

THANACHART CAPITAL PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARES
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2007 AND 2006

Report of Independent Auditor

To the Shareholders of Thanachart Capital Public Company Limited

I have audited the accompanying consolidated balance sheets of Thanachart Capital Public Company Limited and its subsidiaries as at 31 December 2007 and 2006, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Thanachart Capital Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Capital Public Company Limited and its subsidiaries and of Thanachart Capital Public Company Limited as at 31 December 2007 and 2006, the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to the following matters :-

a) As discussed in Note 4 to the financial statements, as at 1 January 2007, the Company changed its accounting policies for recording investments in subsidiary and associated companies in the separate financial statements from the equity method to the cost method, and for presenting the associated company's assets at the revaluation method to be cost method as the same as the Company's policy. In this regard, the Company has restated the consolidated and separate financial statements as at 31 December 2006 and for the year then ended to reflect the change in accounting policies.

b) As discussed in Note 5.10 a) to the financial statements, as at 31 December 2006 the Company and its subsidiaries had recorded the allowances for doubtful accounts in the financial statements in accordance with the Bank of Thailand's guidelines on determining provisions for non-performing loans, which became effective in three phases in the years 2006 and 2007. The Company and its subsidiaries set provisions against those loans which fell under the 2006 criteria and the effect of the additional provision that would be required under the new guidelines in 2007 could not be determined at that stage. In 2007 the Company and its subsidiaries have set aside provision in accordance with the new guidelines in the financial statements of the current year.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok : 28 February 2008

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	Note	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2007	2006 (Restated)	2007	2006 (Restated)
ASSETS					
CASH		3,274,646,674	2,466,125,940	40,000	40,000
INTERBANK AND MONEY MARKET ITEMS	6				
Domestic					
Interest bearing		1,369,192,055	2,559,774,515	21,837,128	9,309,020
Non-interest bearing		3,310,826,238	2,979,958,425	249,224,880	265,737,748
Foreign					
Interest bearing		35,600,519,727	21,420,641,997	-	-
Non-interest bearing		181,005,967	104,083,340	-	-
Total interbank and money market items - Net		40,461,543,987	27,064,458,277	271,062,008	275,046,768
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	7	2,500,000,000	6,300,000,000	-	-
INVESTMENTS					
Current investments - Net	8	5,296,660,463	7,338,916,150	800,000,000	8,464,722
Long-term investments - Net	8	22,269,203,345	26,201,194,502	6,155,936,302	5,835,793,998
Investments in subsidiaries - Net	9	-	-	16,840,417,694	21,465,780,870
Investments in associated companies - Net	10	1,308,475,772	1,226,111,101	657,994,072	311,098,381
Net investments		28,874,339,580	34,766,221,753	24,454,348,068	27,621,137,971
RECEIVABLES FROM CLEARING HOUSE		243,570,359	786,300	-	-
LOANS AND ACCRUED INTEREST RECEIVABLE	11				
Loans		237,306,778,789	207,471,746,186	24,793,914,227	50,093,526,829
Securities business receivable		1,930,104,554	1,815,873,590	-	-
Total loans and receivables		239,236,883,343	209,287,619,776	24,793,914,227	50,093,526,829
Accrued interest receivable		252,786,998	277,312,650	13,779,451	17,332,543
Total loans and accrued interest receivable		239,489,670,341	209,564,932,426	24,807,693,678	50,110,859,372
Less : Allowance for doubtful accounts	12	(8,371,854,678)	(8,095,956,105)	(1,651,568,121)	(3,110,412,890)
Less : Revaluation allowance for debt restructuring	13	(84,025,462)	(150,134,868)	(393,052)	(513,991)
Net loans and accrued interest receivable		231,033,790,201	201,318,841,453	23,155,732,505	46,999,932,491
PROPERTY FORECLOSED - Net	15	8,074,114,289	8,420,480,978	2,867,334,573	3,198,671,684
LAND, PREMISES AND EQUIPMENT - Net	16	2,308,196,743	1,758,009,632	220,236,517	344,342,339
INTANGIBLE ASSETS - SOFTWARE - Net	17	216,292,664	156,135,419	3,728,279	96,070,347
LEASEHOLD RIGHT		430,465,286	379,125,195	150,096,832	171,688,982
GOODWILL		44,274,108	10,215,267	-	-
AMOUNT BY WHICH VALUE OF INVESTMENTS IS					
LOWER THAN BOOK VALUE		-	(18,111,127)	-	-
VALUE ADDED TAX REFUNDABLE		1,095,149,691	1,475,295,586	-	-
OTHER ASSETS	18	2,699,768,509	2,131,374,156	129,780,567	216,175,736
TOTAL ASSETS		321,256,152,091	286,228,958,829	51,252,359,349	78,923,106,318

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	Note	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2007	2006	2007	2006
			(Restated)		(Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY					
DEPOSITS					
	19				
Deposits in Baht		189,997,866,185	198,526,848,577	-	-
Deposits in foreign currencies		628,475,240	75,568	-	-
Total deposits		190,626,341,425	198,526,924,145	-	-
INTERBANK AND MONEY MARKET ITEMS					
	20				
Domestic					
Interest bearing		4,173,262,261	4,338,927,141	12,500,064,786	39,600,428,747
Non-interest bearing		588,938,459	168,430,791	-	-
Foreign					
Non-interest bearing		6,679,965	-	-	-
Net interbank and money market items		4,768,880,685	4,507,357,932	12,500,064,786	39,600,428,747
PAYABLE TO CLEARING HOUSE		-	609,006,654	-	-
SECURITIES BUSINESS PAYABLE		1,243,919,399	645,425,567	-	-
BORROWINGS					
	21				
Short-term borrowings		65,398,267,154	18,459,806,407	8,230,300,000	2,935,000,000
Long-term borrowings		11,046,546,400	26,574,862,400	4,500,000,000	12,730,300,000
Total borrowings		76,444,813,554	45,034,668,807	12,730,300,000	15,665,300,000
ACCRUED INTEREST PAYABLE		1,494,769,833	1,883,846,932	81,532,078	122,343,224
LIABILITIES PAYABLE ON DEMAND		1,329,027,334	1,461,622,782	-	-
CORPORATE INCOME TAX PAYABLE		941,425,140	373,672,153	620,943,529	89,201,602
UNEARNED PREMIUM RESERVE		1,207,394,714	923,333,476	-	-
LIFE PREMIUM RESERVE		5,593,424,455	3,550,307,646	-	-
OTHER LIABILITIES	22	5,343,886,644	5,281,967,455	710,896,572	889,075,796
TOTAL LIABILITIES		288,993,883,183	262,798,133,549	26,643,736,965	56,366,349,369

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	Note	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2007	2006 (Restated)	2007	2006 (Restated)
SHAREHOLDERS' EQUITY					
Share capital	23				
Registered, issued and paid-up					
19,336 preference shares of Baht 10 each					
(2006 : 19,546 preference shares of Baht 10 each)		193,360	195,460	193,360	195,460
1,333,134,667 ordinary shares of Baht 10 each					
(2006 : 1,333,134,457 ordinary shares of Baht 10 each)		13,331,346,670	13,331,344,570	13,331,346,670	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
Share premium of a subsidiary company	2.2	1,141,663,553	-	-	-
Revaluation surplus on investments	24	510,938,562	159,423,516	355,674,041	63,949,974
Revaluation deficit on investments	24	(528,018,466)	(925,583,445)	(54,979,876)	(130,466,921)
Retained earnings					
Appropriated - statutory reserve	25	734,878,415	597,369,267	734,878,415	597,369,267
Unappropriated		8,951,655,999	7,336,945,260	8,175,864,886	6,628,719,711
Equity attributable to the Company's shareholders		26,208,302,981	22,565,339,516	24,608,622,384	22,556,756,949
Minority interest - equity attributable to minority shareholders of subsidiaries		6,053,965,927	865,485,764	-	-
TOTAL SHAREHOLDERS' EQUITY		32,262,268,908	23,430,825,280	24,608,622,384	22,556,756,949
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		321,256,152,091	286,228,958,829	51,252,359,349	78,923,106,318
		0	0	0	0
OFF-BALANCE SHEET ITEMS - CONTINGENCIES					
	37.1				
Avals to bills and guarantees of loans		33,887,500	63,669,300	10,000,000	10,000,000
Liability under unmatured import bills		25,150,252	18,911,350	-	-
Letter of credits		399,286,956	94,146,696	-	-
Other contingencies		85,246,622,627	73,567,149,018	10,600,966,747	19,986,966,747

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

DIRECTORS

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	Note	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2007	2006	2007	2006
					(Restated)
INTEREST AND DIVIDEND INCOME					
Loans		3,063,653,516	2,945,907,112	166,731,917	145,128,641
Interbank and money market items		1,274,549,060	2,255,798,513	13,027,249	96,422,784
Hire purchase and financial lease		13,118,259,526	10,424,698,645	2,276,261,880	4,325,799,840
Investments		1,342,781,396	1,324,995,718	528,155,161	1,193,238,897
Total interest and dividend income		18,799,243,498	16,951,399,988	2,984,176,207	5,760,590,162
INTEREST EXPENSE					
Deposits		7,227,545,237	8,182,299,397	-	-
Interbank and money market items		168,933,463	108,154,733	1,275,447,740	3,552,487,000
Short-term borrowings		1,443,550,838	184,236,868	221,919,997	32,582,889
Long-term borrowings		860,704,839	1,567,874,189	349,763,642	550,193,054
Total interest expense		9,700,734,377	10,042,565,187	1,847,131,379	4,135,262,943
Net interest and dividend income		9,098,509,121	6,908,834,801	1,137,044,828	1,625,327,219
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS					
(BAD DEBT AND DOUBTFUL ACCOUNTS)	5.10, 26	(2,051,231,770)	(758,826,589)	852,729,039	557,558,109
LOSS ON DEBT RESTRUCTURING	27	(339,015)	(165,205,840)	(4,285)	(1,233,032)
Net interest and dividend income after					
bad debt and doubtful accounts and loss on debt restructuring		7,046,938,336	5,984,802,372	1,989,769,582	2,181,652,296
NON-INTEREST INCOME					
Brokerage fees		713,717,596	647,811,506	-	-
Gain on investments	2.2, 28	819,236,623	357,773,534	1,765,762,512	130,260,447
Share of income from investments in associated companies accounted for under equity method		270,890,523	223,028,360	-	-
Fees and service income					
Acceptances, aval and guarantees		21,780,855	16,576,429	-	-
Discounted income on insurance premium		709,260,467	724,675,565	402,876	69,099,983
Others		1,421,742,661	948,384,082	455,582,124	347,012,181
Gains on exchange and financial derivatives contracts		50,604,465	37,673,662	-	-
Gains on debt settlement/disposals		493,878,162	874,422,069	59,232,032	41,845,932
Insurance premium/Life insurance premium income		5,389,475,019	2,935,330,206	-	-
Gains on property foreclosed and other assets	29	250,792,045	590,414,366	48,773,809	11,694,020
Other income		534,516,318	287,374,129	336,158,245	326,675,705
Total non-interest income		10,675,894,734	7,643,463,908	2,665,911,598	926,588,268

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	Note	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2007	2006	2007	2006
					(Restated)
OPERATING EXPENSES					
Personnel expenses	30	2,894,603,867	2,571,756,035	87,297,704	356,962,364
Premises and equipment expenses		1,287,629,189	1,189,348,339	104,845,992	354,522,228
Taxes and duties		363,849,820	547,413,617	22,636,214	19,508,246
Fees and service expenses		251,784,630	267,886,680	15,764,832	38,148,786
Directors' remuneration	31	31,199,766	33,735,122	19,390,231	20,135,232
Fund contributed to the Financial Institutions Development Fund		814,591,364	740,395,956	-	22,043,370
Commission charged on hire-purchase		-	1,477,963,573	-	-
Insurance/Life insurance expenses		4,460,895,992	2,345,149,818	-	-
Other expenses		2,744,737,611	1,869,700,728	595,410,711	806,065,262
Total operating expenses		12,849,292,239	11,043,349,868	845,345,684	1,617,385,488
INCOME BEFORE INCOME TAX AND MINORITY INTEREST		4,873,540,831	2,584,916,412	3,810,335,496	1,490,855,076
CORPORATE INCOME TAX	32	(1,704,551,296)	(965,255,505)	(1,060,152,537)	(304,963,981)
INCOME BEFORE MINORITY INTEREST		3,168,989,535	1,619,660,907	2,750,182,959	1,185,891,095
MINORITY INTEREST IN NET INCOME IN SUBSIDIARIES		(351,241,012)	(151,794,081)	-	-
NET INCOME FOR THE YEAR		2,817,748,523	1,467,866,826	2,750,182,959	1,185,891,095
EARNINGS PER SHARE					
Basic earnings per share	34	2.11	1.10	2.06	0.89
Diluted earnings per share		2.11	1.10	2.06	0.89

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CASH FLOWS STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	CONSOLIDATED		SEPARATE	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2007	2006	2007	2006
				(Restated)
Cash flows from operating activities				
Net income	2,817,748,523	1,467,866,826	2,750,182,959	1,185,891,095
Adjustments to reconcile net income to				
net cash provided by (used in) operating activities :-				
Minority interest in income of subsidiaries	351,241,012	151,794,081	-	-
Share of income from investments accounted for under equity method	(270,890,523)	(223,028,360)	-	-
Depreciation and amortisation	445,550,561	342,718,346	55,721,348	117,817,573
Bad debt and doubtful accounts and loss on debt restructuring				
(Reversal of bad debt and doubtful accounts)	2,051,570,785	924,032,429	(852,724,754)	(556,325,077)
Increase in provision for impairment of property foreclosed	32,282,661	17,554,267	27,734,974	34,963,301
Increase (decrease) in provision for impairment of equipment/other assets	34,537,179	19,031,129	(1,401,144)	12,032,992
Increase in provision for impairment of investments	99,296,814	180,295,574	43,287,541	81,507,491
Amortisation of deferred gain on disposal of property foreclosed	(94,423,716)	(70,176,695)	-	(8,587,930)
Amortisation of surplus/discounts on investments in debt securities	(259,263,102)	(143,243,041)	-	-
Amortisation of discounts on borrowings	28,028,979	28,810,694	-	-
Amortisation of goodwill/amount by which value of				
investments is lower than book value	(7,895,861)	(11,903,611)	-	-
Loss on foreign exchange and financial derivatives	93,316,444	133,057,670	-	-
Increase in unearned premium reserve/life insurance premium reserve	2,263,029,327	670,537,698	-	-
Gain on transfers of assets for debt repayment	(34,798,095)	(56,818,785)	-	(539,281)
Gain on sales of investments in subsidiaries	(885,275,270)	-	(1,981,314,592)	-
Loss (gain) on disposal of equipment	15,712,026	(10,746,453)	(4,844,234)	(8,428,388)
Decrease (increase) in accrued interest and dividend receivable	46,399,851	(253,880,126)	4,830,118	15,073,384
Amortisation of deferred income	(183,358,768)	(132,908,724)	(36,563,099)	(59,655,111)
Decrease (increase) in other accrued income receivable	(224,025,554)	(32,709,717)	37,592,067	(9,387,212)
Increase (decrease) in accrued interest payable	(389,077,100)	628,799,478	(40,811,147)	19,389,737
Income from operating activities before changes				
in operating assets and liabilities	5,929,706,173	3,629,082,680	1,690,037	823,752,574

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CASH FLOWS STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	CONSOLIDATED		SEPARATE	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2007	2006	2007	2006
				(Restated)
Operating assets (increase) decrease				
Interbank and money market items	(13,447,260,777)	(22,209,039,923)	5,267,147	555,884,805
Securities purchased under resale agreements	3,800,000,000	13,400,000,000	-	7,200,000,000
Current investments	(77,472,844)	(98,012,347)	-	-
Receivable from clearing house	(242,784,059)	163,134,165	-	-
Loans and receivable	(36,486,641,068)	(49,130,830,062)	24,213,577,614	32,291,745,036
Property foreclosed	5,254,341,364	2,650,767,381	927,706,649	1,162,775,780
Other assets	(71,343,617)	368,018,810	42,050,063	1,032,252
Operating liabilities increase (decrease)				
Deposits	(7,900,582,720)	50,155,715,194	-	-
Interbank and money market items	261,522,753	1,906,508,844	(27,100,363,961)	(36,099,705,907)
Securities sold under repurchase agreements	-	(200,000,000)	-	-
Payable to clearing house	(609,006,654)	583,567,762	-	-
Securities business payable	598,493,832	(412,437,379)	-	-
Liability payable on demand	(132,595,448)	464,467,493	-	-
Other liabilities	859,751,584	1,211,988,135	355,526,051	(347,028,736)
Net cash flows from (used in) operating activities	(42,263,871,481)	2,482,930,753	(1,554,546,400)	5,588,455,804
Cash flows from investing activities				
Decrease (increase) in long-term investments	6,665,032,636	(2,188,033,147)	(903,865,210)	(3,105,483,936)
Cash received from sale of investment in subsidiaries	2,572,221,636	-	6,730,459,084	-
Cash paid for purchase of investment in subsidiary/associated companies	(204,078,076)	-	(472,853,838)	(211,499,225)
Dividend received from associated companies	146,838,109	137,158,318	-	-
Dividend received from subsidiaries (capital refund)	-	-	2,188,990	161,952,562
Cash paid for purchase of land and equipment/intangible assets	(957,728,380)	(728,025,097)	(33,631,477)	(162,209,139)
Cash received from disposal of land and equipment/intangible assets	13,336,271	28,991,976	233,626,209	235,438,410
Net cash flows from (used in) investing activities	8,235,622,196	(2,749,907,950)	5,555,923,758	(3,081,801,328)

