,139</u>	<u>-</u>	<u>-</u>
<i>Interbank and money market items (Liabilities)</i>				
Subsidiary company – Thanachart Bank Plc.	-	-	39,600	75,500
Related companies	22	50	-	-
Total	<u>22</u>	<u>50</u>	<u>39,600</u>	<u>75,500</u>
<i>Borrowings and debentures</i>				
Subsidiary company - Thanachart Insurance Co., Ltd.	-	-	15	-
Associated company - MBK Plc.	71	141	-	-
Related companies	112	112	-	-
Total	<u>183</u>	<u>253</u>	<u>15</u>	<u>-</u>

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
<u>Accrued interest payable</u>				
Associated companies	3	6	-	-
Related companies	19	10	-	-
Total	22	16	-	-

Other liabilities**Subsidiary companies :-**

Thanachart Group Leasing Co., Ltd.	-	-	20	-
Thanachart Bank Plc.	-	-	6	23
National Leasing Co., Ltd.	-	-	22	23
Thanachart Insurance Co., Ltd.	-	-	4	13
Other subsidiary companies	-	-	6	7
	-	-	58	66
Related companies	101	406	2	11
Total	101	406	60	77

Guarantees of loans

Associated companies - MBK Plc.	23	23	-	-
Related companies	32	32	10	10
Total	55	55	10	10

As at 31 December 2006, the Company and its subsidiary companies have investments amounting to approximately Baht 486 million (the Company Only : Baht 199 million) in companies to which they are related by means of members of their management being shareholders and/or directors of those companies.

As at 31 December 2006 and 2005, the Company and its subsidiary companies had the following related parties transactions with executive employees from department manager level up :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Loans	54	42	6	7
Deposits	572	401	-	-

34. FINANCIAL INFORMATION BY SEGMENT

Financial information presented in the consolidated financial statements as at 31 December 2006 and 2005 and for the years ended 31 December 2006 and 2005, is as follows :-

(Unit : Million Baht)

	Consolidated for the year ended 31 December													
	The Company		Asset management business		Bank business		Securities business		Other business		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,311	4,078	(253)	507	5,208	1,830	149	128	409	228	(184)	36	6,640	6,807
Share of income from investments accounted for under equity method	1,342	1,504	-	-	-	-	-	-	29	22	(1,148)	(1,334)	223	192
Non-interest income	857	885	1,131	560	1,225	905	1,129	855	3,246	2,063	(281)	(316)	7,307	4,952
Operating expenses	(1,737)	(2,818)	(156)	(145)	(6,103)	(2,373)	(911)	(796)	(3,294)	(2,092)	616	382	(11,585)	(7,842)
Corporate income tax	(305)	(545)	(330)	(274)	(105)	-	(104)	(30)	(121)	(123)	-	-	(965)	(972)
Minority interest in net income in subsidiary companies	-	-	-	-	-	-	-	-	-	-	(152)	(33)	(152)	(33)
Net income	1,468	3,104	392	648	225	362	263	157	269	98	(1,149)	(1,265)	1,468	3,104

(Unit : Million Baht)

	Consolidated as at 31 December													
	The Company		Asset management business		Bank business		Securities business		Other business		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Investments - Net	28,125	24,734	4,619	6,237	21,895	17,415	1,018	1,194	4,854	5,069	(25,162)	(21,445)	35,349	33,204
Loans and accrued interest receivable - Net (including interbank and money market items)	47,319	80,738	3,678	4,473	221,634	160,622	2,393	2,271	6,039	3,577	(52,724)	(90,911)	228,339	160,770
Land, premises and equipment - Net	344	560	2	2	1,198	494	153	165	61	57	-	-	1,758	1,278
Other assets	3,683	10,904	3,992	3,974	12,709	16,994	105	265	978	810	(145)	(80)	21,322	32,867
Total assets	79,471	116,936	12,291	14,686	257,436	195,525	3,669	3,895	11,932	9,513	(78,031)	(112,436)	286,768	228,119

35. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2006 and 2005, commitments and contingent liabilities which are significant consisted of :-

35.1

(Unit : Million Baht)

