

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

**Report of Independent Auditor**

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

I have audited the accompanying consolidated balance sheet of Thanachart Capital Public Company Limited and its subsidiary companies as at 30 June 2006, the related consolidated statements of earnings, changes in shareholders’ equity, and cash flows for the six-month period then ended, and the separate financial statements of Thanachart Capital Public Company Limited for the same period. These financial statements are the responsibility of the Company’s management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. The consolidated balance sheet as at 31 December 2005, the consolidated statements of earnings, changes in shareholders’ equity and cash flows for the six-month period ended 30 June 2005 as presented herein for comparative purposes, formed an integral part of the financial statements audited by another auditor of the same firm who, under his reports dated 23 February 2006 and 25 August 2005, respectively, expressed an unqualified opinion on the financial statements, but drew attention to the financial business restructuring plan of the Thanachart Group.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Capital Public Company Limited and its subsidiary companies and of Thanachart Capital Public Company Limited as at 30 June 2006 and the results of their operations and cash flows for the six-month period then ended in accordance with generally accepted accounting principles.

I have reviewed the statement of earnings for the three-month period ended 30 June 2006, which are the responsibility of the Company's management as to their correctness and the completeness of the presentation. I conducted my review in accordance with auditing standard applicable to review engagements, which provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion on the earnings statement which I have reviewed. Based on my review, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles. The statement of earnings for the three-month period ended 30 June 2005, as presented herein for comparative purposes, formed an integral part of interim financial statements, were reviewed by another auditor who, under his report dated 25 August 2005, stated that nothing has come to his attention that causes him to believe that the accompanying financial statements are not presented fairly, in all material respect, in accordance with generally accepted accounting principles, but drew attention to the financial business restructuring plan of the Thanachart Group.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok : 24 August 2006

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

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

BALANCE SHEETS

AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		30 June 2006	31 December 2005	30 June 2006	31 December 2005
<b>ASSETS</b>					
CASH		1,799,858,248	800,953,623	40,000	40,000
INTERBANK AND MONEY MARKET ITEMS	4				
Domestic					
Interest bearing		852,067,365	348,517,245	7,804,501	-
Non-interest bearing		3,290,641,538	4,506,238,603	345,829,846	830,931,573
		4,142,708,903	4,854,755,848	353,634,347	830,931,573
Foreign - Non-interest bearing		88,079,712	57,631,976	-	-
Total interbank and money market items - Net		4,230,788,615	4,912,387,824	353,634,347	830,931,573
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	5	55,700,000,000	19,700,000,000	-	7,200,000,000
<b>INVESTMENTS</b>					
Current investments - Net	6	11,025,007,066	5,838,033,733	8,522,190	8,687,958
Long-term investments - Net	6	22,950,814,301	25,714,103,186	2,376,296,892	2,944,895,141
Investments in subsidiary and associated companies	7	1,703,492,149	1,651,305,657	22,385,583,552	21,780,437,475
Net investments		35,679,313,516	33,203,442,576	24,770,402,634	24,734,020,574
<b>RECEIVABLES FROM CLEARING HOUSE - THAILAND</b>					
SECURITIES DEPOSITORY		283,238,797	163,920,465	-	-
<b>LOANS AND ACCRUED INTEREST RECEIVABLE</b>					
Loans	8	183,682,382,454	160,366,136,079	64,756,026,495	83,114,934,098
Securities business receivable		1,750,352,554	2,355,890,901	-	-
Total loans		185,432,735,008	162,722,026,980	64,756,026,495	83,114,934,098
Accrued interest receivable		239,619,158	239,194,089	25,362,992	36,525,524
Total loans and accrued interest receivable		185,672,354,166	162,961,221,069	64,781,389,487	83,151,459,622
Less : Allowance for doubtful accounts	9	(6,883,063,451)	(6,914,239,097)	(2,875,598,875)	(3,244,646,946)
Less : Revaluation allowance for debt restructuring	10	(193,517,027)	(189,062,423)	-	(5,412)
Net loans and accrued interest receivable		178,595,773,688	155,857,919,549	61,905,790,612	79,906,807,264
PROPERTY FORECLOSED - Net	12	8,069,584,415	8,144,539,193	3,207,640,026	3,260,212,829
LAND, PREMISES AND EQUIPMENT - Net	13	1,446,306,393	1,277,893,326	404,565,106	559,767,960
INTANGIBLE ASSETS - LEASEHOLD RIGHT AND SOFTWARE		450,364,933	368,590,778	250,438,039	231,900,532
GOODWILL		2,787,293	3,406,691	-	-
<b>AMOUNT BY WHICH VALUE OF INVESTMENTS IS</b>					
LOWER THAN BOOK VALUE		(24,682,330)	(31,253,534)	-	-
VALUE ADDED TAX RECEIVABLE		1,524,617,919	2,324,184,801	-	-
OTHER ASSETS	14	1,667,252,639	1,347,015,249	216,778,340	212,073,212
<b>TOTAL ASSETS</b>		<b>289,425,204,126</b>	<b>228,073,000,541</b>	<b>91,109,289,104</b>	<b>116,935,753,944</b>