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CASH FLOWS STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	CONSOLIDATED		SEPARATE	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2007	2006	2007	2006
				(Restated)
Cash flows from financing activities				
Borrowings increase (decrease)	31,382,115,768	3,055,823,385	(2,935,000,000)	(1,441,700,000)
Cash received from new issuance shares of a subsidiary	4,522,428,584	-	-	-
Dividend paid	(1,066,377,358)	(1,064,954,476)	(1,066,377,358)	(1,064,954,476)
Dividend paid to minority shareholders	(1,396,975)	(58,719,395)	-	-
Net cash flows from (used in) financing activities	34,836,770,019	1,932,149,514	(4,001,377,358)	(2,506,654,476)
Net increase in cash	808,520,734	1,665,172,317	-	-
Cash at beginning of the year	2,466,125,940	800,953,623	40,000	40,000
Cash at ending of the year	3,274,646,674	2,466,125,940	40,000	40,000
	-	-	-	-
Supplemental cash flows information :-				
Cash paid during the year for				
Interest	10,070,039,243	9,395,074,039	1,888,916,252	4,116,970,933
Corporate income tax	1,073,789,018	1,069,353,648	528,410,610	515,409,364
Non-cash transactions				
Conversion of preference shares to ordinary shares	2,100	-	2,100	-
Property foreclosed transferred from loans, other receivable and investments in receivables purchased	4,905,459,240	3,338,096,545	624,104,513	1,134,232,590
Loans transferred from investment in receivables purchased	176,238,849	50,036,153	-	-
Accounts payable for purchase of fixed assets	73,016,701	172,622,048	5,988,314	6,712,591
Bad debt written-off	1,490,128,073	74,797,490	256,813,973	74,518,054

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit : Baht)

CONSOLIDATED FINANCIAL STATEMENTS

	Issued and paid-up share capital		Share premium of a subsidiary company	Surplus from revaluation of assets of an associated company	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 2006 - as previously reported	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
Cumulative effects of the change in accounting policy of an associated company to conform with the Company and its subsidiaries policy (Note 4)	-	-	-	-	(540,420,162)	-	-	-	-	(540,420,162)
Balance as at 1 January 2006 - as restated	195,460	13,331,344,570	2,065,644,888	-	-	(830,178,038)	523,975,925	7,007,426,252	746,761,908	22,845,170,965
Payment of dividends	-	-	-	-	-	-	-	(1,066,523,202)	-	(1,066,523,202)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	1,568,726	-	1,568,726
Decrease in revaluation deficit on investments	-	-	-	-	-	64,018,109	-	-	-	64,018,109
Transfer of retained earnings to statutory reserve	-	-	-	-	-	-	73,393,342	(73,393,342)	-	-
Decrease in minority interest in subsidiaries	-	-	-	-	-	-	-	-	(33,070,225)	(33,070,225)
Net income for the year	-	-	-	-	-	-	-	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	-	-	(766,159,929)	597,369,267	7,336,945,260	865,485,764	23,430,825,280
Balance as at 1 January 2007 - as previously reported	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
Cumulative effects of the change in accounting policy of an associated company to conform with the Company and its subsidiaries policy (Note 4)	-	-	-	-	(539,051,342)	-	-	-	-	(539,051,342)
Balance as at 1 January 2007 - as restated	195,460	13,331,344,570	2,065,644,888	-	-	(766,159,929)	597,369,267	7,336,945,260	865,485,764	23,430,825,280
Payment of dividends (Note 23)	-	-	-	-	-	-	-	(1,066,523,202)	-	(1,066,523,202)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	994,566	-	994,566
Increase in share premium of a subsidiary company	-	-	-	1,141,663,553	-	-	-	-	-	1,141,663,553
Decrease in revaluation deficit on investments	-	-	-	-	-	749,080,025	-	-	-	749,080,025
Conversion of preference shares to ordinary shares (Note 23)	(2,100)	2,100	-	-	-	-	-	-	-	-
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	-	-	137,509,148	(137,509,148)	-	-
Increase in minority interest in subsidiaries	-	-	-	-	-	-	-	-	4,837,239,151	4,837,239,151
Net income for the year	-	-	-	-	-	-	-	2,817,748,523	351,241,012	3,168,989,535
Balance as at 31 December 2007	193,360	13,331,346,670	2,065,644,888	1,141,663,553	-	(17,079,904)	734,878,415	8,951,655,999	6,053,965,927	32,262,268,908

The accompanying notes are an integral part of the financial statements

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	SEPARATE FINANCIAL STATEMENTS								
	Issued and paid-up share capital			Surplus from	Revaluation	Retained earnings			Total
	Preference	Ordinary	Share premium	revaluation of	surplus (deficit)	Appropriated -			
	shares	shares		assets of an associated	on investments	statutory	Unappropriated		
		company				reserve			
Balance as at 1 January 2006 - as previously reported	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	
Cumulative effects of the change in accounting policy for investments in subsidiary and associated companies (Note 4)	-	-	-	-	865,312,926	-	(426,249,818)	439,063,108	
Cumulative effects of the change in accounting policy of an associated company to conform the Company and its subsidiaries policy (Note 4)	-	-	-	(540,420,162)	-	-	-	(540,420,162)	
Balance as at 1 January 2006 - as restated	195,460	13,331,344,570	2,065,644,888	-	35,134,888	523,975,925	6,581,176,434	22,537,472,165	
Payment of dividends	-	-	-	-	-	-	(1,066,523,202)	(1,066,523,202)	
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	1,568,726	1,568,726	
Decrease in revaluation surplus on investments	-	-	-	-	(101,651,835)	-	-	(101,651,835)	
Transfer of retained earnings to statutory reserve	-	-	-	-	-	73,393,342	(73,393,342)	-	
Net income for the year	-	-	-	-	-	-	1,185,891,095	1,185,891,095	
Balance as at 31 December 2006	195,460	13,331,344,570	2,065,644,888	-	(66,516,947)	597,369,267	6,628,719,711	22,556,756,949	
Balance as at 1 January 2007 - as previously reported	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	
Cumulative effects of the change in accounting policy for investments in subsidiary and associated companies (Note 4)	-	-	-	-	699,642,982	-	(708,225,549)	(8,582,567)	
Cumulative effects of the change in accounting policy of an associated company to conform the Company and its subsidiaries policy (Note 4)	-	-	-	(539,051,342)	-	-	-	(539,051,342)	
Balance as at 1 January 2007 - as restated	195,460	13,331,344,570	2,065,644,888	-	(66,516,947)	597,369,267	6,628,719,711	22,556,756,949	
Payment of dividends (Note 23)	-	-	-	-	-	-	(1,066,523,202)	(1,066,523,202)	
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	994,566	994,566	
Increase in revaluation surplus on investments	-	-	-	-	367,211,112	-	-	367,211,112	
Conversion of preference shares to ordinary shares (Note 23)	(2,100)	2,100	-	-	-	-	-	-	
Transfer of retained earnings to statutory reserve (Note 25)	-	-	-	-	-	137,509,148	(137,509,148)	-	
Net income for the year	-	-	-	-	-	-	2,750,182,959	2,750,182,959	
Balance as at 31 December 2007	193,360	13,331,346,670	2,065,644,888	-	300,694,165	734,878,415	8,175,864,886	24,608,622,384	

The accompanying notes are an integral part of the financial statements

THANACHART CAPITAL PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

1. GENERAL INFORMATION

1.1 The Company's information

Thanachart Capital Public Company Limited (“the Company”) was incorporated as a public company limited under Thai laws and operates its business in Thailand. The Company is mainly engaged in investment holding and is the parent company of the Thanachart Group. The Company’s registered address is 444 MBK Tower, 10-11 and 15-20 Floors, Phayathai Road, Wangmai, Pathumwan, Bangkok.

All subsidiaries are registered as limited or public limited companies under Thai laws and operate their businesses in Thailand. The subsidiaries’ business include commercial banking business, securities business, non-performing assets management business, leasing and hire-purchase business, non-life insurance business, life insurance business, fund management business, and others.

1.2 Restructuring of financial institution operations

- a) On 5 July 2007, the Bank of Thailand (“the BOT”) approved a proposal for the Company and Thanachart Bank Public Company Limited (a subsidiary company) (“the Bank”) to change the structure of the financial business group in accordance with the principle of consolidated supervision. In this regard, in accordance with a resolution of the Annual General Meeting of the Shareholders of the Company and the Bank held on 30 April 2007, the Company sold investments in 8 subsidiaries to the Bank. Those subsidiaries are Thanachart Securities Public Company Limited, Thanachart Insurance Company Limited, Thanachart Life Assurance Company Limited, Thanachart Fund Management Company Limited, Thanachart Broker Company Limited, Thanachart Group Leasing Company Limited, Thanachart Management and Service Company Limited and Thanachart Legal and Appraisal Company Limited. On 12 July 2007, the Company sold the said 8 subsidiaries to the Bank for a total of Baht 4,158 million, with the price being referenced to the book value of the subsidiaries as of the end of June 2007.

Moreover, the BOT granted permission for the Company to be shareholder of the three companies in the financial business group, comprising the Bank and two asset management companies together with one of the companies outside the financial business group that carries on financial business (in this respect, the existing conditions of permission are to be complied with and the investment in this company does not need to be deducted from the capital funds of the financial group). Under the conditions of this permission, the Company can invest in other four companies outside the financial business group that do not operate financial business (which consist of MBK Plc., Patum Rice Mill and Granary Plc., Puen Pob Paet Co., Ltd. and Saturn Inc.) and another company acquired as a result of debt restructuring (HTR Corporation Limited), but shareholdings in these five companies are to be reduced to not more than 10% within 20 December 2009. The investments in Prosperity Industrial Estate Co., Ltd. and V.M.C. Safety Glass (Thailand) Co., Ltd. are also allowed to invest but have to be reduced to not more than 10% within 31 December 2007, of which the Group were successfully reduced in December 2007. In calculating capital funds under the consolidated supervision level, the Company must apply full consolidation, such that investments where direct and indirect shareholdings in companies in the financial business group amount to less than 50% of the issued and paid-up capital, investments in companies in which the Company is not permitted to hold more than 10% of paid-up share capital and investments in insurance and life-assurance companies are to be deducted from the capital funds of the financial business group. The Bank is also to prepare financial statements on a solo consolidation basis, consolidating the financial information of the Bank and Thanachart Group Leasing Company Limited, with the Bank's direct and indirect shareholdings being deducted in the same way as those of the Company.

- b) On 11 July 2007, the BOT announced that the minister of the Ministry of Finance had agreed to a relaxation of the rule whereby the holding of the Bank of Nova Scotia Asia Limited ("BNSAL") could not exceed 24.99% of the total paid-up capital of the Bank, permitting the Bank to have non-Thai shareholding of up to 49% of its total paid-up capital and to have non-Thai national directors comprising more than one fourth, but no more than one half and no more than the proportion of non-Thai shareholding, of the total number of directorships.

On 19 July 2007, the Bank proposed the sale of 276,263,200 additionally issued shares to BNSAL at a price of Baht 16.37 per share, and BNSAL's purchase of 157,130,216 existing ordinary shares of the Bank from the Company at a price of Baht 16.37 per share. As a result, BNSAL's shareholding in the Bank would total 433,393,416 shares, or 24.98% of its total issued capital, and the Company would hold 1,291,912,593 of the Bank's shares, or 74.48%.

Under the Shareholders' Agreement made between the Company and BNSAL on 29 April 2007, BNSAL had indicated its intention to purchase up to 49% of the issued and outstanding ordinary shares of the Bank as a strategic partner, in terms of both investment and management, with all additional shares to be purchased from the Company, under conditions whereby the shares are to be purchased in 2 periods. However, the purchase of additional shares of the Bank depends on the receipt of regulatory approval.

- The initial obligation period ends in 2007 which was extended to the end of 2008, BNSAL will purchase the shares at a price of 1.6 times the net book value per share, calculated after deducting the amount and the number of shares in which BNSAL has already invested.
- The subsequent call period is for a period of 4 years from the end of the obligation period, with BNSAL to purchase the shares at a price of 1.7 times the net book value per share, calculated after deducting the amount and the number of shares in which BNSAL has already invested.

In addition, the Company, the Bank and BNSAL agreed on other matters under the agreements, whereby each company had rights and performance obligations as per the conditions outlined in the agreements, such as stipulations on dividend payment, the sale of the Bank's shares, the issuance of additional securities or convertible securities by the Bank, the right of first refusal to purchase the Bank's shares, obligation to purchase the Bank's shares, call and put options to purchase the Bank's shares, the appointment of directors of the Bank and its subsidiaries, and the assignment of experts to work at the Bank.

Furthermore, under the conditions of the agreements among the Company, the Bank and BNSAL, the Company and the Bank must disclose information relating to business performance, operations, and legal compliance of the Bank and its subsidiaries and certify the disclosed information, to assist BNSAL in deciding whether to purchase shares in the Bank. In the event that the Bank or the subsidiaries have to pay any damages, compensation or penalties to any other party, as a result of events or information that the Company and the Bank failed to disclose to BNSAL before BNSAL purchased the shares of the Bank, the Company and the Bank will compensate BNSAL for any losses in accordance with the conditions and timeframe stipulated in the agreements.

On 11 January 2008, BNSAL transferred all of its shares in the Bank to The Bank of Nova Scotia (“BNS”), which is the parent company of Nova Scotia Group. The transfer was made with the approval of the minister of the Ministry of Finances, who has permitted BNS to hold up to 24.99% of the total paid-up capital of the Bank. As a result, BNS is a shareholder in the Bank instead of BNSAL, and all conditions of agreements pertaining to business between the Bank and BNSAL are to be fulfilled by BNS.

- c) On 19 July 2007, the Bank accepted the transfer of assets and liabilities of the Bank of Nova Scotia – Bangkok Branch in accordance with the One Presence Policy, in line with the Financial Sector Master Plan. Under this policy, when BNSAL became a shareholder of the Bank, it had to return the commercial bank operation license of the Bank of Nova Scotia - Bangkok Branch to the Ministry of Finance and transfer its assets, liabilities and commitments denominated in Thai Baht and foreign currencies to the Bank at their net book values, which are summarised below :-

Transactions		(Unit : million)
		Amount
Assets	- Loans	824
	- Equipment	4
Liabilities	- Deposits	53
Net amount paid		775
Letters of guarantee and letters of credit		1,754
Other commitment - foreign exchange contracts		10

- d) During 2007, the Company transferred 547 employees of the Company to the Bank to support the operations of the Bank and its subsidiaries, effective from 1 February 2007. All transferred staff will receive identical compensation and benefits to those received prior to the transfer. Moreover, the Company transferred assets totaling Baht 221 million used by those staff in carrying out their duties, including intellectual property, which comprises all related rights, obligations and benefits in IT-related intellectual property relevant to the business of the Bank and its subsidiaries.

- e) On 1 October 2007, Extraordinary Meeting of the Shareholders of Thanachart Bank, approved the cessation of the trading of the Bank's shares on the Stock Exchange of Thailand ("SET"), and on 9 October 2007, the SET approved the delisting of the Bank's shares. The Company made an offer to purchase all ordinary shares of the Bank from other shareholders at a price of Baht 16.37 per share, and other shareholders offered the sale of 7,694,450 shares of the Bank to the Company. As a result, the Company's shareholding in the Bank comprises 1,299,607,043 shares, or 74.92%. On 15 January 2008, the Bank delisted its shares from the SET.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 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. Since, the Company is the holding company who was approved by the BOT to be the parent company of a financial business group and has a significant subsidiary company engaged in banking business which is under a consolidated supervision by the BOT. Therefore, the presentation of the financial statements has been made in compliance with the Notification of the BOT relating to the format of the financial statements of commercial banks, dated 10 May 2001.

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

2.2 Basis of consolidation financial statements

These consolidated financial statements include the financial statements of Thanachart Capital Public Company Limited (hereinafter referred to as “the Company”) and its subsidiaries (herein after referred to as “the subsidiaries”) as follows:-

	Percentage of shares held by the Company		Percentage of shares held by the subsidiaries	
	31 December		31 December	
	2007	2006	2007	2006
<u>Subsidiaries directly held by the Company</u>				
Thanachart Bank Plc.	74.92	99.36	-	-
N.F.S. Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	58.45	58.45	-	-
NASSET Property Fund 6	99.80	99.80	0.06	0.06
Pasara 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 SPV 01 Co., Ltd.	100.00	100.00	-	-
<u>Subsidiaries indirectly held by the Company</u>				
Thanachart Securities Plc.	-	100.00	100.00	-
Thanachart Insurance Co., Ltd.	-	78.00	100.00	10.00
Thanachart Life Assurance Co., Ltd.	-	100.00	100.00	-
Thanachart Fund Management Co., Ltd.	-	75.00	75.00	-
Thanachart Broker Co., Ltd.	-	100.00	100.00	-
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	-
Thanachart Leasing 2000 Co., Ltd.	-	-	100.00	100.00
National Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Training and Development Co., Ltd.	-	-	100.00	-

Total assets and total income of the subsidiaries that have a significant impact to and are included in the consolidated financial statements as at 31 December 2007 and 2006 and for the years then ended, after eliminating significant intercompany transactions, are as follows :-

(Unit : Million Baht)

	Total assets		Total income	
	2007	2006	2007	2006
Thanachart Bank Plc.	265,968	207,787	16,867	12,281
N.F.S. Asset Management Co., Ltd.	5,596	9,631	680	1,309
Max Asset Management Co., Ltd.	1,933	2,262	304	462
Thanachart Life Assurance Co., Ltd.	5,665	3,974	3,473	1,372
Thanachart Insurance Co., Ltd.	2,164	1,903	2,136	1,723
Thanachart Securities Plc.	3,035	2,615	832	957

- a) On 12 July 2007, the Company sold investments in eight subsidiaries to Thanachart Bank Public Company Limited (subsidiary) for a total of Baht 4,158 million. The selling price was based on the net book value of each subsidiary company as at the end of June 2007.