	Consolidated					
	2006			2005		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	54	-	54	239	-	239
Guarantees of loans	10	-	10	10	-	10
Liability under unmatured import bills	-	19	19	-	4	4
Letters of credit	2	92	94	-	635	635
Other commitments						
Obligations under interest rate swap agreements	46,636	-	46,636	48,373	-	48,373
Obligations under forward exchange contracts						
Bought contracts	-	82	82	-	549	549
Sold contracts	-	21,929	21,929	-	625	625
Obligations under cross currency and interest rate swap contracts - sold contracts	-	1,868	1,868	-	1,389	1,389
Committed (but not drawn) overdraft	1,663	-	1,663	628	-	628
Other guarantees	1,385	4	1,389	963	-	963
Total contingencies and commitments	49,750	23,994	73,744	50,213	3,202	53,415

(Unit : Million Baht)

	The Company Only					
	2006			2005		
	Baht	Foreign		Baht	Foreign	
		currency	Total		currency	Total
Guarantees of loans	10	-	10	10	-	10
Other commitments						
Obligation under interest rate swap agreements	19,986	-	19,986	21,723	-	21,723
Other guarantees	1	-	1	1	-	1
Total contingencies and commitments	19,997	-	19,997	21,734	-	21,734

35.2 During the years 2001 to 2003, the Company and its subsidiary companies have entered into agreements to sell loans with transfer prices totaling of approximately Baht 3,414 million to the Thai Asset Management Corporation (“TAMC”). The Company and its subsidiary companies are still jointly entitled to/liable for a share of the gains or losses arising from TAMC’s management of these non-performing assets, which is to be calculated at the end of fifth and tenth years, counting from 1 July 2001. In case of losses, the Company and its subsidiary companies are liable for all initial losses up to 20 percent of the transfer price, with the next 20 percent of such losses are to be shared equally between the Company or its subsidiary companies and TAMC. TAMC is liable for all remaining losses. Such gains or losses will be determined based on the cumulative value of the collections made on the assets as at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the receivables. The gain or loss cannot be reliably estimated by the Company and its subsidiary companies at this stage. However, as at 31 December 2006, the Company and its subsidiary companies have estimated their share of the losses which may arise from the management of non-performing assets at approximately Baht 443 million (the Company Only : Baht 137 million). This is presented as a part of the allowance for impairment of investment in TAMC’s notes (31 December 2005 : Baht 344 million and Baht 119 million, respectively).

- 35.3** The Company and a subsidiary company have entered into agreements to sell housing loans/ to transfer rights to claim the housing debts of Baht 276 million and Baht 223 million in the consolidated financial statements and the Company's financial statements, respectively, to the Secondary Mortgage Corporation, under which they are committed to compensate the Corporation for losses from uncollected debts up to a maximum of 20 percent of the sell price of the said receivables, or approximately Baht 10 million (the Company Only : Baht 7 million).
- 35.4** Thanachart Bank Plc., subsidiary company, is obliged to make contributions to the Financial Institutions Development Fund, at a rate of 0.2 percent of the total outstanding balance of the Bank's deposits and accrued interest arising from borrowings, as of the last day of the previous six-month period before the contributions are to be made, every 30 June and 31 December of the year.
- 35.5** As at 31 December 2006, the Company and its subsidiary companies have obligations to pay service fees related to property foreclosed and other services including long-term rental and office services agreements which can be presented as follows :-

(Unit : Million Baht)

Year	Consolidated	The Company Only	
	Other companies	Other companies	Subsidiaries
2007	386	128	12
2008	213	74	5
2009 onward	305	104	12

In addition, the Company has an obligation to pay an administrative service fee to a subsidiary company at actual cost plus a margin according to period in agreement.

- 35.6** As at 31 December 2006, a subsidiary company has commitments under a research support and distribution services agreement made with an overseas company, whereby it must pay service charges on quarterly basis at the rate specified in the agreement. The agreement will expire on 30 September 2008.

36. LITIGATION

As at 31 December 2006, the Company and its subsidiary companies have contingent liabilities amounting to approximately Baht 847 million as a result of litigation (the Company Only : Baht 349 million). The cases were not yet final, however, the Company and its subsidiary companies' management expect that no losses will result and therefore no liabilities are currently recorded.

In addition, in a case between a subsidiary company and a receivable, the Court of Appeals has found against the subsidiary company and ordered it to pay the plaintiff Baht 10 million plus interest at a rate 7.5 percent calculated from 8 October 1998. The subsidiary has appealed the verdict of the Court of Appeals, but for conservative purposes, has recorded the award as a liability as at the balance sheet date.