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

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

BALANCE SHEETS (Continued)

AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		30 June 2006	31 December 2005	30 June 2006	31 December 2005
LIABILITIES AND SHAREHOLDERS' EQUITY					
DEPOSITS					
	15				
Deposits in Baht		210,082,315,070	148,366,837,216	-	-
Deposits in foreign currencies		1,394,698	4,371,735	-	-
Total deposits		210,083,709,768	148,371,208,951	-	-
INTERBANK AND MONEY MARKET ITEMS					
	16				
Domestic					
Interest bearing		1,874,164,236	2,555,752,247	50,500,395,185	75,700,134,654
Non-interest bearing		51,215,275	45,096,841	-	-
		1,925,379,511	2,600,849,088	50,500,395,185	75,700,134,654
Foreign - Interest bearing		29,130,239	-	-	-
Net interbank and money market items		1,954,509,750	2,600,849,088	50,500,395,185	75,700,134,654
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	17	100,000,000	200,000,000	-	-
PAYABLE TO CLEARING HOUSE - THAILAND					
SECURITIES DEPOSITORY		120,843,715	25,438,892	-	-
SECURITIES BUSINESS PAYABLE		684,457,413	1,057,862,946	-	-
BORROWINGS					
	18				
Short-term borrowings		515,760,000	1,254,460,000	-	968,700,000
Long-term borrowings		40,393,285,267	40,695,574,728	16,138,300,000	16,138,300,000
Total borrowings		40,909,045,267	41,950,034,728	16,138,300,000	17,107,000,000
ACCRUED INTEREST PAYABLE		1,879,367,596	1,255,047,454	124,589,725	102,953,487
LIABILITIES PAYABLE ON DEMAND		887,642,462	997,155,289	-	-
CORPORATE INCOME TAX PAYABLE		547,611,157	470,714,418	208,075,179	299,646,985
UNEARNED PREMIUM RESERVE		953,450,115	704,370,473	-	-
LIFE PREMIUM RESERVE		3,266,598,446	3,131,826,050	-	-
OTHER LIABILITIES	19	4,079,698,832	3,922,901,125	970,928,300	1,087,189,599
TOTAL LIABILITIES		265,466,934,521	204,687,409,414	67,942,288,389	94,296,924,725

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

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

BALANCE SHEETS (Continued)

AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		30 June 2006	31 December 2005	30 June 2006	31 December 2005
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	20				
Registered					
19,546 preference shares of Baht 10 each and					
1,333,134,457 ordinary shares of Baht 10 each		13,331,540,030	23,331,540,030	13,331,540,030	23,331,540,030
(31 December 2005 : 19,546 preference shares of Baht 10 each and					
2,333,134,457 ordinary shares of Baht 10 each)					
Issued and paid up					
19,546 preference shares of Baht 10 each		195,460	195,460	195,460	195,460
1,333,134,457 ordinary shares of Baht 10 each		13,331,344,570	13,331,344,570	13,331,344,570	13,331,344,570
		13,331,540,030	13,331,540,030	13,331,540,030	13,331,540,030
Share premium		2,065,644,888	2,065,644,888	2,065,644,888	2,065,644,888
Surplus from revaluation of assets of an associated company		524,837,414	540,420,162	524,837,414	540,420,162
Revaluation surplus on investments	21	336,154,228	321,008,326	336,154,228	321,008,326
Revaluation deficit on investments	21	(1,064,908,675)	(1,151,186,364)	(1,064,908,675)	(1,151,186,364)
Retained earnings					
Appropriated - statutory reserve	22	523,975,925	523,975,925	523,975,925	523,975,925
Unappropriated		7,449,756,905	7,007,426,252	7,449,756,905	7,007,426,252
Equity attributable to Company's shareholders		23,167,000,715	22,638,829,219	23,167,000,715	22,638,829,219
Minority interest - equity attributable to minority					
shareholders of subsidiaries		791,268,890	746,761,908	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>23,958,269,605</b>	<b>23,385,591,127</b>	<b>23,167,000,715</b>	<b>22,638,829,219</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>289,425,204,126</b>	<b>228,073,000,541</b>	<b>91,109,289,104</b>	<b>116,935,753,944</b>
<b>OFF-BALANCE SHEET ITEMS - CONTINGENCIES</b>					
Avals to bills and guarantees of loans	34.1	69,312,500	249,200,000	10,000,000	10,000,000
Liability under unmatured import bills		10,162,944	3,717,431	-	-
Letter of credits		549,397,380	635,370,238	-	-
Other contingencies		53,379,524,561	52,527,863,851	19,986,966,747	21,724,366,747

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

DIRECTORS

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

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

STATEMENTS OF EARNINGS

FOR THE THREE-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
		(Unaudited/ but reviewed)	(Unaudited/ but reviewed)	(Unaudited/ but reviewed)	(Unaudited/ but reviewed)
<b>INTEREST AND DIVIDEND INCOME</b>					
Loans		746,873,853	588,451,396	35,713,424	189,216,382
Interbank and money market items		688,501,203	116,029,786	2,958,102	50,306,302
Hire purchase and financial lease		2,524,008,925	1,691,428,505	1,148,302,098	1,656,871,124
Investments		325,541,541	265,955,170	25,940,656	63,025,161
Total interest and dividend income		4,284,925,522	2,661,864,857	1,212,914,280	1,959,418,969
<b>INTEREST EXPENSES</b>					
Deposits		2,103,525,520	699,859,581	-	456,522,602
Interbank and money market items		26,496,599	18,576,719	944,819,520	248,329,847
Short-term borrowings		4,395,334	5,131,790	2,511,452	3,434,253
Long-term borrowings		430,639,389	303,179,440	143,660,449	108,197,510
Total interest expenses		2,565,056,842	1,026,747,530	1,090,991,421	816,484,212
Net interest and dividend income		1,719,868,680	1,635,117,327	121,922,859	1,142,934,757
<b>REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS</b>					
(BAD DEBT AND DOUBTFUL ACCOUNTS)		82,307,442	330,308,672	173,641,517	(97,818,620)
<b>LOSS ON DEBT RESTRUCTURING</b>					
		(34,505,435)	(212,987,931)	(193,170)	-
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		1,767,670,687	1,752,438,068	295,371,206	1,045,116,137
<b>NON-INTEREST INCOME</b>					
Brokerage fees		131,973,604	127,195,768	-	-
Gain (loss) on investments		83,350,992	(23,694,598)	37,042,208	(67,042,190)
Share of profit from investments in subsidiary and associated companies accounted for under equity method - net		63,412,153	35,893,753	393,291,595	498,845,828
Fees and service income					
Acceptances, aval and guarantees		3,833,987	2,903,875	-	-
Others		109,391,399	79,668,348	92,116	6,078,817
Discounted income on insurance premium		143,764,821	133,345,667	21,781,815	99,400,707
Gain on debt settlement/property transferred in settlement of debts		55,770,719	179,461,970	120,656	4,085,778
Insurance premium/life insurance premium income		636,717,212	472,985,113	-	-
Gain (loss) on property foreclosed		27,332,501	105,017,929	(23,541,532)	27,615,257
Other income		203,722,339	145,876,372	136,077,820	121,393,743
Total non-interest income		1,459,269,727	1,258,654,197	564,864,678	690,377,940

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

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

STATEMENTS OF EARNINGS (Continued)