Companies		Number of shares	Shareholding (Percent)
1.	Thanachart Securities Plc.	1,499,999,930	100.00
2.	Thanachart Insurance Co., Ltd.	38,999,434	78.00
3.	Thanachart Life Assurance Co., Ltd.	49,999,400	100.00
4.	Thanachart Fund Management Co., Ltd.	7,499,993	75.00
5.	Thanachart Broker Co., Ltd.	9,999,000	100.00
6.	Thanachart Group Leasing Co., Ltd.	35,999,994	100.00
7.	Thanachart Management and Services Co., Ltd.	599,993	100.00
8.	Thanachart Legal and Appraisal Co., Ltd.	999,993	100.00

The Company had gains from its sales of investments in the said subsidiaries totaling Baht 1,146 million. These were presented as gains on investments in the separate income statements and have been eliminated in the consolidated financial statements.

- b) On 19 July 2007, the Company sold 157,130,216 shares of the Bank to BNSAL at a price of Baht 16.37 per share. BNSAL also purchased 276,263,200 of additional shares issued by the Bank at Baht 16.37 per share, and as a result, BNSAL's holding in the Bank stands at 24.98% of the paid-up share capital, while the Company holds 74.48% of outstanding share capital. The realised gain on the sale of Baht 835 million calculated under the cost method was presented in the separate income statements, while a gain of Baht 885 million was presented in the consolidated income statements under the equity method. In addition, the price of the issued shares sold to BNSAL was higher than the par value and the Bank therefore had share premium from the share capital issuance amounting to Baht 1,760 million, with Baht 1,142 million of such amount presented as share premium of a subsidiary company under shareholders' equity in the consolidated balance sheet.
- c) On 28 September 2007, the Bank purchased an additional 6,000,000 shares of Thanachart Insurance Co., Ltd., one of the Bank's subsidiaries, from a third party, for Baht 78.12 million. This represents 12.00% of the total issued and paid-up shares. The price was set based on the book value as at the end of July 2007. As a result, the Bank holds 100% of that company's shares.
- d) On 27 April 2007, the Bank invested in a 100% shareholding in Thanachart Training and Development Co., Ltd.
- e) Outstanding balances between the Company and its subsidiaries have been eliminated in the consolidated financial statements. The investments in subsidiaries as recorded in the Company and its subsidiaries' books of accounts have been eliminated against the shareholders' equity of the subsidiaries. The remaining differences are amortised from the date of acquisition of the investments in subsidiaries.

2.3 The separate financial statements, which present investments in subsidiaries and associates under the cost method, have been prepared solely for the benefit of the public.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The Notification mandate the use of the following new Accounting Standards.

a) Thai Accounting Standards which are effective for the current year

TAS 44 (revised 2007)	Consolidated and Separate Financial Statements
TAS 45 (revised 2007)	Investments in Associates
TAS 46 (revised 2007)	Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the current year, the Company changed its accounting policy for recording investments in subsidiaries, jointly controlled entities and associates in the separate financial statements in order to comply with the revised Thai Accounting Standards No. 44 and 45, as discussed in Note 4 to the financial statements. The revised Thai Accounting Standard No. 46 is not relevant to the businesses of the Company and its subsidiaries.

b) Thai Accounting Standards which are not effective for the current year

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied. The revised Thai Accounting Standards No. 31, 33 and 49 are not relevant to the businesses of the Company and its subsidiaries.

4. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES COMPANIES

- 1) During the current year, the Company changed its accounting policy for recording investments in subsidiaries and associates in the separate financial statements, from the equity method to the cost method, in compliance with the Thai Accounting Standard No. 44 (Revised 2007) regarding “Consolidated Financial Statements and Separate Financial Statements”, under which investments in subsidiaries and associates are to be presented in the separate financial statements under the cost method.

In this regard, the Company has restated the previous period’s separate financial statements, presented for comparative purposes, as though the investments in the subsidiaries and associates had originally been recorded using the cost method. The change has the effect of decreasing net income in the separate income statements for the years ended 31 December 2007 and 2006 by Baht 68 million (Baht 0.05 per share) and Baht 282 million (Baht 0.21 per share), respectively. The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiaries and associates” in the separate statements of changes in shareholders’ equity.

Such change in accounting policy affects only the accounts related to investments in subsidiaries and associates in the Company’s separate financial statements, with no effect to the consolidated financial statements.

- 2) Thai Accounting Standards No. 44 and 45 require that the Company, its subsidiary and associated companies use the same accounting policies. Formerly, the Company and its subsidiaries formerly presented land, land improvements and premises at cost, while an associated company that is engaged in real estate business, presented such assets at their fair values (market value or replacement cost). Such accounting policy differed from the Company and its subsidiaries' policy because the nature of their businesses differs. In order to comply with requirement of the Thai Accounting Standards, the Company has therefore restated the previous period's consolidated and separate financial statements as though the associated company had applied the same accounting policies. The effect of the change is to decrease investments in associated companies and shareholders' equity in the consolidated and the separate financial statements as at 31 December 2007 and 2006 by Baht 449 million and Baht 539 million, respectively.

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 financial lease agreements is recognised under the effective rate method.

From 1 January 2007, the Company and its subsidiaries changed their revenue recognition method for interest on hire-purchases from the sum-of-the-years' digits method to the effective interest method, whereby income from hire-purchase contracts which originated on or after 1 January 2007 is recognised under the effective interest method, and income from hire-purchase contracts which originated before 1 January 2007 is recognised using the brought forward balances of hire-purchase receivables as of 1 January 2007 as the beginning balance, and recognising interest under the effective interest method over the remaining period of the contract.

The Company and its subsidiaries cease accruing interest income for loans on which principal or interest payments have been defaulted for more than three months, with interest income formerly recognised for such defaulted loans being reversed from the accounts. 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 subsidiaries 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, from which the Company and its subsidiaries recognise 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 subsidiaries 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 used for the determination of the cost of the portfolio multiplied by the new book value (purchase cost) of the outstanding balances of receivables. After the restructuring of the purchased/transferred loans, interest income is recognised by the effective interest rate method for those receivables from which collection is made during the year.

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 in proportion to the amount collected.

Deferred interest income on hire-purchases represent discounts on interest granted to debtors by dealers and is recognised based on the effective interest rate method, in the same manner as interest income on hire-purchases receivable.

b) Interest and dividends from investments in securities

Interest income is recognised on an accrual basis based on the effective rate method. Dividend income is recognised when the right to receive the dividend is established.

c) Brokerage fees income

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

d) Interest on loans for purchases 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 conditions stipulated by the Securities and Exchange Commission (“SEC”).

e) Gain (loss) on investments and financial derivatives.

Gain (loss) on investments and financial derivatives are 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 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 refunded.
- Reinsurance premium income is recognised when the reinsurer places the reinsurance application or statement of accounts.

5.2 Expense recognition

a) Interest expense

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

b) Commission and expenses charged on hire-purchase

For hire-purchase contracts originating on or after 1 January 2007, the subsidiaries changed their method of recognition of initial direct expenses at the inception of a hire-purchase contract (i.e. commission expenses and stamp duty expenses) from fully recognising them as expenses at the transaction date to amortising them under the effective interest method, and deducting the amortisation from interest income throughout the contract period to reflect the effective rate of return of the contracts.

Unearned income on hire-purchases is presented after netting commission expenses and initial direct costs at the inception of the contracts.

The change is in accordance with Accounting Standards No. 29 (revised 2007) "Leases". The Company and its subsidiaries did not restate the financial statements for the year 2006 for comparative purpose.

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 from the effective date 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 income.

Investments in available-for-sale securities, both held for short-term and long-term investment, 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 income.

Investments in debt securities, both due within one year and expected to be held to maturity, are stated at cost after amortisation. Premiums/Discounts on debt securities are amortised by the effective rate method, which the amortisation amount are 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 Company and its subsidiaries do not consider the investment in funds to be investments in subsidiaries and associated as the Company and its subsidiaries do not have control or influence over the financial and operating policies of the 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.

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.

Allowance for impairment (if any) on investments in available-for-sale securities, investments in held to maturity debt securities and investments in non-marketable equity securities is recognised in the statements of income.

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 subsidiaries value such investments at their fair values prevailing at the transfer date. Differences between the carrying amounts of the investments and their fair values at that date are recorded as gains (losses) in the income statements or presented as 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). Allowance for impairment is recognised in the statements of income.

If the receivables purchased enter into troubled-debt restructuring agreements, they are transferred to loans and presented at fair value. The fair value is based on the outstanding balance of the receivables purchased as at the acquisition 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 subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method, net of allowance for impairment (if any). Loss on impairment is recognised as expenses in the income statements.

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

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

5.7 Securities purchased under resale agreements

The subsidiary company enters into agreements to purchase securities under conditions to resell at certain dates in the future at a fixed price. Amounts paid for securities purchased subject to a resale commitment are presented as assets under the caption of “Securities purchased under resale agreements” in the balance sheets and the underlying securities are treated as collateral for such receivables.

The difference between the sale and purchase considerations is recognised as interest income on an accrual basis over the transaction period.

5.8 Receivables from/payable to Clearing House

Receivables from/payable to Clearing House comprises the net balance receivable from/payable to Thailand Securities Depository in respect of securities trades settled through the Clearing House of Thailand Securities Depository and the net receivable from/payable to Derivatives Clearing House. These also include amounts pledged with Derivatives Clearing House as security for derivatives trading.

5.9 Loans

Loans are presented at the principal balances, excluding accrued interest receivable, except for overdrafts which are presented at the principal balance plus accrued interest receivable. Unrecognised deferred income/discounts on loans is deducted from the 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 income, which is presented after netting commission expenses and initial direct costs at the inception of the contracts.

Securities and derivatives business receivables comprise the net securities business receivables and derivatives business receivables. Securities receivable 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 cash accounts and securities receivables which are under legal proceedings, are undergoing restructuring, or are being settled in installments.

5.10 Allowance for doubtful accounts

- a) The Company and its subsidiaries provide allowance 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. Increase (decrease) in allowance for doubtful accounts are recognised as expenses in the income statements.

Year 2006

During the year 2006, the Company and its financial institutions subsidiaries 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 (receivables classified as substandard, doubtful and doubtful of loss) 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. 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.

For normal loans (including restructured receivables) and special mention loans, the provision has to be set up at rates of at least 1% and at least 2%, respectively, of the loan balance (excluding accrued interest receivable) net of collateral value as required by the BOT's guidelines, except for provision for hire-purchase receivables and finance lease receivables of the Company which is determined before netting collateral value.

As at 31 December 2006, the Company and its subsidiaries 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 others non-performing loans which are classified as doubtful of loss, doubtful and substandard loans, the Company and its subsidiaries 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).

Year 2007

The Company changed the minimum rate used in determining allowance for doubtful accounts for normal loans from 3% to 1% of the loan balance net of collateral value, and excluding accrued interest receivable. The base for allowance for doubtful accounts for normal and special mention hire-purchase receivables and finance lease receivables also changed from the loan balance (excluding accrued interest receivable) before netting collateral value to the remaining loan balance (excluding accrued interest receivable) after deducting the values of vehicles placed as collateral.

Therefore, the Company and its subsidiaries have recorded allowance for doubtful accounts for loans in year 2007 as follows :

- Normal and special mention loans are set allowance for doubtful accounts at minimum rates of 1% and 2%, respectively, of loan balances (excluding accrued interest receivable) after deducting collateral, as required by the BOT's guidelines.
- Non-performing loans are set allowance for doubtful account 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 discount rate and time needed to dispose of collateral in accordance with the BOT's guideline which was announced on 21 December 2006, except for in case of hire-purchase receivables and finance lease receivables would not used collateral value to deduct from the outstanding loan balance.

As at 31 December 2007, the Company and its subsidiaries have completely set up allowance for doubtful accounts for non-performing loans in accordance with the notifications of the BOT.

- b) A securities subsidiary has provided allowance for doubtful accounts based on a review of the debtors' repayment capability, taking into consideration the risk of recovery and the value of collateral. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classification and provisions are made in accordance with the notifications of the SEC.
- c) Leasing and hire-purchase subsidiaries have provided allowance for doubtful accounts based on a percentage of the amount of principal outstanding. Allowance for doubtful accounts is set for normal and special mention loans at minimum rates of 1% and 2% respectively, of loan balances after deducting collateral, and at 100% of the balance of non-performing loans without deducting collateral.
- d) Allowance for other doubtful accounts receivables is made based on the estimated amount that may not be collectible, determined from a review of the current status of the receivables as at the balance sheet date.
- e) Amounts written off as bad debts or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

5.11 Troubled debt restructuring

In cases where the debt restructuring involves modifications of the terms of repayment, the fair value of the receivables after restructuring is based on the net present values of expected future cash collections, discounted by the minimum loan rate for commercial customers prevailing at the restructuring date. The differences between the fair value of receivables as of the restructuring date and their previous book value is recorded as "Revaluation allowance for debt restructuring", and recognised as an expense in the income statements in the period when the restructuring take place. 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 subsidiaries record the assets or equity interest received as a result of debt restructuring 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 has ceased until the restructuring date) legally claimable by the Company and its subsidiaries from the debtors. 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 subsidiaries record such assets at the lower of their fair value or the book value.

Losses arising from debt restructuring through waivers of part of the principal or recorded accrued interest receivable are recognised in the income statements when incurred.

5.12 Recognition and amortisation of customers' assets

Assets which customers have placed with a subsidiary company for securities trading, in term of cash accounts and credit balance accounts, including amounts which customers have placed as security for derivative trading are recorded as assets and liabilities of a subsidiary company for internal control purpose, and at the balance sheet date a subsidiary company writes off those amounts which there are no guarantee obligations from both assets and liabilities and presents only those assets which belong to a subsidiary company.

5.13 Property foreclosed

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

From 1 January 2007, the Company and its subsidiaries changed their accounting method of property foreclosed - movable assets from recording the cost of such assets at the book value of the receivables on the transfer date, to recording them at the fair value (with reference to appraisal value less estimated selling expenses), providing this does not exceed the book balance of such receivables.

In this regard, the Company and its subsidiaries have restated the previous years' financial statements as though the property foreclosed had originally been recorded at fair value on the transfer date. These changes, together with allowance for doubtful accounts, do not effect to balance sheet and income statements for the years 2006 and 2007 but may decrease corporate income tax of the year 2006 of one subsidiary company by Baht 102 million. On 19 September 2007, the subsidiary company requested the refund of this corporate income tax from the Revenue Department but there is uncertainty as to the amount that will be refunded, and the subsidiary company has therefore not reflected the tax effect in the financial statements.

Gains on the disposal of property foreclosed are recognised in the income statements on disposal, unless the purchase was made with a loan from the Company or its subsidiaries. In such cases, gains are recognised in proportion to the amount of payment received. Losses on disposal and impairment are recognised as expenses in the income statements.

5.14 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 (if any). Depreciation is calculated with reference to cost on a straight-line basis over the following estimated useful lives :-

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.

5.15 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 the estimated useful lives of 5 - 10 years.

Amortisation is included in determining income.

5.16 Goodwill

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

The negative goodwill presented as negative assets in the consolidated financial statements is the discount inherent in the purchase price compared to the fair market value of the investment as of the acquisition date, and is stated at cost less accumulated amortisation. Negative goodwill is amortized as income in the income statements on the straight-line basis over the remaining weighted average useful life of the identifiable acquired assets, over 3 – 5 years.

5.17 Long-term leases

Vehicles under financial leases, which transfer substantially all the risks and rewards of ownership, are classified as financial lease. Financial leases are capitalised 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 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.

5.18 Premium due and uncollected and allowance for doubtful accounts

Premium due and uncollected is stated at its net realisable value. Subsidiaries 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.

5.19 Sales of commercial paper

Commercial paper with an aval by the subsidiary company, or without an aval or acceptance which is sold with recourse, 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 has 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”.

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

Loss reserves are taken up in the accounts when the subsidiaries receive claims advices from the insured/life insured, based on estimates made by independent appraisers or the relevant officers of the subsidiary companies 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 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.

5.21 Related party transactions

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

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

5.22 Impairment of assets

At the balance sheet date, the Company and its subsidiaries assess whether there are indications that an asset may be impaired. If any such indication exists, the Company and its subsidiaries 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, with the impairment loss recognised in the income statements. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

5.23 Employee benefits

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

5.24 Foreign currencies

Foreign currency transactions occurring during the year have been translated into Baht at the rates ruling on the transaction dates. Outstanding balances of assets and liabilities in foreign currencies and off-balance sheets transactions, at the balance sheet date, are translated into Baht at the rates ruling at the balance sheet date.

Exchange gains and losses arising from translation of foreign currencies are included in determining income.

5.25 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.26 Income tax

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

5.27 Financial derivatives

The Company and subsidiaries have entered into off-balance sheet transactions involving derivative financial instruments in order to manage foreign exchange and interest rate risk. A subsidiary company also executes financial derivative transactions on behalf of its customers.

Forward exchange contracts which are originated for trading purposes are recorded as off-balance sheet items, and presented at fair value. Gains or losses arising from changes in the fair value of the contracts are recognised in the income statements.

Forward exchange contracts, interest rate swap contracts, cross currency and interest rate swap contracts which are originated not for trading 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, in the same manner as the hedged items, with unrealised gains 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 income and 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.