37. BANK GUARANTEE

As at 31 December 2006, there were outstanding bank guarantees of approximately Baht 6 million (the Company Only : Baht 5 million) issued by banks on behalf of the Company and its subsidiaries to guarantee the use of electricity and the rental of land.

38. FINANCIAL INSTRUMENTS

Financial instruments are any contracts which give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

As at 31 December 2006, the Company has no policy to speculate or trade in any off-balance sheet derivative financial instruments.

38.1 Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations, resulting in a financial loss to the Company and its subsidiary companies. The maximum exposure to credit risk is the carrying amount of financial assets less provision for losses as stated in the balance sheet and off-balance sheet aval, guarantee of loans and other guarantees.

The Company and its subsidiary companies manage credit risk by means of careful consideration during the credit approval process, with analysis of risk factors and of the customers' ability to service debt, and a credit review process which examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future.

38.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Company and its subsidiary companies' foreign currency position and investment status. As such, market risk consists of interest rate risk, foreign exchange risk and equity position risk.

a) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate as a result of changes in market interest rates.

The Company and its subsidiary companies manage the changes in interest rate risk by means of an appropriate structuring of holdings in assets and liabilities with different repricing dates, taking into account the direction of market interest rates, in order to generate a suitable yield while maintaining risk at acceptable levels. Such management is under the supervision of the Asset and Liability Management Committee.

As at 31 December 2006, financial assets and liabilities can be classified as follow by interest type :-

(Unit : Million Baht)

	Consolidated				The Company Only			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets								
Cash	-	-	2,466	2,466	-	-	-	-
Interbank and money market items	433	23,395	3,127	26,955	9	-	267	276
Securities purchased under resale agreements	-	6,300	-	6,300	-	-	-	-
Investments	2,686	28,734	5,011	36,431	1,576	3,504	23,423	28,503
Receivables from clearing house	-	-	1	1	-	-	-	-
Loans (include intercompany gain on loan transferred)	29,679	175,595	3,231	208,505	631	47,877	992	49,500
Financial liabilities								
Deposits	31,636	166,525	366	198,527	-	-	-	-
Interbank and money market items	1,865	2,474	168	4,507	39,600	-	-	39,600
Payable to clearing house	-	-	609	609	-	-	-	-
Securities business payable	-	-	645	645	-	-	-	-
Borrowings	5,000	40,035	-	45,035	-	15,665	-	15,665
Liabilities payable on demand	-	-	1,462	1,462	-	-	-	-

The outstanding balances of loans which have floating interest rates or fixed interest rates include loans on which interest recognition has been ceased, and are presented before deducting provisions.

With respect to financial instruments that carry fixed interest rates, the periods from the balance sheet date to the repricing or maturity dates (whichever is the earlier) are presented below :-

(Unit : Million Baht)

Transactions	Consolidated						Weighted average interest rates Percentage
	At call	Repricing or maturity date				Total	
		0-3	3-12	1 - 5	Over 5		
		months	months	years	years		
Financial assets							
Interbank and money market items	74	23,179	142	-	-	23,395	3.47 – 5.28
Securities purchased under							
resale agreements	-	6,300	-	-	-	6,300	4.90
Investments	-	7,693	2,390	13,288	5,363	28,734	4.28 – 5.61
Loans (include intercompany gain on loan transferred)	422	3,901	10,658	138,304	22,310	175,595	6.74 – 7.62
Financial liabilities							
Deposits	78	109,879	46,142	10,426	-	166,525	4.81
Interbank and money market items	-	874	590	1,010	-	2,474	4.64
Borrowings	-	9,438	18,847	11,750	-	40,035	4.04 – 4.95

(Unit : Million Baht)

Transactions	The Company Only						Weighted average interest rates Percentage
	At call	Repricing or maturity date				Total	
		0-3	3-12	1 - 5	Over 5		
		months	months	years	years		
Financial assets							
Investments	-	504	-	-	3,000	3,504	5.61
Loans	172	324	3,656	43,725	-	47,877	6.74
Financial liabilities							
Borrowings	-	1,650	10,015	4,000	-	15,665	4.04

In addition, the Company and its subsidiary companies have interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Company and its subsidiary companies for the year ended 31 December 2006, and the average rate of interest and dividend income, can be summarised as follow :-