FOR THE THREE-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
		(Unaudited/ but reviewed)	(Unaudited/ but reviewed)	(Unaudited/ but reviewed)	(Unaudited/ but reviewed)
NON-INTEREST EXPENSES					
Personnel expenses		587,594,534	459,540,670	59,715,949	135,944,967
Premises and equipment expenses		249,178,803	218,905,899	82,663,065	118,776,714
Taxes and duties		139,747,463	63,583,344	3,359,214	29,236,758
Fees and service expenses		15,717,273	20,894,752	-	-
Directors' remuneration		19,422,872	16,149,825	13,258,982	11,493,328
Fund contributed to the Financial Institutions Development Fund		148,924,563	136,810,047	-	90,770,626
Commission and expenses charged on hire-purchase		439,640,531	278,407,031	31,058,079	217,326,274
Insurance/life insurance expenses		510,926,862	383,259,024	-	-
Other expenses		500,989,198	302,621,913	233,388,556	214,983,653
Total non-interest expenses		2,612,142,099	1,880,172,505	423,443,845	818,532,320
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST		614,798,315	1,130,919,760	436,792,039	916,961,757
CORPORATE INCOME TAX		(213,146,873)	(342,557,684)	(76,036,405)	(135,602,545)
EARNINGS BEFORE MINORITY INTEREST		401,651,442	788,362,076	360,755,634	781,359,212
MINORITY INTEREST IN NET EARNINGS IN					
SUBSIDIARY COMPANIES		(40,895,808)	(7,002,864)	-	-
NET EARNINGS FOR THE PERIOD		360,755,634	781,359,212	360,755,634	781,359,212
EARNINGS PER SHARE					
	31				
Basic earnings per share		0.27	0.59	0.27	0.59
Diluted earnings per share		0.27	0.59	0.27	0.59

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



THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

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

STATEMENTS OF EARNINGS

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
<b>INTEREST AND DIVIDEND INCOME</b>					
Loans		1,362,156,715	1,036,887,279	87,276,340	365,385,697
Interbank and money market items		948,270,869	190,831,887	85,899,660	76,952,192
Hire purchase and financial lease		4,730,375,061	3,264,524,731	2,451,694,926	3,212,250,149
Investments		650,322,511	535,911,000	75,558,037	140,652,331
Total interest and dividend income		7,691,125,156	5,028,154,897	2,700,428,963	3,795,240,369
<b>INTEREST EXPENSES</b>					
Deposits		3,366,965,702	1,327,522,658	-	872,119,692
Interbank and money market items		46,294,909	35,792,419	1,963,146,075	424,869,759
Short-term borrowings		11,952,516	7,137,152	8,205,075	3,638,842
Long-term borrowings		809,550,226	569,035,163	262,511,839	218,253,984
Total interest expenses		4,234,763,353	1,939,487,392	2,233,862,989	1,518,882,277
Net interest and dividend income		3,456,361,803	3,088,667,505	466,565,974	2,276,358,092
<b>REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS</b>					
(BAD DEBT AND DOUBTFUL ACCOUNTS)	23	33,225,629	146,008,461	369,221,346	(330,093,104)
<b>LOSS ON DEBT RESTRUCTURING</b>					
	24	(48,580,491)	(283,470,276)	(247,820)	-
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		3,441,006,941	2,951,205,690	835,539,500	1,946,264,988
<b>NON-INTEREST INCOME</b>					
Brokerage fees		337,231,347	279,213,639	-	-
Gain (loss) on investments	25	254,479,525	108,027,344	164,983,492	(45,865,080)
Share of profit from investments in subsidiary and associated companies accounted for under equity method - net		119,867,572	84,436,682	922,223,705	914,521,402
Fees and service income					
Acceptances, aval and guarantees		7,282,312	5,750,230	-	-
Others		212,364,100	146,348,890	980,448	12,176,800
Discounted income on insurance premium		313,318,034	248,066,936	51,625,067	211,236,497
Gain on debt settlement/property transferred in settlement of debts		320,622,064	431,553,572	22,404,214	8,607,710
Insurance premium/life insurance premium income		1,215,636,012	724,271,660	-	-
Gain (loss) on property foreclosed	26	350,797,800	127,809,531	(59,996,123)	56,027,276
Other income		430,473,320	269,699,067	273,414,338	234,222,997
Total non-interest income		3,562,072,086	2,425,177,551	1,375,635,141	1,390,927,602