5.28 Use of accounting estimates

The 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 financial statements					
	2007			2006		
	At call	Term	Total	At call	Term	Total
Domestic :						
Bank of Thailand and Financial Institution Development Fund	2,571	-	2,571	2,331	-	2,331
Commercial banks	1,218	453	1,671	1,044	2,001	3,045
Other banks	107	200	307	39	70	109
Other financial institutions	42	113	155	42	40	82
Total	3,938	766	4,704	3,456	2,111	5,567
Add : Accrued interest receivable	1	17	18	1	15	16
Less : Allowance for doubtful accounts	(42)	-	(42)	(42)	(1)	(43)
Total interbank and money market items - domestic	3,897	783	4,680	3,415	2,125	5,540
Foreign :						
US Dollar	34	35,447	35,481	101	21,230	21,331
Euro	73	-	73	25	-	25
Others	74	-	74	32	-	32
Total	181	35,447	35,628	158	21,230	21,388
Add : Accrued interest receivable	-	157	157	-	136	136
Less : Allowance for doubtful accounts	-	(3)	(3)	-	-	-
Total interbank and money market items - foreign	181	35,601	35,782	158	21,366	21,524
Total interbank and money market items - net	4,078	36,384	40,462	3,573	23,491	27,064

(Unit : Million Baht)

	Separate financial statements					
	2007			2006		
	At call	Term	Total	At call	Term	Total
Domestic :						
Commercial banks	236	-	236	241	-	241
Other banks	15	-	15	15	-	15
Other financial institutions	-	20	20	-	20	20
Total	251	20	271	256	20	276
Less : Allowance for doubtful accounts	-	-	-	-	(1)	(1)
Total interbank and money market items - domestic - net	251	20	271	256	19	275

As at 31 December 2007 and 2006, 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.

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	(Unit : Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Government bonds and Bank of Thailand bonds	2,500	3,000	-	-
Financial Institutions Development Fund bonds	-	3,300	-	-
Total securities purchased under resale agreements	2,500	6,300	-	-

8. INVESTMENTS

8.1 Classified by type of investments

(Unit : Million Baht)

	Consolidated financial statements				Separate financial statements			
	2007		2006		2007		2006	
	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	480	480	396	396	-	-	-	-
Private debt securities	11	11	2	2	-	-	-	-
Domestic marketable equity securities	-	-	15	15	-	-	-	-
	<u>491</u>	<u>491</u>	<u>413</u>	<u>413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Available-for-sale securities								
Government and state enterprise securities	2,882	2,881	2,318	2,318	-	-	-	-
Private debt securities	133	134	459	457	-	-	-	-
Domestic marketable equity securities	10	10	17	18	-	-	7	8
	<u>3,025</u>	<u>3,025</u>	<u>2,794</u>	<u>2,793</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>8</u>
Add (less) : Allowance for change in value	-		(1)		-		1	
	<u>3,025</u>		<u>2,793</u>		<u>-</u>		<u>8</u>	
Held-to-maturity debt securities								
- due within 1 year								
Government and state enterprise securities	966		3,641		-		-	
Private debt securities	75		63		800		-	
Foreign debt securities	675		429		-		-	
	<u>1,716</u>		<u>4,133</u>		<u>800</u>		<u>-</u>	
Other investments								
Investments in property fund	65		-		-		-	
	<u>65</u>		<u>-</u>		<u>-</u>		<u>-</u>	
Total current investments – net	<u>5,297</u>		<u>7,339</u>		<u>800</u>		<u>8</u>	

(Unit : Million Baht)

	Consolidated financial statements				Separate financial statements			
	2007		2006		2007		2006	
	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	486	478	5,018	5,003	-	-	-	-
Private debt securities	1,582	1,585	905	899	-	-	-	-
Domestic marketable equity								
securities	3,647	4,010	2,842	2,659	1,217	1,518	894	826
	5,715	6,073	8,765	8,561	1,217	1,518	894	826
Add (less) : Allowance for								
change in value	358		(204)		301		(68)	
	6,073		8,561		1,518		826	
Held-to-maturity debt securities								
Government and state								
enterprise securities	12,220		12,736		480		504	
Private debt securities	786		236		3,000		3,000	
Foreign debt securities	675		1,441		-		-	
	13,681		14,413		3,480		3,504	
Less : Allowance for								
impairment	(557)		(443)		(183)		(137)	
	13,124		13,970		3,297		3,367	
Other investments								
Investments in receivables								
purchased	2,278		2,642		1,284		1,576	
Investments in property fund	884		1,106		-		-	
Domestic non-marketable								
equity securities	331		356		229		242	
	3,493		4,104		1,513		1,818	
Less : Allowance for								
impairment	(421)		(434)		(172)		(175)	
	3,072		3,670		1,341		1,643	
Total long-term investments - net	22,269		26,201		6,156		5,836	

8.2 Classified by due date of debt securities

(Unit : Million Baht)

	Consolidated financial statements							
	2007				2006			
	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	430	50	-	480	396	-	-	396
Private debt securities	11	-	-	11	2	-	-	2
Total	441	50	-	491	398	-	-	398
Available-for-sale securities								
Government and state								
enterprise securities	2,882	13	473	3,368	2,298	5,038	-	7,336
Private debt securities	133	1,582	-	1,715	459	905	-	1,364
Total	3,015	1,595	473	5,083	2,757	5,943	-	8,700
Add (less) : Allowance for change in value	-	4	(9)	(5)	(3)	(20)	-	(23)
Total	3,015	1,599	464	5,078	2,754	5,923	-	8,677
Held-to-maturity debt securities								
Government and state								
enterprise securities	966	10,043	2,177	13,186	3,641	7,230	5,506	16,377
Private debt securities	75	167	619	861	63	209	27	299
Foreign debt securities	675	675	-	1,350	429	1,441	-	1,870
Total	1,716	10,885	2,796	15,397	4,133	8,880	5,533	18,546
Less : Allowance for impairment	-	(557)	-	(557)	-	(443)	-	(443)
Total	1,716	10,328	2,796	14,840	4,133	8,437	5,533	18,103
Total debt securities	5,172	11,977	3,260	20,409	7,285	14,360	5,533	27,178

(Unit : Million Baht)

	Separate financial statements							
	2007				2006			
	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	-	480	-	480	-	504	-	504
Private debt securities	800	-	3,000	3,800	-	-	3,000	3,000
Total	800	480	3,000	4,280	-	504	3,000	3,504
Less : Allowance for impairment	-	(183)	-	(183)	-	(137)	-	(137)
Total debt securities	800	297	3,000	4,097	-	367	3,000	3,367

8.3 During the year 2007, a subsidiary company transferred investments in debt securities with fair values at the transfer date amounting to approximately Baht 322 million from long-term available-for-sale securities to held to maturity debt securities. Of the differences between the book value of these securities and their fair values at the transfer date of Baht 13 million was presented as revaluation deficit in shareholder's equity, and thus is being amortised over the residual period to maturity of the debt securities. The transfer of these securities is in accordance with liquidity risk management policy of the subsidiary.

As at 31 December 2007, subsidiaries have a revaluation surplus and a revaluation deficit amounting to Baht 36 million and Baht 426 million, respectively, as a result of the recategorisation of debt securities, and these are presented in the consolidated shareholders' equity (2006 : outstanding revaluation surplus amounting to Baht 45 million and outstanding revaluation deficit amounting to Baht 616 million in the consolidated financial statements).

8.4 As at 31 December 2007, long-term investments in held-to-maturity debt securities include Baht 1,465 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 (separate financial statements : Baht 480 million) (2006 : Baht 1,769 million in the consolidated financial statements and Baht 504 million in the separate 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.

As at 31 December 2007, the Company and its subsidiaries are still unable to assess the exact amount of such losses. However, the Company and its subsidiaries have estimated their share of losses which may arise from the management of non-performing assets at approximately Baht 557 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 (separate financial statements : Baht 183 million) (2006 : Baht 443 million in the consolidated financial statements and Baht 137 million in the separate financial statements).

During the year 2007, the Company and its subsidiaries have recognised interest on TAMC's promissory notes amounting to Baht 31 million and have received payment under promissory notes and interest amounting to Baht 346 million (separate financial statements : Baht 10 million and Baht 36 million, respectively).

- 8.5** As at 31 December 2007 and 2006, the Company has investments of Baht 3,000 million in 7 years subordinated debentures of Thanachart Bank (a subsidiary company), bearing interest at a rate of 6.18 percent per annum.
- 8.6** As at 31 December 2007, investments in government and state enterprise bonds in the consolidated financial statement amounting to Baht 949 million, at cost after amortisation, have been placed as collateral for loans from commercial banks and as security with the Insurance Registrar (2006 : Baht 788 million).

8.7 As at 31 December 2007 and 2006, investments in securities in which the Company and its subsidiaries hold not less than 10 percent of the equity of the investees are as follow :-

		Consolidated financial statements			
		2007		2006	
Name	Nature of business	Net book value	Percentage of holding	Net book value	Percentage 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	335	19.59	294	19.59
V.M.C. Safety Glass (Thailand) Co., Ltd.	Production and distribution of safety glass	-	9.99	-	10.21
<u>Public utilities and services</u>					
Maxwin Property Co., Ltd.	Service apartment	-	-	-	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	11	9.12	17	18.49
Preecha Group Plc.	Property development	26	10.00	28	10.00
<u>Others</u>					
The Thai Business Fund 3 ⁽¹⁾	Unit trusts - property fund	423	26.67	502	26.67
Sub Thawee Property Fund ⁽¹⁾	Unit trusts - property fund	196	56.00	237	56.00
Thai Pattana Fund 1 ⁽¹⁾	Unit trusts - property fund	184	20.00	202	20.00
Thanasarn Open-Ended Fund ⁽¹⁾	Unit trusts - debt securities	268	29.14	260	36.59
Thanachart Tuntawee 1 ⁽¹⁾	Unit trusts - equity and debt securities	200	21.94	371	43.21
Thanachart Tuntawee 3 ⁽¹⁾	Unit trusts - debt securities	-	-	160	99.68
Thanachart Tuntawee 4 ⁽¹⁾	Unit trusts - debt securities	-	-	73	99.63
Nasset Big Cap Long Term Equity Fund	Unit trusts - equity securities	82	8.75	59	10.91
Nasset Long Term Equity Dividend Fund	Unit trusts - equity securities	42	12.26	32	12.54
Thanachart Infrastructure and Natural Resource Fund of Fund ⁽¹⁾	Unit trusts - equity securities in foreign	123	11.26	279	27.05
I A.M. Global Emerging Market Equity Fund	Unit trusts - equity securities in foreign	52	15.93	-	-
Tri Ra Sombat Open End Fund ⁽¹⁾	Unit trusts - debt securities	31	23.55	-	-
The Krung Thai Dividend Fixed-Income Fund	Unit trusts - debt securities	130	14.81	-	-
Thanachart Premium Brand Fund	Unit trusts - equity securities in foreign	114	18.96	-	-
Thanachart Value X.U.S Fund	Unit trusts - equity securities in foreign	172	13.37	-	-
Saturn Inc.	Joint venture	-	12.49	-	12.49

⁽¹⁾ The Company and its subsidiaries do not consider the investments in funds to be investments in subsidiaries or associates as the Company and its subsidiaries 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 subsidiaries account for their investment in these funds as long-term available-for-sale or other investments subject to the investment objectives.

Name	Nature of business	Separate financial statements			
		2007		2006	
		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	167	9.79	147	9.79
<u>Property development and construction</u>					
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	26	10.00	28	10.00
<u>Others</u>					
Thanachart Tuntawee 1	Unit trusts - equity and debt securities	-	-	107	12.43
Nasset Big Cap Long Term Equity Fund	Unit trusts - equity securities	74	7.95	54	9.92
Nasset Long Term Equity Dividend Fund	Unit trusts - equity securities	35	10.22	26	10.45

8.8 Investments in receivables purchased

Investments in receivables purchased are loans receivable purchased through bidding from local financial institutions. The outstanding balances of loans receivable as at 31 December 2007 and 2006 can be summarised as follows :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2007	2006	2007	2006
Investments in receivables	2,278	2,642	1,284	1,576
Less : Allowance for impairment	(301)	(336)	(74)	(97)
Investments in receivables - net	1,977	2,306	1,210	1,479

	2007				2006			
	Number of debtors	Balance		Yield	Number of debtors	Balance		Yield
		per agreement	Purchase price			per agreement	Purchase price	
		Million Baht	Million Baht			Million Baht	Million Baht	
Consolidated financial statements								
Total accumulated investments in receivables	1,653	33,265	7,621	6.50 - 18.97	1,647	33,035	7,526	6.50 - 18.97
Outstanding investments in receivables as at the balance sheet date	966	14,797	2,278		1,009	15,292	2,642	
Separate financial statements								
Total accumulated investments in receivables	691	8,190	1,937	11.94 - 18.97	691	8,190	1,937	11.94 - 18.97
Outstanding investments in receivables as at the balance sheet date	522	7,073	1,284		549	7,587	1,576	

During the year 2007, a subsidiary company additional purchased investments in receivable of Baht 95 million. Additionally, the Company and its subsidiaries have restructured loans with a total of 49 troubled receivables, with book balances before restructuring totaling approximately Baht 172 million (separate financial statements : 28 debtors with book balances of Baht 145 million), by means of various types of restructuring and 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	Value of
		balance before restructuring	balance after restructuring		assets to be transferred
		Million Baht	Million Baht		per agreements
Consolidated financial statements					
Modification of terms	42	116	116		
Transfer of assets and/or equity securities and/or modification of terms	7	56	56	Land and Condominium	43
Total	49	172	172		
Separate financial statements					
Modification of terms	22	99	99		
Transfer of assets and/or equity securities and/or modification of terms	6	46	46	Land and Condominium	30
Total	28	145	145		

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

Periods	Consolidated financial statements		Separate financial statements	
	Number of receivables	Outstanding loan	Number of receivables	Outstanding loan
		balances after restructuring		balances after restructuring
		Million Baht		Million Baht
Defaulted the repayment of debts	10	96	10	96
Due within 2007	27	30	15	13
Less than 5 years	12	46	3	36
Total	49	172	28	145

Restructured investments in receivables are transferred to the loans account on the debt restructuring agreement date, in accordance with the BOT's regulations. They are transferred at their book value, which is held to be fair value. Therefore, as at 31 December 2007, there were no restructured receivables outstanding in the balance of investments in receivables.

8.9 As at 31 December 2007 and 2006, investments in securities of the Company and its subsidiaries, include investments in securities of companies with weak financial positions and poor operating results, are summarised as below :-

	Consolidated financial statements							
	Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts	
	2007	2006	2007	2006	2007	2006	2007	2006
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Equity securities - common shares								
1. Listed companies vulnerable to delisting from the SET	1	1	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	4	5	-	-	-	-	-	-
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	14	134	139	36	42	98	97

Consolidated financial statements

	Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts	
	2007	2006	2007	2006	2007	2006	2007	2006
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Investments in receivables								
1. Closed financial institutions	10	10	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	1	1	-	-	-	-	-	-
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	3	7	-	7	3	3
4. Companies which have loan settlement problems or have defaulted the repayment of debts	356	352	1,622	1,566	2,593	2,226	203	220
5. Companies whose auditors' reports cited going concern issues	-	19	-	290	-	543	-	9

Separate financial statements

	Number of transactions		Cost		Fair value/collateral value		Allowance for possible loss/impairment provided in the accounts	
	2007	2006	2007	2006	2007	2006	2007	2006
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Equity securities - common shares								
1. Companies which have loans settlement problems or have defaulted the repayment of debts	1	1	1	1	1	1	-	-
2. Companies whose auditors' reports cited going concern issues	5	6	113	113	35	35	77	78
Investments in receivables								
1. Closed financial institutions	7	7	-	-	-	-	-	-
2. Companies which have loan settlement problems or have defaulted the repayment of debts	165	170	948	873	1,502	1,207	39	61
3. Companies whose auditors' reports cited going concern issues	-	6	-	286	-	487	-	-

9. INVESTMENTS IN SUBSIDIARIES

9.1 As at 31 December 2007 and 2006, investments in subsidiaries in the separate financial statements which were recorded under the cost method comprise of investments in ordinary shares in the following subsidiaries :-

(Unit : Million Baht)

Company's name	Nature of business	Separate financial statements							
		Paid-up share capital		Percentage of holding (%)		Value of investment under the cost method		Dividend income for the years ended	
		2007	2006	2007	2006	2007	2006	2007	2006
Subsidiaries – include in consolidation									
Thanachart Bank Plc.	Bank business	17,346	14,584	74.92	99.36	14,406	16,019	215	200
N.F.S. Asset Management Co., Ltd.	Non-performing assets management	1,000	1,000	100.00	100.00	1,000	1,000	-	-
Max Asset Management Co., Ltd.	Non-performing assets management	572	572	58.45	58.45	334	334	-	-
NASSET Property Fund 6	Investment in non-performing assets and collection rights	900	900	99.80	99.80	898	898	-	-
Pasara Co., Ltd.	Liquidating	30	30	100.00	100.00	181	181	-	-
Thiravanit Co., Ltd.	Liquidating	6	6	99.90	99.90	34	34	-	-
Bangkok Home Co., Ltd.	Liquidating	15	15	99.87	99.87	46	46	-	-
Sinkahakarn Co., Ltd.	Liquidating	25	25	95.12	95.12	20	20	-	-
Thanachart SPV 01 Co., Ltd.	Not yet operation	2	2	100.00	100.00	2	2	-	-
Thanachart Securities Plc.	Securities business	-	1,500	-	100.00	-	1,500	-	555
Thanachart Life Assurance Co., Ltd.	Life - insurance	-	500	-	100.00	-	500	-	-
Thanachart Insurance Co., Ltd.	Non-life insurance	-	500	-	78.00	-	422	-	110
Thanachart Fund Management Co., Ltd.	Fund management	-	100	-	75.00	-	113	-	75
Thanachart Group Leasing Co., Ltd.	Leasing and hire-purchase	-	360	-	100.00	-	360	-	72
Thanachart Broker Co., Ltd.	Non-life insurance broker	-	100	-	100.00	-	100	-	-
Thanachart Legal and Appraisal Co., Ltd.	Legal services	-	10	-	100.00	-	10	-	-
Thanachart Management and Services Co., Ltd.	Services	-	6	-	100.00	-	8	-	-
Subsidiaries - exclude from consolidation									
Glas Haus Building Co., Ltd.	Office building rental	-	195	-	100.00	-	-	-	-
						16,921	21,547	215	1,012
Less : Allowance for impairment						(81)	(81)		
Investments in subsidiaries - net						16,840	21,466		

- 9.2** The consolidated balance sheet as at 31 December 2007 and the consolidated income statements for the year then ended included assets of a subsidiary company (Thanachart Life Assurance Co., Ltd.) amounting to Baht 5,665 million, income of Baht 3,473 million and net income of Baht 223 million (2006 : total assets of Baht 3,974 million, total income of Baht 1,372 million and net income of Baht 97 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 consolidated financial statements.
- 9.3** The consolidated balance sheet as at 31 December 2007 included Baht 220 million of assets, Baht 1 million of liability and 0.3 million of net income of 4 subsidiaries (Thiravanit Co., Ltd., Sinkahakarn Co., Ltd., Pasara Co., Ltd., and Bangkok Home Co., Ltd.). Such subsidiaries registered their dissolution in December 2006 and are currently liquidating process. The financial statements of these subsidiaries were prepared by their management and were not audited by their auditors.
- 9.4** The consolidated financial statements as at 31 December 2006 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.