(Unit : Million Baht)

	Consolidated			The Company Only		
	Average balance	Interest and dividend	Average rate	Average balance	Interest and dividend	Average rate
Interest earnings financial assets						
Interbank and money market items	11,851	567	4.78	316	14	4.43
Securities purchased under resale agreements	35,766	1,689	4.72	8,020	82	4.09
Investments	34,300	1,351	3.94	3,810	138	3.62
Loans/hire purchase and finance lease	176,925	13,344	7.54	63,778	4,471	7.01
Interest bearing financial liabilities						
Deposits	195,243	8,182	4.19	-	-	-
Interbank and money market items	3,375	104	3.08	54,216	3,552	6.55
Securities sold under repurchase agreements	96	4	4.17	-	-	-
Borrowings	41,743	1,752	4.20	16,283	583	3.58

b) Foreign exchange risk

Foreign exchange risk is the risk that changes in exchange rate will result in changes in the values of financial instruments or fluctuations in revenues or in the values of financial assets or financial liabilities.

Because the subsidiary company has transactions in foreign currency, it is exposed to foreign exchange risk. The subsidiary company has a policy to hedge its foreign currency risk by means of managing net foreign currency under the risk management approved by the board of directors of the subsidiary company with strictly comply with Bank of Thailand's regulation.

As at 31 December 2006, the Company and its subsidiary companies have foreign currency as follow :-

(Unit : Million Baht)

	Consolidated			The Company Only		
	Outstanding balances of financial instruments			Outstanding balances of financial instruments		
	US dollar	Euro	Others	US dollar	Euro	Others
<u>In-balance sheet foreign currency</u>						
<u>Financial assets</u>						
Cash	54	33	40	-	-	-
Interbank and money market items	21,468	25	32	-	-	-
Investments	1,868	-	-	-	-	-
Loans	4	-	-	-	-	-
Other assets	25	-	-	-	-	-
Total	<u>23,419</u>	<u>58</u>	<u>72</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Off-balance sheet foreign currency</u>						
Liabilities under unmatured import bills	16	3	-	-	-	-
Letters of credit	89	3	-	-	-	-
Forwards exchange contracts						
- Bought contracts	8	-	74	-	-	-
- Sold contracts	21,665	89	175	-	-	-
Cross currency and interest rate swap contracts - sold contracts	1,868	-	-	-	-	-
Others	-	-	3	-	-	-

c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities will result in fluctuations in revenues and in the values of financial assets.

38.3 Liquidity risk

Liquidity risk is the risk that the Company and its subsidiary companies will be unable to liquidate their financial assets and/or procure sufficient funds to discharge their obligations in a timely manner, resulting in the incurrence of a financial loss.

The Company and its subsidiary companies managed liquidity risk by mean of appropriate structuring of short-term and long-term sources of capital, under the supervision of an Assets and Liabilities Management Committee.

Counting from the balance sheet date, the periods to maturity of financial instruments held as at 31 December 2006 are as follows :-

(Unit : Million Baht)

Transactions	Consolidated					The Company Only				
	At call	Less than	Over	Unspecified	Total	At call	Less	Over	Unspecified	Total
		1 year	1 year				than	1 year		
Financial assets										
Cash	2,466	-	-	-	2,466	-	-	-	-	-
Interbank and money market items	3,604	23,321	30	-	26,955	256	-	20	-	276
Securities purchased under resale agreements	-	6,300	-	-	6,300	-	-	-	-	-
Investments	2,686	7,293	21,477	4,975	36,431	1,576	-	3,504	23,423	28,503
Receivables from clearing house	-	1	-	-	1	-	-	-	-	-
Loans ⁽¹⁾	11,920	13,619	182,965	1	208,505	2,490	3,784	43,226	-	49,500
Financial liabilities										
Deposits	31,159	156,466	10,902	-	198,527	-	-	-	-	-
Interbank and money market items	2,033	1,414	1,060	-	4,507	39,600	-	-	-	39,600
Payable to clearing house	-	609	-	-	609	-	-	-	-	-
Securities business payable	-	645	-	-	645	-	-	-	-	-
Borrowings	-	18,460	26,575	-	45,035	-	2,935	12,730	-	15,665
Liabilities payable on demand	1,462	-	-	-	1,462	-	-	-	-	-
Off-balance sheet items :-										
Avals to bills and guarantee of loans	10	54	-	-	64	10	-	-	-	10
Liability under unmatured import bills	-	19	-	-	19	-	-	-	-	-
Letter of credit	20	74	-	-	94	-	-	-	-	-
Other commitments	1,685	42,892	28,616	374	73,567	1	9,386	10,600	-	19,987

(1) The outstanding balance of loans includes intercompany gain on loan transferred. Call loans include loans on which interest recognition has been ceased.