During the year 2007, the Company sold its investment in such company to a group of an associated companies, with a loss from the sale of Baht 0.2 million.

9.5 Cash flow information of asset management companies which are subsidiaries

Cash flow information of asset management companies which are subsidiaries for the year ended 31 December 2007 and 2006 are as follows :-

	(Unit : Million Baht)			
	N.F.S. Asset Management Co., Ltd.		Max Asset Management Co., Ltd.	
	2007	2006	2007	2006
Cash flows from operating activities :				
Net income	76	82	102	310
Adjustments to reconcile net income to net cash provided by (paid for) operating activities :-				
Gain on assets transferred from receivables	(40)	(77)	(51)	(19)
Loss on impairment of investments in receivables (reversal)	(1)	5	(21)	(34)
Reversal of allowance for impairment of investments in securities	33	68	-	-
Bad debts and doubtful accounts (reversal of bad debts and doubtful accounts)	80	133	(9)	(94)
Loss on debt restructuring	-	121	-	-
Loss on diminution of property foreclosed (reversal)	(25)	-	(5)	1
Loss(gain) on disposal of investments	(12)	23	(7)	(9)
Increase (decrease) in corporate income tax payable	29	(39)	(39)	48
Others	(64)	(184)	(5)	(17)
Income (loss) from operating activities before changes in operating assets and liabilities	76	132	(35)	186
Operating assets (increase) decrease				
Current investments	2,760	806	-	-
Investments in receivables	(88)	25	87	205
Loans	669	448	69	160
Property foreclosed	457	353	92	(214)
Other assets	(32)	5	(27)	(10)
Operating liabilities increase (decrease)				
Other liabilities	(200)	187	(51)	87
Net cash flows from operating activities	3,642	1,956	135	414
Cash flows from investing activities :				
Decrease in loans to financial institutions	-	-	-	226
Proceeds from sales of investments	292	748	11	10

Net cash flows from investing activities	292	748	11	236
	(Unit : Million Baht)			
	N.F.S. Asset		Max Asset	
	Management Co., Ltd.		Management Co., Ltd.	
	2007	2006	2007	2006
Cash flows from financing activities :				
Repayment of borrowings	(3,957)	(2,700)	(160)	(420)
Net cash flows used in financing activities	(3,957)	(2,700)	(160)	(420)
Net increase (decrease) in cash and cash equivalents	(23)	4	(14)	230
Cash and cash equivalents at beginning of the year	98	94	336	106
Cash and cash equivalents at end of the year	<u>75</u>	<u>98</u>	<u>322</u>	<u>336</u>

10. INVESTMENTS IN ASSOCIATED COMPANIES

10.1 As at 31 December 2007 and 2006, the Company and its subsidiaries have the following investments in associated companies which are registered under Thai laws :-

Company's name	Nature of business	Paid-up share capital		Percentage of holding (%)		Investment value				Dividend income for the years ended 31 December		Share of income for the years ended 31 December	
						Cost method		Equity method		2007	2006	2007	2006
						2007	2006	2007	2006	2007	2006	2007	2006
(Unit : Million Baht)													
Consolidated financial statements													
Consolidated financial statements													
MBK Plc.	Property rental, hotel and services	1,886	1,886	18.06	20.54	992	992	1,308	1,225	147	137	271	223
Puen Pob Paet Co., Ltd.	Clinic	1	1	17.49	28.58	-	-	-	1	-	-	-	-
						<u>992</u>	<u>992</u>	<u>1,308</u>	<u>1,226</u>	<u>147</u>	<u>137</u>	<u>271</u>	<u>223</u>
Separate financial statements in which the cost method is applied													
MBK Plc.	Property rental, hotel and services	1,886	1,886	10.00	6.57	658	311			59	43		
Puen Pob Paet Co., Ltd.	Clinic	1	1	10.00	10.00	-	-			-	-		
						<u>658</u>	<u>311</u>			<u>59</u>	<u>43</u>		

The consolidated financial statements as at 31 December 2007 included investments in ordinary shares of MBK Public Company Limited and classified as investments in associated company, even though the Company and its subsidiaries hold 18.06 percent of the paid-up share capital (determined under the effective rates). That is because the BOT considers that the Company and its subsidiaries have significant influence over the management of that company.

10.2 Summarised financial information of associates

(Unit : Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for		Net income for	
	as at		as at		as at		the years ended		the years ended	
	31 December		31 December		31 December		31 December		31 December	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
MBK Plc.	1,886	1,886	19,027	17,045	8,951	7,622	5,868	5,580	1,408	1,119
Puen Pob Paet Co., Ltd.	1	1	4	3	2	-	4	6	-	-

Financial information of an associated company (MBK Plc.) and the share of income recognised in the current year are determined based on financial statements of that associated company prepared for a different period, as a result of a limitation on the availability of information. The financial information used was that as at 30 September 2007 and 2006 and for the years then ended, prepared by the Company's management, with reference to the financial statements as reviewed by its auditor and adjusted for the effect of the differences in accounting policy. The Company's management believes that income for the year ended 30 September 2007 is not materially different from that income for the year ended 31 December 2007.

10.3 As at 31 December 2007 and 2006, the fair values of the investment in an associated company (MBK Plc.) which is a listed company on the Stock Exchange of Thailand, is Baht 2,385 million and Baht 2,228 million, respectively (separate financial statements : Baht 1,320 million and Baht 713 million, respectively).

11. LOANS AND ACCRUED INTEREST RECEIVABLE

11.1 Classified by loan types

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
<u>Finance business loans</u>				
Overdrafts	1,468	988	-	-
Loans	35,026	36,280	509	695
Notes receivable	8,549	4,950	1,216	1,103
Hire-purchases receivables	191,025	164,325	23,069	48,295
Financial leases receivables	1,239	929	-	-
Total loans	237,307	207,472	24,794	50,093
Add : Accrued interest receivable	252	276	14	17
Less : Allowance for doubtful accounts	(8,066)	(7,789)	(1,652)	(3,110)
Less : Revaluation allowance for debt restructuring	(84)	(150)	-	-
Finance business loans and accrued interest receivable - net	229,409	199,809	23,156	47,000
<u>Securities business receivables</u>				
Customers' accounts	770	955	-	-
Credit balances receivables	853	552	-	-
Other receivables	307	309	-	-
Total securities business receivables	1,930	1,816	-	-
Add : Accrued interest receivable	1	1	-	-
Less : Allowance for doubtful accounts	(306)	(307)	-	-
Securities business receivables and accrued interest receivable - net	1,625	1,510	-	-
Loans and accrued interest receivable - net	231,034	201,319	23,156	47,000

During the year ended 31 December 2007, the Company and its subsidiaries transferred 49 investments in purchased receivables that had been restructured, totaling Baht 172 million (separate financial statements : transferred 28 investments in purchased receivables amounting to Baht 145 million), and the subsidiary company transferred 1 investment in a purchased receivable that is negotiating to extend the repayment schedule, totaling Baht 4 million, to loans and receivable, in accordance with the BOT's guidelines.

11.2 Classified by remaining period of contract

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
At call *	7,215	7,275	1,808	1,948
Not over 1 year	17,164	15,410	4,331	4,672
Over 1 year	215,366	187,154	18,669	43,490
Total loans and accrued interest receivable	239,745	209,839	24,808	50,110
Less : Intercompany profits from loans transferred	(255)	(274)	-	-
Total loans and accrued interest receivable	239,490	209,565	24,808	50,110

* Includes expired contracts

11.3 Classified by currency and country

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Baht				
- Domestic	239,016	209,435	24,808	50,110
- Foreign	330	400	-	-
US Dollar - Domestic	399	4	-	-
Total loans and accrued interest receivable	239,745	209,839	24,808	50,110
Less : Intercompany profits from loans transferred	(255)	(274)	-	-
Total loans and accrued interest receivable	239,490	209,565	24,808	50,110

11.4 Classified by type of business and loan classification

(Unit : Million Baht)

Consolidated financial statements						
2007						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,289	5	4	-	33	1,331
Manufacturing and commercial	6,448	99	50	464	656	7,717
Real estate and construction	5,258	77	106	257	1,560	7,258
Public utilities and services	7,873	111	902	3	240	9,129
Personal consuming						
Housing loans	6,896	562	122	128	435	8,143
Securities	1,623	-	7	-	301	1,931
Hire-purchase	165,674	21,552	1,055	717	2,027	191,025
Others	6,833	685	348	281	372	8,519
Others	3,404	75	9	428	776	4,692
Total loans and accrued interest receivable	<u>205,298</u>	<u>23,166</u>	<u>2,603</u>	<u>2,278</u>	<u>6,400</u>	<u>239,745</u>
Less : Intercompany profits from loans transferred						(255)
Total loans and accrued interest receivable						<u>239,490</u>

(Unit : Million Baht)

Consolidated financial statements						
2006						
	Normal	Special- Mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,313	-	11	-	27	1,351
Manufacturing and commercial	4,525	60	113	473	743	5,914
Real estate and construction	5,479	41	196	405	1,437	7,558
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	1,939	164,325
Others	6,796	398	189	126	283	7,792
Others	1,711	3	789	2	456	2,961
Total loans and accrued interest receivable	<u>181,910</u>	<u>17,066</u>	<u>2,557</u>	<u>1,968</u>	<u>6,338</u>	<u>209,839</u>
Less : Intercompany profits from loans transferred						(274)
Total loans and accrued interest receivable						<u>209,565</u>

(Unit : Million Baht)

Separate financial statements						
2007						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries	1,446	-	-	-	-	1,446
Manufacturing and commercial	1	-	-	-	4	5
Public utilities and services	-	-	1	-	2	3
Personal consuming						
Housing loans	12	2	2	1	30	47
Hire-purchase	18,731	3,027	180	163	968	23,069
Others	17	10	91	17	103	238
Total loans and accrued interest receivable	20,207	3,039	274	181	1,107	24,808

(Unit : Million Baht)

Separate financial statements						
2006						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries	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	1,380	48,295
Others	113	32	21	34	74	274
Total loans and accrued interest receivable	41,606	6,411	308	284	1,501	50,110

11.5 Non-performing loans

As at 31 December 2007 and 2006, the Company and its financial institution subsidiaries (banking, asset management and securities business) 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 follows :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Non-performing loans (excluding accrued interest receivable)				
The Company	1,562	2,093	1,562	2,093
Banking business	5,213	3,753	-	-
Asset management business	3,947	4,553	-	-
Securities business	307	307	-	-

The above non-performing loans do not include loans that the Company and its subsidiaries have already restructured and which are now qualified for classification as normal debts or special mentioned debts.

Additionally, the Company and its subsidiaries which are financial institutions (banking and securities business) have the following loans for which income recognition under an accrual basis has been discontinued :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
The Company	1,665	2,481	1,665	2,481
Banking business	4,927	3,129	-	-
Securities business	307	307	-	-

For subsidiaries engaged in the asset management business, income from loans is recognised under a cash basis.

11.6 Unearned income

As at 31 December 2007 and 2006, unearned income is summarised as follows :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Unearned interest income	86	119	-	-
Unearned income from hire-purchase/ financial lease	28,650	24,202	1,378	3,810

11.7 Troubled debt restructuring

During the year 2007, the Company and its subsidiaries entered into debt restructuring agreements with a total of 164 debtors, with total outstanding balances before restructuring amounting to approximately Baht 1,249 million, with a loss on debt restructuring of Baht 1 million (of these, 71 debtors, representing a total outstanding balances before restructuring amounting to approximately Baht 196 million, had previously entered into debt restructuring agreements but were unable to make repayment, and therefore entered into new debt restructuring agreements during the year) (separate financial statements : 6 debtors with total outstanding balances before debt restructuring of Baht 12 million, without any loss on debt restructuring). The details are as follows :-

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 financial statements					
Transfer of assets	1	1	1	Land	1
Modification of terms	148	679	678		
Transfer of assets and/or equity securities and/or modification of terms	15	569	569	Equity securities, land and premises thereon	513
Total	164	1,249	1,248		
Separate financial statements					
Modification of terms	4	8	8		
Transfer of assets and/or equity securities and/or modification of terms	2	4	4	Land and premises thereon	5
Total	6	12	12		

(1) Outstanding balance includes both principal and interest receivable

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

Periods	Consolidated financial statements		Separate financial statements	
	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	57	148	-	-
Due within 2007	57	406	2	4
Less than 5 years	21	127	-	-
5 - 10 years	14	535	-	-
10 - 15 years	7	16	2	6
More than 15 years	8	16	2	2
Total	164	1,248	6	12

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

	(Unit : Million Baht)	
	Consolidated financial statements	Separate financial statements
Interest income recognised in income statements	368	27
Gain on debt repayment/loss on disposals recognised in income statements	208	39
Gain on transfers of assets for debt repayment recognised in income statements	37	7
Cash proceeds from collection of debts	1,585	112
Assets transferred from debtors	119	35

The Company and its subsidiaries cannot estimate the contingent losses on loans which are in the process of being restructured.

As at 31 December 2007, the subsidiaries have an outstanding balance of assets that are to be transferred under debt restructuring agreements totaling Baht 474 million.

As at 31 December 2007, the Company and its subsidiaries have the following restructured receivables balances (principal and interest receivable), including restructured receivables who were transferred from investments in receivables :-

	Total number of outstanding receivables	Restructured receivables		
		Number of receivables	Outstanding loans balance	Outstanding loans balance, net of collateral
			Million Baht	Million Baht
Thanachart Capital Plc.	175,880	37	156	32
Thanachart Bank Plc.	537,951	292	2,698	777
N.F.S. Asset Management Co., Ltd.	1,419	310	1,984	492
Max Asset Management Co., Ltd.	76	76	368	83
NASSET Property Fund 6	32	32	36	-

11.8 As at 31 December 2007 and 2006, the Company has the following loans to the subsidiary companies :-

Company	Type of credit	Contract period	Interest rate	Outstanding balance	
				2007	2006
				Million Baht	Million Baht
Max Asset Management Co., Ltd.	Long-term loan	5 years (maturing August 2010)	Fixed at 11.51% per annum	224	358
National Leasing Co., Ltd.	Promissory note	At call	Fixed at 4.88% per annum	259	529
Thanachart Group Leasing Co., Ltd.	Promissory note	At call	Fixed at 5.25% per annum	846	565
N.F.S. Asset Management Co., Ltd.	Promissory note	At call	Fixed at 4.38 % per annum	93	-
Thanachart Legal and Appraisal Co., Ltd.	Promissory note	At call	Floating rate of 1 year fixed deposit plus fix rate per annum	10	-
Total				1,432	1,452

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

As at 31 December 2007 and 2006, the Company and its financial institution subsidiaries (banking and asset management business), classified and made allowances against their loans (including loans to financial institutions which are presented as part of interbank and money market items) in accordance with the BOT's guidelines, are summarised below :-

(Unit : Million Baht)

	Consolidated financial statements ⁽¹⁾						
	Debt balance/ book value		Debt balance after collateral ⁽³⁾		Minimum percentage	Allowance for doubtful accounts	
	2007	2006	2007	2006		2007	2006
Loans and accrued interest receivable							
(including interbank and money market items) ⁽²⁾							
Normal	198,753	176,918	44,809	66,527	1	448	1,468
Special mention	22,059	16,649	7,053	9,364	2	141	187
Substandard							
- New BOT's guidelines not adopted	-	307	-	306	20	-	61
- Adopted the new BOT's guidelines	1,485	864	1,149	518	100	1,149	518
Doubtful							
- New BOT's guidelines not adopted	-	266	-	258	50	-	129
- Adopted the new BOT's guidelines	1,794	1,185	1,081	615	100	1,081	615
Doubtful of loss							
- New BOT's guidelines not adopted	-	856	-	827	100	-	827
- Adopted the new BOT's guidelines	3,441	2,394	2,640	1,623	100	2,640	1,623
Total	227,532	199,439	56,732	80,038		5,459	5,428
Additional allowance for possible uncollectible debts	-	-	-	-		490	453
	227,532	199,439	56,732	80,038		5,949	5,881

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

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

⁽³⁾ For the provision for substandard, doubtful and doubtful of loss loans, which is set up in accordance with the new BOT's guidelines, the debt balance after collateral is the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, as the case may be.

(Unit : Million Baht)

	Consolidated financial statements ⁽¹⁾						
	Debt balance/ book value		Debt balance after collateral ⁽³⁾		Minimum percentage	Allowance for doubtful accounts	
	2007	2006	2007	2006		2007	2006
Loans of N.F.S. Asset Management Co., Ltd., which transferred from Thanachart Group							
Normal	294	350	206	221	1	78	86
Special mention	40	47	-	7	2	-	-
Substandard							
- New BOT's guidelines not adopted	-	352	-	119	20	-	120
- Adopted the new BOT's guidelines	903	968	172	204	100	524	241
Doubtful							
- New BOT's guidelines not adopted	-	4	-	-	50	-	-
- Adopted the new BOT's guidelines	443	483	3	30	100	3	30
Doubtful of loss							
- New BOT's guidelines not adopted	-	11	-	-	100	-	-
- Adopted the new BOT's guidelines	2,258	2,396	1,073	806	100	1,157	1,206
Total	3,938	4,611	1,454	1,387		1,762	1,683
Additional allowance for possible uncollectible debts	-	-	-	-		33	33
	<u>3,938</u>	<u>4,611</u>	<u>1,454</u>	<u>1,387</u>		<u>1,795</u>	<u>1,716</u>
Total	231,470	204,050					
Revaluation allowance for debt restructuring	(84)	(150)					
Less : Intercompany gain	(255)	(274)					
Total	231,131	203,626					
Investment in receivables transferred to loans							
Normal	19	14	8	6	1	2	2
Special mention	1	66	-	-	2	-	-
Substandard							
- New BOT's guidelines not adopted	-	3	-	-	20	-	-
- Adopted the new BOT's guidelines	104	31	12	13	100	12	13
Doubtful							
- New BOT's guidelines not adopted	-	3	-	2	50	-	1
- Adopted the new BOT's guidelines	7	2	1	1	100	1	1
Doubtful of loss							
- New BOT's guidelines not adopted	-	259	-	71	100	-	71
- Adopted the new BOT's guidelines	348	77	73	5	100	73	5
Total	479	455	94	98		88	93
Total loans and accrued interest receivable	231,610	204,081	58,280	81,523		7,832	7,690

⁽¹⁾ Only the Company and those subsidiaries overseen by the BOT.⁽²⁾ Debt balance/book value of normal and special mention loans excluding accrued interest receivable.⁽³⁾ For the provision for substandard, doubtful and doubtful of loss loans, which is set up in accordance with the new BOT's guidelines, the debt balance after collateral is the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, as the case may be.

(Unit : Million Baht)

	Separate financial statements						
	Debt balance/ book value		Debt balance after collateral ⁽²⁾		Minimum percentage	Allowance for doubtful accounts	
	2007	2006	2007	2006		2007	2006
Loans and accrued interest receivable							
(including interbank and money market items) ⁽¹⁾							
Normal	20,212	41,609	4,407	41,605	1	44	1,249
Special mention	3,039	6,411	904	6,406	2	18	128
Substandard							
- New BOT's guidelines not adopted	-	307	-	305	20	-	61
- Adopted the new BOT's guidelines	186	1	185	1	100	185	1
Doubtful							
- New BOT's guidelines not adopted	-	265	-	258	50	-	129
- Adopted the new BOT's guidelines	181	19	180	19	100	180	19
Doubtful of loss							
- New BOT's guidelines not adopted	-	856	-	827	100	-	827
- Adopted the new BOT's guidelines	1,106	636	1,082	631	100	1,082	631
Total	24,724	50,104	6,758	50,052		1,509	3,045
Additional allowance for possible uncollectible debts	-	-	-	-		140	66
Total	24,724	50,104	6,758	50,052		1,649	3,111
Investment in receivables transferred to loans							
Normal	1	-	-	-	1	-	-
Substandard							
- New BOT's guidelines not adopted	-	-	-	-	20	-	-
- Adopted the new BOT's guidelines	88	-	3	-	100	3	-
Doubtful of loss							
- New BOT's guidelines not adopted	-	-	-	-	100	-	-
- Adopted the new BOT's guidelines	1	9	-	-	100	-	-
Total	90	9	3	-		3	-
Total loans and accrued interest receivable	24,814	50,113	6,761	50,052		1,652	3,111

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

⁽²⁾ For the provision for substandard, doubtful and doubtful of loss loans, which is set up in accordance with the new BOT's guidelines, the debt balance after collateral is the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, as the case may be.

As at 31 December 2007, the Company and its subsidiaries set full provision for non-performing debts in accordance with the new BOT'S guidelines.

As at 31 December 2006, the Company and its subsidiaries 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, the Company and its subsidiaries still apply provisioning rates of 100%, at least 50% and at least 20%, respectively, in accordance with the prior guidelines (except for Thanachart Bank which set full provisions for non-performing loans in accordance with the new BOT's guidelines).

11.10 Loan in companies which have settlement problems

As at 31 December 2007 and 2006, the Company and its subsidiaries' loans (including loans to financial institutions) in the consolidated and the separate financial statements included the following debtors with weak financial positions and operating results :-

	Consolidated financial statements							
	Number		Debt balance		Collateral value		Allowance for doubtful accounts provided	
	of debtors						in the accounts	
	2007	2006	2007	2006	2007	2006	2007	2006
		Million	Million	Million	Million	Million	Million	
		Baht	Baht	Baht	Baht	Baht	Baht	
1. Closed financial institutions	5	5	42	42	-	-	42	42
2. Listed companies vulnerable to delisting from the SET	2	4	32	45	47	52	-	3
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	16	24	958	1,232	1,533	1,375	324	294
4. Companies which have loan settlement problems or have defaulted of the repayment of debts	788	656	2,854	3,132	2,429	3,349	1,157	949
5. Companies whose auditors' reports cited going concern issues	3	23	51	106	-	31	51	106

Separate financial statements

	Number		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	of debtors							
	2007	2006	2007	2006	2007	2006	2007	2006
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Companies which have loan settlement problems or have defaulted of the repayment of debts	320	414	193	140	89	-	118	116

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

As at 31 December 2007 and 2006, a subsidiary company operating in the securities business classified its securities business receivables 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 :-

	Receivable and accrued interest receivable		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	2007	2006	2007	2006	2007	2006
	Doubtful	301	299	301	299	301
Substandard	7	9	-	-	-	-
Total	308	308	301	299	301	299
General reserve					5	8
Allowance for doubtful accounts					306	307

The above substandard receivables represent receivable balances with a value equivalent to that of their collateral.

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

As at 31 December 2007 and 2006, hire-purchase and financial lease receivables of three subsidiaries engaged in hire-purchase and financial lease businesses are classified by the due date of the contracts as follows :-

	(Unit : Million Baht)	
	2007	2006
Current or overdue less than 90 days	5,795	3,220
Overdue 91 – 365 days	137	51
Overdue more than 1 year	19	12
Debtors under legal actions	31	22
Total	<u>5,982</u>	<u>3,305</u>
Allowance for doubtful accounts	<u>237</u>	<u>100</u>

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

	(Unit : Million Baht)						
	Consolidated financial statements						
	For the year ended 31 December 2007						
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of the year	1,584	193	958	803	4,072	486	8,096
Add : Increase (decrease) during the year	(1,025)	(36)	830	316	1,989	(13)	2,061
Reversal from revaluation							
allowance for debt restructuring	-	-	-	-	-	50	50
Bad debt recovery	-	-	-	-	8	-	8
Less : Bad debt written-off	-	-	-	-	(1,490)	-	(1,490)
Reversal from the disposals	-	-	-	-	(353)	-	(353)
Balance - end of the year	<u>559</u>	<u>157</u>	<u>1,788</u>	<u>1,119</u>	<u>4,226</u>	<u>523</u>	<u>8,372</u>

	(Unit : Million Baht)						
	Consolidated financial statements						
	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	645	218	2,754	726	7,422
Add : Increase (decrease) during the year	(1,296)	(6)	343	585	1,392	(240)	778
Less : Bad debt written-off	-	-	-	-	(74)	-	(74)
Reversal from disposals	-	-	(30)	-	-	-	(30)
Balance - end of the year	<u>1,584</u>	<u>193</u>	<u>958</u>	<u>803</u>	<u>4,072</u>	<u>486</u>	<u>8,096</u>

(Unit : Million Baht)

	Separate financial statements						Total
	For the year ended 31 December 2007						
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	
Balance - beginning of the year	1,248	128	62	148	1,458	66	3,110
Add : Increase (decrease) during the year	(1,204)	(110)	126	32	230	74	(852)
Bad debt recovery	-	-	-	-	3	-	3
Less : Bad debt written-off	-	-	-	-	(256)	-	(256)
Reversal from disposals	-	-	-	-	(353)	-	(353)
Balance - end of the year	<u>44</u>	<u>18</u>	<u>188</u>	<u>180</u>	<u>1,082</u>	<u>140</u>	<u>1,652</u>

(Unit : Million Baht)

	Separate financial statements						Total
	For the year ended 31 December 2006						
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	
Balance - beginning of the year	2,164	173	91	179	1,069	66	3,742
Add : Increase (decrease) during the year	(916)	(45)	(29)	(31)	463	-	(558)
Less : Bad debt written-off	-	-	-	-	(74)	-	(74)
Balance - end of the year	<u>1,248</u>	<u>128</u>	<u>62</u>	<u>148</u>	<u>1,458</u>	<u>66</u>	<u>3,110</u>

13. REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December		For the year ended 31 December	
	2007	2006	2007	2006
Balance - beginning of the year	150	136	-	-
Add : Increase during the year	-	40	-	-
Less : Amortised during the year	(12)	(20)	-	-
Transfer to allowance for doubtful accounts	(50)	-	-	-
Reversal from hair cut	(4)	(6)	-	-
Balance - end of the year	<u>84</u>	<u>150</u>	<u>-</u>	<u>-</u>

14. CLASSIFICATION OF ASSETS

The quality of assets of the Company and its financial business subsidiaries is classified in accordance with the announcements of the Bank of Thailand. These are as follows :-

(Unit : Million Baht)

	Consolidated financial statements									
	Loans and accrued		Property				Other assets		Total	
	interest receivable		Investments		foreclosed					
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Normal	199,066	177,282	-	-	-	-	90	78	199,156	177,360
Special mention	22,100	16,762	-	-	-	-	95	69	22,195	16,831
Substandard	2,492	2,525	-	-	-	-	9	7	2,501	2,532
Doubtful	2,244	1,943	-	-	-	-	7	10	2,251	1,953
Doubtful of loss	6,047	5,993	948	1,029	723	692	214	176	7,932	7,890
Total	231,949	204,505	948	1,029	723	692	415	340	234,035	206,566
Less: Revaluation allowance for debt restructuring	(84)	(150)								
Intercompany gain from loans transferred	(255)	(274)								
	<u>231,610</u>	<u>204,081</u>								

(Unit : Million Baht)

	Separate financial statements									
	Loans and accrued		Property				Other assets		Total	
	interest receivable		Investments		foreclosed					
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Normal	20,213	41,609	-	-	-	-	22	35	20,235	41,644
Special mention	3,039	6,411	-	-	-	-	28	43	3,067	6,454
Substandard	274	308	-	-	-	-	5	3	279	311
Doubtful	181	284	-	-	-	-	2	4	183	288
Doubtful of loss	1,107	1,501	491	523	379	350	138	141	2,115	2,515
Total	24,814	50,113	491	523	379	350	195	226	25,879	51,212

15. PROPERTY FORECLOSED

(Unit : Million Baht)

	Consolidated financial statements				Separate financial statements			
	For the year ended 31 December 2007				For the year ended 31 December 2007			
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year	Balance - beginning of the period	Additions	Disposals	Balance - end of the period
Assets transferred in settlement of debts								
Immovable assets	6,630	122	(772)	5,980	3,132	54	(439)	2,747
Movable assets	490	4,823	(4,483)	830	142	603	(677)	68
Assets foreclosed from purchase by bid on the open market								
Immovable assets	1,998	421	(424)	1,995	275	177	(21)	431
Total property foreclosed	9,118	5,366	(5,679)	8,805	3,549	834	(1,137)	3,246
Less : Allowance for impairment	(698)	(220)	187	(731)	(350)	(110)	81	(379)
Property foreclosed - net	8,420	5,146	(5,492)	8,074	3,199	724	(1,056)	2,867

As at 31 December 2007, subsidiaries 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 8 million, the debtors have first right of purchase.

In addition, as at 31 December 2007, for a further approximately Baht 450 million (at cost) of the property foreclosed of the Company and its subsidiaries (separate financial statements : Baht 389 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 subsidiaries have not recognised any gains in these cases and the assets are still recorded as property foreclosed.

16. LAND, PREMISES AND EQUIPMENT

(Unit : Million Baht)

Consolidated financial statements						
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Motor vehicles	Work in process	Total
<u>Cost :</u>						
31 December 2006	241	216	2,073	179	12	2,721
Additions	220	161	454	56	63	954
Transfers	-	12	36	-	(48)	-
Disposals	-	-	(69)	(26)	-	(95)
31 December 2007	461	389	2,494	209	27	3,580
<u>Accumulated depreciation :</u>						
31 December 2006	-	30	832	101	-	963
Disposals	-	-	(47)	(18)	-	(65)
Depreciation during the year	-	15	333	26	-	374
31 December 2007	-	45	1,118	109	-	1,272
<u>Net book value :</u>						
31 December 2006	241	186	1,241	78	12	1,758
31 December 2007	461	344	1,376	100	27	2,308
Depreciation charge included in the income statements						
for the years ended 31 December						
2006						308
2007						374

(Unit : Million Baht)

	Separate financial statements					
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Motor vehicles	Work in process	Total
<u>Cost :</u>						
31 December 2006	63	147	358	54	5	627
Additions	-	-	14	8	14	36
Transfers	-	-	14	-	(14)	-
Disposals	-	-	(299)	(25)	-	(324)
31 December 2007	63	147	87	37	5	339
<u>Accumulated depreciation :</u>						
31 December 2006	-	24	221	38	-	283
Disposals	-	-	(173)	(15)	-	(188)
Depreciation during the year	-	7	13	4	-	24
31 December 2007	-	31	61	27	-	119
<u>Net book value :</u>						
31 December 2006	63	123	137	16	5	344
31 December 2007	63	116	26	10	5	220
Depreciation charge included in the income statements for the years ended 31 December						
2006						76
2007						24

As at 31 December 2007, the Company and its subsidiaries have motor vehicles acquired under financial leases with net book values amounting to approximately Baht 94 million. In addition, the Company and its subsidiaries have office equipment and motor vehicles which have been fully depreciated but are still in use with original costs, before deducting accumulated depreciation, amounting to approximately Baht 271 million (separate financial statements : Baht 11 million and Baht 58 million, respectively).

17. INTANGIBLE ASSETS - SOFTWARES

(Unit : Million Baht)

		Consolidated financial statements			
		For the year ended 31 December 2007			
	Remaining useful life	Balance – beginning of the year	Additions	Disposals	Balance - end of the year
Computer software	0 - 9 years	258	81	-	339
Less : Amortisation		(97)	(26)	-	(123)
Allowance for impairment		(5)	5	-	-
Intangible assets – net		156	60	-	216
Amortised expenses and impairment loss included in the income statements for the year					17

(Unit : Million Baht)

		Separate financial statements			
		For the year ended 31 December 2007			
	Remaining useful life	Balance – beginning of the year	Additions	Disposals	Balance - end of the year
Computer software	0 - 5 years	133	4	(129)	8
Less : Amortisation		(37)	(2)	35	(4)
Intangible assets – net		96	2	(94)	4
Amortised expenses included in the income statements for the year					2

As at 31 December 2007, the Company and its subsidiaries have computer software which have been fully amortised but are still in use with original costs, before deducting accumulated amortisation, amounting to approximately Baht 47 Million (separate financial statements : Baht 0.2 million.)

18. OTHER ASSETS

(Unit : Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Premium receivable from direct insurance	752	467	-	-
Accrued interest	221	264	22	24
Accrued income	183	174	13	51
Unrealised gain on derivative contracts	364	476	-	-
Other receivable - VAT paid in advance for customers	211	153	53	74
Other receivables	774	343	146	163
Deposits	120	106	8	12
Others	327	342	34	39
Total	2,952	2,325	276	363
Less : Allowance for impairment	(252)	(194)	(146)	(147)
Total other assets - net	2,700	2,131	130	216

19. DEPOSITS

19.1 Classified by type of deposits

(Unit : Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
At call	419	366	-	-
Saving	57,727	30,700	-	-
Promissory notes	3,440	8,792	-	-
Fixed				
- Less than 6 months	48,574	38,092	-	-
- 6 months and up to 1 year	39,720	92,470	-	-
- Over 1 year	40,746	28,107	-	-
Total deposits	190,626	198,527	-	-

19.2 Classified by the remaining period of contract

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Not over 1 year*	187,249	187,625	-	-
Over 1 year	3,377	10,902	-	-
Total deposits	190,626	198,527	-	-

*Include matured contracts

19.3 Classified by currency and location

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Baht - Domestic	189,998	198,527	-	-
Foreign currency - Domestic	628	-	-	-
Total deposits	190,626	198,527	-	-

20. INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

	(Unit : Million Baht)					
	Consolidated financial statements					
	2007			2006		
	At call	Term	Total	At call	Term	Total
Domestic :						
Bank of Thailand and Financial Institutions Development Fund	-	108	108	-	108	108
Commercial banks	4	-	4	1	-	1
Other banks	-	-	-	1,300	-	1,300
Finance and securities companies	1,903	505	2,408	212	56	268
Other financial institutions	816	1,426	2,242	520	2,310	2,830
Total	2,723	2,039	4,762	2,033	2,474	4,507
Foreign :						
Baht	7	-	7	-	-	-
Total	2,730	2,039	4,769	2,033	2,474	4,507

	(Unit : Million Baht)					
	Separate financial statements					
	2007			2006		
	At call	Term	Total	At call	Term	Total
Domestic :						
Commercial banks - subsidiary	12,500	-	12,500	39,600	-	39,600
Total	12,500	-	12,500	39,600	-	39,600

As at 31 December 2007, Baht 12,500 million of borrowings in the separate financial statements are from a subsidiary company (Thanachart Bank). The interest rate charged is in accordance with the Bank's cost of funds plus a fixed percentage per annum. Principal is payable at call but not later than May 2008 (2006 : Baht 39,600 million). However, the BOT approved Thanachart Bank's extension of the term of the loans to the Company to be not later than December 2008.