38.4 Fair value

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Company and its subsidiary companies have estimated the fair value of financial instruments as follows :-

a) Financial assets

The method used for determining the fair value depends upon the characteristics of the financial instruments. The fair values of most financial assets, including cash, interbank and money market items, securities purchased under resale agreements, receivables from clearing house, loans and investments in receivables are considered to approximate their respective carrying values since the financial instruments are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions and which are traded on an active and liquid market, such as investments, have their fair values determined based on the quoted market price.

b) Financial liabilities

The fair values of financial liabilities, including deposits, interbank and money market items, payable to clearing house, securities business payable, borrowings and liabilities payable on demand, are considered to approximate their respective carrying values for the same reasons as described above.

As at 31 December 2006, there are no material difference between the book value of financial instruments and their fair value, except for held-to-maturity debt securities with a fair value of Baht 690 million lower than their book value.

38.5 Financial derivatives

The Company and its subsidiary company engage in financial derivatives activities as required in the normal course of their business to manage the risks. The subsidiary company engages in others financial derivatives activities to meet its clients' needs. These financial derivatives include forward foreign currency contracts, cross currency contracts and interest rate swap contracts.

The Company and its subsidiary company have a policy to hedge the risk limits by which it requires risk reporting and control procedures for the various types of risk, as a control over financial derivative activities. The Company and its subsidiary company manage the credit risk associated with financial derivatives on the basis of the credit limits granted to customers in general. The same credit approval process that is used when granting loans to a customer is adopted for financial derivative customers, so that the Company and its subsidiary company are able to maintain risk at acceptable levels.

As at 31 December 2006, financial derivatives, which the Company and its subsidiary company had engaged, can be classified as follow by period to maturity :

(Unit : Million Baht)

	Consolidated			The Company Only		
	Less than		Total	Less than		Total
	1 year	Over 1 year		1 year	Over 1 year	
Forward and spot contracts						
- Bought	82	-	82	-	-	-
- Sold	21,929	-	21,929	-	-	-
Cross currency swap contracts						
- Sold	426	1,442	1,868	-	-	-
Interest rate swap contracts						
- Fixed interest rate payment	5,388	8,620	14,008	3,358	4,150	7,508
- Floating interest rate payment	4,465	4,845	9,310	1,335	1,150	2,485
- Fixed interest rate receipt	7,665	4,845	12,510	4,535	1,150	5,685
- Floating interest rate receipt	2,188	8,620	10,808	158	4,150	4,308

39. SUBSEQUENT EVENTS

On 28 February 2007, the Board of Directors' Meeting passed a resolution to propose, for consideration by the Annual General Meeting of the Company's shareholders, the payment of a dividend of Baht 0.50 per share to the ordinary shareholders and preference shareholders in respect of earnings for the second half-year of 2006, a total of Baht 667 million.

The Board of Directors' Meeting also agreed with the shareholding restructuring plan of Thanachart Group and passed a resolution approving, in principle, the disposal of the investment in eight subsidiary companies to Thanachart Bank Public Company Limited. In this regard, the selling price and the conditions are being studied and will be proposed to the Board of Directors for consideration before being proposed to the Annual General Meeting of shareholders for approval. Such approval will be considered effective when permission has been given by the Bank of Thailand.

Additionally, the Board of Directors' Meeting passed a resolution acknowledging the capital increase of a subsidiary company, Thanachart Bank Public Company Limited, by means of issuing 400 million shares of common stock. The Board of Directors approved the Company's purchase of such additional capital shares in proportion to the rights allocated to it.

40. RECLASSIFICATION

The Company has reclassified certain amounts in the financial statements as at 31 December 2005 to conform to the current year's classifications, with no effect on previously reported net income and shareholders' equity.

41. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised by the Board of Directors on 28 February 2007.