21. BORROWINGS

		(Unit : Million Baht)				
Type of borrowing	Interest rate per annum (As at 31 December 2007)	Maturity date	Consolidated		Separate	
			financial statements		financial statements	
			2007	2006	2007	2006
Short-term borrowings						
Subordinated debenture issued in accordance with the plan to establish the Restricted Bank	Fixed rate of 9.00 percent	2008	1,943	-	-	-
Bills of exchange	Fixed rate of 2.50 - 4.875 percent	2008	54,225	10,366	-	-
Bill of exchange	Floating rate of the average MLR of 4 commercial banks minus 3.60 percent	2008	1,000	-	-	-
Promissory notes	Fixed rate of 3.90 - 4.10 percent	2007	-	2,777	-	2,777
Promissory notes	Floating rate based on the six-month Thai Baht Swap offer rate but not over 5.00 percent	2007	-	158	-	158
Promissory notes	Three-months fixed deposit rate plus 1.25 percent	2007	-	5,000	-	-
Promissory notes	Floating rate of the average MLR of 4 commercial banks minus 3.35 - 3.60 percent	2008	7,080	-	7,080	-
Promissory note	4.40 percent minus six-month Thai Baht Swap offer rate	2008	150	-	150	-
Unsubordinated, unsecured and unconvertible debentures	Fixed rate of 5.00 percent	2007	-	159	-	-
Unsubordinated and unsecured debentures	Fixed rate of 2.95 percent	2008	1,000	-	1,000	-

Total short-term borrowings

<u>65,398</u>	<u>18,460</u>	<u>8,230</u>	<u>2,935</u>
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(Unit : Million Baht)

Type of borrowing	Interest rate per annum (As at 31 December 2007)	Maturity date	Consolidated		Separate	
			financial statements		financial statements	
			2007	2006	2007	2006
Long-term borrowings						
Subordinated debenture issued in accordance with the plan to establish the Restricted Bank	Fixed rate of 9.00 percent	2008	-	1,943	-	-
Unsubordinated and unsecured debentures	Fixed rate of 2.95 percent	2008	-	1,000	-	1,000
Unsubordinated and unsecured debentures	Floating rate of the average MLR of 4 commercial banks minus 3.45 percent	2010	3,902	3,985	4,000	4,000
Long-term loan agreement	Fixed rate of 11.51 percent	2010	45	72	-	-
Bill of exchange	Fixed rate of 4.25-4.80 percent	2009 – 2010	4,200	8,445	-	-
Bill of exchange	Floating rate of the average MLR of 4 commercial banks minus 3.55 percent	2009	1,650	2,650	-	-
Bills of exchange	Floating rate of THB-THBFIX-REUTERS plus the fixed rate 0.45-0.47 percent	2010	750	750	-	-
Promissory note	4.40 percent minus six -month Thai Baht Swap offer rate	2008	-	150	-	150
Promissory note	Floating rate of the average MLR of 4 commercial banks minus 3.60 percent	2009	500	7,580	500	7,580
Total long-term borrowings			11,047	26,575	4,500	12,730
Total borrowings			76,445	45,035	12,730	15,665

22. OTHER LIABILITIES

(Unit : Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Insurance premium payable	631	620	6	11
Value added tax payable	148	198	123	181
Deferred gain on disposal of property foreclosed	219	292	1	1
Loss reserves and outstanding claims from insurance/life assurance	617	493	-	-
Unearned income from hire-purchase	231	213	45	81
Accrued personnel expenses	400	270	9	36
Suspense account receivable	1,166	1,673	283	292
Payables for property foreclosed	201	282	62	47
Other expenses payable	364	276	27	87
Other payables	137	82	59	81
Others	1,230	883	96	72
Total	5,344	5,282	711	889

23. SHARE CAPITAL/DIVIDENDS

During the year 2007, preference shareholders converted 210 preference shares to the Company's ordinary shares. Therefore, as at 31 December 2007, 19,336 preference shares, with each preference share convertible to 1 ordinary share, remain unconverted. The conversion rights are unconditional and do not expire.

On 30 April 2007, the Annual General Meeting of the Company's shareholders approved the payment of a dividend of Baht 0.50 per share to the ordinary shareholders and preference shareholders in respect of the operating results for the second half-year of 2006, a total of Baht 667 million.

On 4 October 2007, the Board of Directors of the Company approved payment of an interim dividend of Baht 0.30 per share to ordinary shareholders and preference shareholders, a total of Baht 400 million.

24. REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Revaluation surplus on investments :-				
Available-for-sale investments				
Debt instruments	32	22	-	-
Equity instruments	430	77	356	64
Held-to-maturity debt securities	36	45	-	-
Surplus recognised for associated companies				
- under equity method	13	15	-	-
Total	511	159	356	64
Revaluation deficit on investments :-				
Available-for-sale investments				
Debt instruments	(19)	(55)	-	-
Equity instruments	(83)	(254)	(55)	(130)
Held-to-maturity debt securities	(426)	(616)	-	-
Total	(528)	(925)	(55)	(130)
Revaluation surplus (deficit) on investments	(17)	(766)	301	(66)

25. STATUTORY RESERVE

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Company is required to set aside to 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 can not used for dividend payment.

As at 31 December 2007, the Company allocated Baht 137,509,148 of net income for the year 2007 to the statutory reserve.

26. BAD DEBTS AND DOUBTFUL ACCOUNTS

Bad debts and doubtful accounts in the income statements for the years ended 31 December 2007 and 2006 consists of :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Bad debts and doubtful accounts (reversal of bad debt and doubtful accounts) from loans and interbank and money market items	2,063	779	(853)	(558)
Amortisation of revaluation allowance for debt restructuring during the year	(12)	(20)	-	-
Total bad debts and doubtful accounts (reversal)	2,051	759	(853)	(558)

27. LOSS FROM DEBT RESTRUCTURING

Loss from debt restructuring in the income statements for years ended 31 December 2007 and 2006 consists of :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Losses from hair-cuts	-	125	-	-
Increase in revaluation allowance for debt restructuring	-	40	-	-
Total	-	165	-	-

28. GAIN (LOSS) ON INVESTMENTS

Gain (loss) on investments for years ended 31 December 2007 and 2006 consists of the following :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Unrealised loss on valuation adjustment	-	(2)	-	-
Loss from conversion of investment	-	(2)	-	-
Reversal of allowance for impairment of investments (allowance for impairment)	(22)	18	(20)	13
Reversal of allowance for impairment of investment in receivables (allowance for impairment)	35	(97)	23	(77)
Increase in provision for impairment of TAMC's notes	(113)	(99)	(46)	(18)
Gain on debt settlement/assets transferred from investments in receivables	133	122	41	36
Realised gains (losses) on sales of investments				
Trading securities	5	5	-	-
Available-for-sale securities	(113)	414	(215)	123
Held-to-maturity securities	-	(51)	-	-
Subsidiaries/associated companies	885	-	1,981	-
Other securities	9	50	2	53
Total	819	358	1,766	130

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.

29. GAIN ON PROPERTY FORECLOSED AND OTHER ASSETS

Gain on property foreclosed and other assets for the years ended 31 December 2007 and 2006 consists of the following :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Realised gains on disposals of property foreclosed	294	597	72	37
Allowance for impairment	(33)	(18)	(29)	(35)
Gain(loss) on other assets	(10)	11	6	10
Total	251	590	49	12

30. NUMBER OF EMPLOYEES AND RELATED COSTS

	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Number of employees as at 31 December (persons)	7,181	6,988	96	643
Personnel expenses for the year ended				
31 December (Million Baht)	2,895	2,572	87	357

31. 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, on 30 April 2007, the Annual General Meeting of shareholders of the Company and a subsidiary company approved the payment of director's remuneration amounting to approximately Baht 13 million to the directors of the Company and the subsidiary company (separate financial statements : Baht 11 million).

32. CORPORATE INCOME TAX

Corporate income tax was calculated on net income for the year, after adding back and deducting with income or expenses which are disallowable for tax computation purposes.

33. PROVIDENT FUND

The Company, certain of its subsidiaries and their employees have jointly registered a provident fund 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 2007, Baht 70 million has been contributed to the funds by the Company and its subsidiaries (separate financial statements : Baht 3 million).

34. RECONCILIATION OF DILUTED EARNINGS PER SHARE

Earnings per share as presented in the income statement 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 that would be required to be issued to convert all potential ordinary shares to 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 were issued.

Consolidated financial statements

For the years ended 31 December

	Net income		Weighted average number of ordinary shares		Earnings per share	
	2007	2006	2007	2006	2007	2006
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net income	2,817,749	1,467,867	1,333,135	1,333,134	2.11	1.10
Effect of dilutive securities						
Preference shares convertible to ordinary shares	-	-	19	20		
Diluted earnings per share						
Net income of ordinary shareholders assuming conversion of dilutive securities	2,817,749	1,467,867	1,333,154	1,333,154	2.11	1.10

Separate financial statements

For the years ended 31 December

	Net income		Weighted average number of ordinary shares		Earnings per share	
	2007	2006	2007	2006	2007	2006
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net income	2,750,183	1,185,891	1,333,135	1,333,134	2.06	0.89
Effect of dilutive securities						
Preference shares convertible to ordinary shares	-	-	19	20		
Diluted earnings per share						
Net income of ordinary shareholders assuming conversion of dilutive securities	2,750,183	1,185,891	1,333,154	1,333,154	2.06	0.89

35. RELATED PARTY TRANSACTIONS

During the years 2007 and 2006, the Company and its subsidiaries had significant business transactions with their related parties. These transactions, which have been concluded on the commercial terms and bases specified in the agreements between the Company, its subsidiaries and those companies, are summarised below :-

(Unit : Million Baht)

	For the years ended 31 December				Pricing Policies (For the year 2007)
	Consolidated		Separate		
	financial statements	2006	financial statements	2007	
	2007	2006	2007	2006	
Subsidiaries :-					
Sales of investments in subsidiaries (Gain of Baht 1,146 million)	-	-	4,158	-	At book value of subsidiaries
Sales of investments in debt securities	-	-	-	2,416	
Purchases of investments in subsidiaries	-	-	-	211	
Purchase of investment in an associated company	-	-	347	-	At market price
Purchases of investments in debt securities	-	-	5,685	10,473	At market price
Purchase of assets	-	11	-	-	
Sales of assets	-	-	221	229	At the rate agreed by each party with reference to appraisal and book value
Sales of loans	-	-	-	888	
Sales of property foreclosed	-	-	4	11	At market price
Interest income from loans	-	-	128	87	At interest rates of 3.50 - 7.00 and 11.51 percent per annum
Interest income from deposit at banks	-	-	13	13	At interest rates of 2.00 - 4.00 percent per annum
Interest income from investments in debt securities	-	-	186	12	At interest rates of 3.25 - 4.125 and 6.18 percent per annum
Rental and other service income	-	-	47	61	At the contracted rates mutually agreed by related parties
Fees and other income	6	33	143	175	At the contracted rates mutually agreed by related parties

(Unit : Million Baht)

	For the years ended 31 December				Pricing Policies (For the year 2007)
	Consolidated		Separate		
	financial statements		financial statements		
	2007	2006	2007	2006	
Dividend income	-	-	215	1,012	As declared
Interest expense	-	1	1,280	3,552	At interest rates of 4.125 - 6.25 percent per annum
Rental and other service expense	14	27	205	257	At the contracted rates mutually agreed by related parties
Insurance expense	-	-	2	5	As insurance policy
Associated companies :-					
Dividend income	-	-	59	43	As declared
Interest income	5	-	-	-	At interest rates of 3.00 - 4.30 percent per annum
Other income	5	1	-	-	
Interest expense	11	13	-	-	At interest rates of 2.50 - 5.25 and 11.51 percent per annum
Other expense	48	42	31	35	
Related companies:-					
Transfer of loans	824	-	-	-	At the contract price with reference to book value
Transfer of deposits	53	-	-	-	At the contract price with reference to book value
Purchase of fixed assets	4	-	-	-	At the contract price with reference to book value
Dividend income	38	60	18	19	As declared
Interest income	116	97	-	3	At interest rates of 0.50 - 1.00 and 2.65 - 8.50 percent per annum
Gain on disposals	168	-	-	-	At the price stipulated in the agreement
Other income	26	5	1	2	
Interest expense	76	48	-	-	At interest rates of 2.00 - 5.81 and 9.00 percent per annum
Project management expenses	57	60	30	29	At the contract price, calculated by reference to estimated usage time
Other expense	67	63	7	14	

In addition to the transactions mentioned above, during the year ended 31 December 2007, N.F.S. Asset Management Co., Ltd. disposed of property foreclosed valued at Baht 258 million, with reference to the appraisal value determined by an independent appraiser, to Thanachart Bank Plc. and Thanachart Life Assurance Co., Ltd., subsidiaries in Thanachart Group (2006 : Thanachart Bank Plc. transferred non-performing loans amounting to Baht 773 million to N.F.S. Asset Management Co., Ltd).

The outstanding balances of the above transactions during the years ended 31 December 2007 and 2006 are below shown at the average month end balance :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
<u>Subsidiaries</u>				
Interbank and money market items (Assets)	-	-	568	390
Investments in debt securities	-	-	3,000	3,000
Loans	-	-	2,008	1,257
Deposits	30	22	-	-
Interbank and money market items (Liabilities)	-	-	25,095	54,086
Borrowings and debentures	-	-	88	15
<u>Associated companies</u>				
Investments in debt securities	108	15	-	-
Loans	183	2	-	-
Deposits	35	31	-	-
Borrowings and debentures	64	108	-	-
<u>Related companies</u>				
Interbank and money market items (Assets)	410	428	60	57
Investments in debt securities	787	344	-	-
Loans	1,377	1,347	2	78
Deposits	845	904	-	-
Interbank and money market items (Liabilities)	24	70	1	3
Borrowings and debentures	874	862	-	-

As at 31 December 2007 and 2006, the outstanding balances with subsidiary, associated companies and related parties (which amount over than Baht 500 million) are separately shown in balance sheets as follows :-

(Unit : Million Baht)

Consolidated financial statements												
2007												
Assets						Liabilities				Contingencies		
Interbank and money market items	Investment securities	Loans	Accrued interest receivable	Other assets	Deposits	Interbank and money market items	Borrowings and debentures	Accrued interest payable	Other liabilities	Guarantees of loans	Other commitments	
Associated companies												
MBK Plc.	-	271	-	5	9	14	-	45	2	-	26	30
Related companies												
Advanced Info Service Plc.												
	-	700	31	11	24	987	-	-	-	4	-	-
Siam Commercial Bank Plc.												
	601	169	-	1	-	-	-	-	-	-	-	8,952
Siam City Bank Plc.												
	61	-	-	-	-	-	-	750	3	-	-	-
Others												
	20	35	777	3	15	652	14	148	5	30	56	56
Total	682	1,175	808	20	48	1,653	14	943	10	34	82	9,038

(Unit : Million Baht)

Consolidated financial statements												
2006												
Assets						Liabilities				Contingencies		
Interbank and money market items	Investment securities	Loans	Accrued interest receivable	Other assets	Deposits	Interbank and money market items	Borrowings and debentures	Accrued interest payable	Other liabilities	Guarantees of loans	Other commitments	
Subsidiary company												
Glas Haus Building Co., Ltd.												
	-	-	-	-	7	27	-	-	-	-	-	-
Associated companies												
MBK Plc.												
	-	15	-	-	9	14	-	71	3	-	23	-
Puen Pob Paet Co., Ltd.												
	-	-	-	-	-	2	-	-	-	-	-	-
Related companies												
Advanced Info Service Plc.												
	-	537	27	4	10	10	-	-	-	34	-	-
Siam Commercial Bank Plc.												
	598	180	-	2	-	-	-	-	-	-	-	16,974
Others												
	55	103	1,231	12	12	749	22	112	19	67	32	-
Total	653	835	1,258	18	38	802	22	183	22	101	55	16,974

(Unit : Million Baht)

Separate financial statements											
2007											
Assets						Liabilities				Contingencies	
Interbank and money market items	Investments in debt securities	Loans	Accrued interest receivable	Other assets	Interbank and money market items	Borrowings and debentures	Accrued interest payable	Other liabilities	Guarantees of loans	Other commitments	
Subsidiaries											
Thanachart Bank Plc.	131	3,800	-	13	6	12,500	-	-	15	-	-
Thanachart Securities Plc.	-	-	-	-	-	-	-	-	32	-	-
Thanachart Group Leasing Co., Ltd.	-	-	846	3	-	-	-	-	-	-	-
National Leasing Co., Ltd.	-	-	259	-	-	-	-	-	13	-	-
Max Asset Management Co., Ltd.	-	-	224	10	1	-	-	-	-	-	-
N.F.S Asset Management Co., Ltd.	-	-	93	-	-	-	-	-	1	-	-
Thanachart Legal and Appraisal Co., Ltd.	-	-	10	-	-	-	-	-	1	-	-
Thanachart Insurance Co., Ltd.	-	-	-	-	1	-	98	1	2	-	-
Associated companies											
MBK Plc.	-	-	-	-	3	-	-	-	-	-	-
Related companies											
Siam Commercial Bank Plc.	29	-	-	-	-	-	-	-	-	-	8,000
Others	29	-	-	-	1	-	-	-	1	10	-
	<u>189</u>	<u>3,800</u>	<u>1,432</u>	<u>26</u>	<u>12</u>	<u>12,500</u>	<u>98</u>	<u>1</u>	<u>65</u>	<u>10</u>	<u>8,000</u>

(Unit : Million Baht)

Separate financial statements											
2006											
Assets						Liabilities				Contingencies	
Interbank and money market items	Investments in debt securities	Loans	Accrued interest receivable	Other assets	Interbank and money market items	Borrowings and debentures	Accrued interest payable	Other liabilities	Guarantees of loans	Other commitments	
Subsidiaries											
Thanachart Bank Plc.	74	3,000	-	12	48	39,600	-	-	6	-	-
Thanachart Group Leasing Co., Ltd.	-	-	565	-	-	-	-	-	20	-	-
National Leasing Co., Ltd.	-	-	529	-	-	-	-	-	22	-	-
Max Asset Management Co., Ltd.	-	-	358	16	-	-	-	-	-	-	-
Thanachart Insurance Co., Ltd.	-	-	-	-	1	-	15	-	4	-	-
Others	-	-	-	-	2	-	-	-	6	-	-
Associated companies											
MBK Plc.	-	-	-	-	4	-	-	-	-	-	-
Related companies											
Siam Commercial Bank Plc.	45	-	-	-	-	-	-	-	-	-	8,316
Others	29	-	11	-	1	-	-	-	2	10	-
Total	<u>148</u>	<u>3,000</u>	<u>1,463</u>	<u>28</u>	<u>56</u>	<u>39,600</u>	<u>15</u>	<u>-</u>	<u>60</u>	<u>10</u>	<u>8,316</u>

As at 31 December 2007, the Company and its subsidiaries have investments amounting to approximately Baht 1,285 million (separate financial statements : Baht 1,085 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 2007 and 2006, the Company and its subsidiaries had the following related party transactions with executive employees from department manager level up :-

	(Unit : Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Loans	52	54	4	6
Deposits	399	572	-	-

Remunerations to key management personnel

During the year 2007, the Company and its subsidiaries paid salaries, meeting allowance and gratuities to their key management personnel, including directors totaling Baht 240 million (separate financial statements : Baht 44 million).

36. FINANCIAL INFORMATION BY SEGMENT

Financial information presented in the consolidated financial statements as at 31 December 2007 and 2006 and for the years then ended, is presented below by segment.

	(Unit : Million Baht)													
	For the year ended 31 December													
	The Company		Asset management business		Banking business		Securities business		Other business		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,989	2,182	(160)	(253)	5,132	4,742	126	149	454	409	(494)	(1,244)	7,047	5,985
Share of income from investments accounted for under equity method	-	-	-	-	-	-	-	-	-	-	271	223	271	223
Non-interest income	2,666	926	736	1,131	1,941	1,358	1,304	1,126	5,994	3,246	(2,236)	(367)	10,405	7,420
Non-interest expenses	(845)	(1,617)	(177)	(156)	(6,041)	(5,770)	(926)	(909)	(5,875)	(3,294)	1,015	703	(12,849)	(11,043)
Corporate income tax	(1,060)	(305)	(221)	(330)	(41)	(105)	(144)	(104)	(239)	(121)	-	-	(1,705)	(965)
Minority interest in net	-	-	-	-	-	-	-	-	-	-	(351)	(152)	(351)	(152)

income in subsidiaries														
Net income	<u>2,750</u>	<u>1,186</u>	<u>178</u>	<u>392</u>	<u>991</u>	<u>225</u>	<u>360</u>	<u>262</u>	<u>334</u>	<u>240</u>	<u>(1,795)</u>	<u>(837)</u>	<u>2,818</u>	<u>1,468</u>

(Unit : Million Baht)

As at 31 December														
	Asset management												Total	
	The Company		business		Banking business		Securities business		Other business		Eliminations			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Investments - Net	24,454	27,621	1,621	4,619	19,968	21,895	1,020	1,018	7,685	4,810	(25,874)	(25,197)	28,874	34,766
Loans and accrued interest receivable - Net (including interbank and money market items)	23,427	47,275	2,846	3,678	259,286	221,634	2,493	2,393	8,245	6,083	(24,801)	(52,680)	271,496	228,383
Land, premises and equipment - Net	220	344	1	2	1,783	1,198	131	153	173	61	-	-	2,308	1,758
Other assets	3,151	3,683	3,615	3,992	10,061	12,709	357	105	1,628	978	(234)	(145)	18,578	21,322
Total assets	<u>51,252</u>	<u>78,923</u>	<u>8,083</u>	<u>12,291</u>	<u>291,098</u>	<u>257,436</u>	<u>4,001</u>	<u>3,669</u>	<u>17,731</u>	<u>11,932</u>	<u>(50,909)</u>	<u>(78,022)</u>	<u>321,256</u>	<u>286,229</u>

37. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2007 and 2006, the significant commitments and contingent liabilities consisted of the following :-

37.1

(Unit : Million Baht)

	Consolidated financial statements					
	2007			2006		
	Foreign		Total	Foreign		Total
	Baht	currencies		Baht	currencies	
Avals to bills	24	-	24	54	-	54
Guarantees of loans	10	-	10	10	-	10
Liabilities under unmatured import bills	-	25	25	-	19	19
Letters of credit	-	399	399	2	92	94
Other commitments						
Obligations under interest rate swap agreements	38,930	-	38,930	46,636	-	46,636
Obligations under forward exchange contracts						
Bought contracts	-	1,555	1,555	-	82	82
Sold contracts	-	37,776	37,776	-	21,929	21,929
Obligations under cross currency and interest rate swap contracts - sold contracts	-	1,350	1,350	-	1,868	1,868
Committed (but not drawn) overdraft	2,673	-	2,673	1,663	-	1,663

Other guarantees	<u>2,468</u>	<u>495</u>	<u>2,963</u>	<u>1,385</u>	<u>4</u>	<u>1,389</u>
Total contingencies and commitments	<u>44,105</u>	<u>41,600</u>	<u>85,705</u>	<u>49,750</u>	<u>23,994</u>	<u>73,744</u>

(Unit : Million Baht)

	Separate financial statements					
	2007			2006		
	Foreign			Foreign		
	Baht	currencies	Total	Baht	currencies	Total
Guarantees of loans	10	-	10	10	-	10
Other commitments						
Obligation under interest rate swap agreements	10,600	-	10,600	19,986	-	19,986
Other guarantees	1	-	1	1	-	1
Total contingencies and commitments	10,611	-	10,611	19,997	-	19,997

37.2 During the years 2001 to 2003, the Company and its subsidiaries entered into agreements to sell loans with transfer prices totaling approximately Baht 3,414 million to the Thai Asset Management Corporation (“TAMC”). The Company and its subsidiaries 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 subsidiaries 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 subsidiaries 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 subsidiaries at this stage. However, as at 31 December 2007, the Company and its subsidiaries have estimated their share of the losses which may arise from the management of non-performing assets at approximately Baht 557 million (separate financial statements : Baht 183 million). This is presented as a part of the allowance for impairment of investment in TAMC’s notes (2006 : Baht 443 million and Baht 137 million, respectively).

- 37.3** The Company and a subsidiary company have entered into agreements to sell housing loans/ transfer rights of claim in housing debts 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 selling price of the said receivables, or approximately Baht 5 million in the consolidated financial statements and Baht 2 million in separate financial statements.
- 37.4** Thanachart Bank Plc., a 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.
- 37.5** As at 31 December 2007, the Company and its subsidiaries 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	Separate	
	financial statements	financial statements	
	Other companies	Other companies	Subsidiaries
2008	442	30	4
2009	227	19	4
2010 onward	384	34	7

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.

- 37.6** As at 31 December 2007, 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.

37.7 Under the agreements among the Company, the Bank and BNSAL, the Company and the Bank have to disclose information relating to business, business performance, operations and legal compliance of the Bank and the Bank's subsidiaries, and certify the correctness of the disclosed information, to assist BNSAL in deciding whether to purchase shares in the Bank. In the event that the Bank or its subsidiaries have to pay any damages, compensation or penalties to any other parties as a result of events or information which the Company and the Bank failed to disclose to BNSAL before it purchases shares in the Bank, the Company and the Bank will jointly compensate BNSAL for its losses in accordance with the principles stipulated in the agreements, but not beyond the prescription period stipulated by Thai laws for each damages claim.

In addition, under the Shareholders' Agreement between the Company and BNSAL there are mutual agreements whereby the Company and its subsidiaries have certain stipulated rights and obligations per the conditions therein, with no expiry date on such obligations. However, the management of the Company and the Bank believe that the Company, the Bank and the Bank's subsidiaries operate their businesses under adequate supervision and therefore no material losses will result which would significantly affect the Company, the Bank and its subsidiaries financial positions.

38. LITIGATION

As at 31 December 2007, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 1,340 million as a result of litigation (separate financial statements : Baht 832 million). The cases are not yet finalised. However, the Company and its subsidiaries' management expect that no losses will result and therefore no liabilities are currently recorded.

39. BANK GUARANTEE

As at 31 December 2007, there were outstanding bank guarantees of approximately Baht 6 million (separate financial statements : Baht 5 million) issued by banks on behalf of the Company and its subsidiaries as guarantees for the use of electricity and the rental of land.

40. 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 2007, the Company has no policy to speculate or trade in any off-balance sheet derivative financial instruments.

40.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Company and its subsidiaries. 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, guarantees of loans and other guarantees.

The Company and its subsidiaries 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.

40.2 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 subsidiaries' 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 subsidiaries 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 2007, financial assets and liabilities classified by types of interest rate are as follows :-

(Unit : Million Baht)

	Consolidated financial statements				Separate financial statements			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets								
Cash	-	-	3,275	3,275	-	-	-	-
Interbank and money market items	606	36,192	3,534	40,332	22	-	249	271
Securities purchased under resale agreements	-	2,500	-	2,500	-	-	-	-
Investments	2,278	21,903	5,313	29,494	1,284	4,280	19,025	24,589
Receivables from clearing house	-	-	244	244	-	-	-	-
Loans (include intercompany gain on loan transferred)	33,154	204,966	1,415	239,535	154	24,543	97	24,794
Financial liabilities								
Deposits	60,200	130,007	419	190,626	-	-	-	-
Interbank and money market items	984	3,189	596	4,769	-	12,500	-	12,500
Securities business payable	-	-	1,244	1,244	-	-	-	-
Borrowings	-	76,445	-	76,445	-	12,730	-	12,730
Liabilities payable on demand	-	-	1,329	1,329	-	-	-	-

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 date (whichever is the earlier) are presented below :-

(Unit : Million Baht)

Transactions	Consolidated financial statements						Weighted Average interest rates Percentage
	Repricing or maturity date					Total	
	At call	0-3	3-12	1 - 5	Over 5		
		months	months	years	years		
Financial assets							
Interbank and money market items	87	34,447	1,658	-	-	36,192	4.22 - 5.14
Securities purchased under							
resale agreements	-	2,500	-	-	-	2,500	3.22
Investments	-	4,860	2,705	11,607	2,731	21,903	3.83 - 4.03
Loans (include intercompany gain on loan transferred)	1,239	4,752	8,799	157,484	32,692	204,966	6.65 - 10.36
Financial liabilities							
Deposits	8	65,579	61,829	2,591	-	130,007	3.13
Interbank and money market items	1,150	787	242	1,010	-	3,189	3.54
Borrowings	-	49,860	18,888	7,697	-	76,445	3.32 - 4.17

(Unit : Million Baht)

Transactions	Separate financial statements						Weighted average interest rates Percentage
	Repricing or maturity date					Total	
	At call	0-3	3-12	1 - 5	Over 5		
		months	months	years	years		
Financial assets							
Investments	-	1,280	-	-	3,000	4,280	5.24
Loans	2,010	343	3,774	18,416	-	24,543	6.65
Financial liabilities							
Interbank and money market items	12,500	-	-	-	-	12,500	4.38
Borrowings	-	1,650	7,080	4,000	-	12,730	3.32

In addition, the Company and its subsidiaries have interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Company and its subsidiaries for the year ended 31 December 2007, and the average rate of interest income and expense, can be summarised as follows :-

(Unit : Million Baht)

	Consolidated financial statements			Separate financial statements		
	Average balance	Interest and dividend	Average rate	Average balance	Interest and dividend	Average rate
<u>Interest bearings financial assets</u>						
Interbank and money market items	22,972	828	3.61	506	13	2.57
Securities purchased under resale agreements	11,415	446	3.91	-	-	-
Investments	34,376	1,343	3.91	25,676	528	2.06
Loans/hire-purchase and finance lease	212,448	16,182	7.62	35,487	2,443	6.88
<u>Interest bearings financial liabilities</u>						
Deposits	199,532	7,228	3.62	-	-	-
Interbank and money market items	6,138	169	2.75	25,099	1,275	5.08
Borrowings	55,190	2,304	4.18	15,091	572	3.79

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 the Bank of Thailand's regulation.

The status of the Company and its subsidiaries' foreign currency balances as at 31 December 2007 can be summarised as follows :-

(Unit : Million Baht)

	Consolidated financial statements				Separate financial statements			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	US				US			
	dollar	Euro	Yen	Others	dollar	Euro	Yen	Others
<u>Foreign currency - in balance</u>								
Cash	107	60	3	44	-	-	-	-
Interbank and money market items	35,635	73	18	56	-	-	-	-
Investments	1,350	-	-	-	-	-	-	-
Loans	399	-	-	-	-	-	-	-
Other assets - accrued interest receivable	14	-	-	-	-	-	-	-
Total assets	37,505	133	21	100	-	-	-	-
Liability-deposits	628	-	-	-	-	-	-	-
Net foreign currency in balance	36,877	133	21	100	-	-	-	-
<u>Foreign currency - off balance</u>								
Liabilities under unmatured import								
bills	16	9	-	-	-	-	-	-
Letters of credit	379	2	2	16	-	-	-	-
Foreign currency forward and spot contracts								
- Bought contracts	1,337	-	10	208	-	-	-	-
- Sold contracts	37,084	260	61	371	-	-	-	-
Cross currency and interest rate swap contracts - sold contracts								
	1,350	-	-	-	-	-	-	-
Others	297	-	-	198	-	-	-	-

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.

40.3 Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries 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 subsidiaries manage 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 2007 are as follows :-

(Unit : Million Baht)

Transactions	Consolidated financial statements					Separate financial statements				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets										
Cash	3,275	-	-	-	3,275	-	-	-	-	-
Interbank and money market items	4,176	36,136	20	-	40,332	251	-	20	-	271
Securities purchased under resale agreements	-	2,500	-	-	2,500	-	-	-	-	-
Investments	2,278	5,237	16,701	5,278	29,494	1,284	800	3,480	19,025	24,589
Receivables from clearing house	-	244	-	-	244	-	-	-	-	-
Loans ⁽¹⁾	13,104	16,641	209,790	-	239,535	3,009	3,937	17,848	-	24,794
Financial liabilities										
Deposits	58,216	129,033	3,377	-	190,626	-	-	-	-	-
Interbank and money market items	2,730	979	1,060	-	4,769	12,500	-	-	-	12,500
Securities business payable	-	1,244	-	-	1,244	-	-	-	-	-
Borrowings	-	65,398	11,047	-	76,445	-	8,230	4,500	-	12,730
Liabilities payable on demand	1,329	-	-	-	1,329	-	-	-	-	-
Off-balance sheet items :-										
Avals to bills and guarantee of loans	10	24	-	-	34	10	-	-	-	10
Liability under unmatured import bills	-	25	-	-	25	-	-	-	-	-
Letters of credit	8	391	-	-	399	-	-	-	-	-
Other commitments	2,768	49,342	31,841	1,296	85,247	1	2,600	8,000	-	10,601

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

40.4 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 subsidiaries 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 reason as described above.

As at 31 December 2007, there are no material differences between the book values of financial instruments and their fair values. However, the fair value of held-to-maturity debt securities are Baht 299 million lower than their book value and fair value of investment in associated companies are Baht 1,077 million over than their book value (separate financial statements : the fair value of held-to-maturity debt securities and investment in associated companies are Baht 90 million and Baht 622 million, respectively, over than their book value).

40.5 Financial derivatives

The Company and its subsidiary company engage in financial derivatives activities as required in the normal course of their business to manage risk. The subsidiary company engages in other 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 they require 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 2007, financial derivatives to which the Company and its subsidiary company are a party can be classified by period to maturity as follows:

	(Unit : Million Baht)					
	Consolidated financial statements			Separate financial statements		
	Less than		Total	Less than		Total
1 year	Over 1 year	1 year		Over 1 year		
Foreign currency forward and spot contracts						
- Bought	1,555	-	1,555	-	-	-
- Sold	37,776	-	37,776	-	-	-
Cross currency swap contracts						
- Sold	675	675	1,350	-	-	-
Interest rate swap contracts						
- Fixed interest rate payment	600	14,020	14,620	150	4,000	4,150
- Floating interest rate payment	3,395	1,450	4,845	1,150	-	1,150
- Fixed interest rate receipt	3,395	1,450	4,845	1,150	-	1,150
- Floating interest rate receipt	600	14,020	14,620	150	4,000	4,150

41. RECLASSIFICATION

In addition to the change in accounting policy mentioned in Note 4, which affects the previously reported net income and shareholders' equity, certain other amounts in the financial statements as at 31 December 2006 and for the year then ended have been reclassified to conform to the current year's classification, with no effect on previously reported net income and shareholders' equity other than from the change in accounting policies.

42. SUBSEQUENT EVENT

On 28 February 2008, the Board of Directors of the Company passed a resolution to propose the payment of a dividend of Baht 0.60 per share to the ordinary shareholders and preference shareholders in respect of the operating results for the second half-year of 2007, a total of Baht 800 million.

43. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2008.