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

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

STATEMENTS OF EARNINGS (Continued)

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
NON-INTEREST					
Personnel expenses	27	1,180,298,015	920,803,972	130,751,335	285,975,220
Premises and equipment expenses		499,484,061	391,235,880	184,412,608	219,052,144
Taxes and duties		269,842,896	131,171,347	9,385,980	57,198,500
Fees and service expenses		24,620,129	42,255,614	-	-
Directors' remuneration	28	24,328,622	21,578,575	15,465,232	13,674,578
Fund contributed to the Financial Institutions Development Fund		319,892,496	273,620,094	22,043,370	181,541,252
Commission and expenses charged on hire-purchase		912,076,931	521,800,413	61,333,745	460,719,656
Insurance/life insurance expenses		1,023,062,424	578,904,493	-	-
Other expenses		977,213,556	549,353,615	462,582,401	408,374,585
Total non-interest expenses		5,230,819,130	3,430,724,003	885,974,671	1,626,535,935
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST		1,772,259,897	1,945,659,238	1,325,199,970	1,710,656,655
CORPORATE INCOME TAX	29	(603,690,645)	(470,296,250)	(216,397,211)	(242,197,459)
EARNINGS BEFORE MINORITY INTEREST		1,168,569,252	1,475,362,988	1,108,802,759	1,468,459,196
MINORITY INTEREST IN NET EARNINGS IN SUBSIDIARY COMPANIES		(59,766,493)	(6,903,792)	-	-
NET EARNINGS FOR THE PERIOD		1,108,802,759	1,468,459,196	1,108,802,759	1,468,459,196
EARNINGS PER SHARE					
Basic earnings per share	31	0.83	1.10	0.83	1.10
Diluted earnings per share		0.83	1.10	0.83	1.10

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

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

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities</b>				
Net earnings	1,108,802,759	1,468,459,196	1,108,802,759	1,468,459,196
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities :-				
Minority interest in earnings of subsidiary companies	59,766,493	6,903,792	-	-
Share of gain on investment under equity method	(119,867,572)	(84,436,682)	(922,223,705)	(914,521,402)
Depreciation and amortisation	171,949,493	124,223,948	62,395,793	65,123,881
Bad debt and doubtful accounts and loss on debt restructuring (reversal of bad debt and doubtful accounts and loss on debt restructuring)	15,354,863	137,461,815	(368,973,526)	330,093,104
Increase in provision for impairment of property foreclosed	149,993,174	14,386,897	84,056,152	18,079,370
Increase in provision for impairment of equipment/other assets	164,988,915	76,677,361	112,915,797	74,089,845
Increase (decrease) in provision for impairment/revaluation of investment	(3,790,708)	33,414,471	10,707,350	(819,309)
Amortisation of deferred gain on disposal of property foreclosed	(49,485,748)	(60,224,094)	(8,587,930)	(3,430,787)
Amortisation of premium/discounts on investments in debt securities and negotiable certificates of deposit	237,732,269	75,339,166	-	6,016,623
Amortisation of deferred interest on borrowings	14,142,540	14,096,614	-	-
Amortisation of goodwill and amount by which value of investments is lower than book value - net	(5,951,805)	(3,219,399)	-	-
Gain on exchange rate and financial derivatives	(21,589,380)	-	-	-
Increase in unearned premium reserve/life insurance premium reserve	312,326,273	259,984,935	-	-
Gain on debt settlement/property transferred in settlement of debt	(9,623,017)	(76,484,255)	-	-
Loss (gain) on disposal of equipment	(13,409,117)	1,729,808	(9,065,304)	1,731,412
Decrease (increase) in accrued interest and dividend receivable	(89,266,680)	(100,598,793)	17,789,596	33,601,428
Amortisation of deferred interest on hire-purchase and deferred income	(4,730,375,061)	(3,269,553,410)	(2,451,694,926)	(3,212,115,707)
Decrease (increase) in other income receivable	21,175,744	(56,975,150)	8,549,603	19,533,514
Increase (decrease) in accrued interest payable	624,320,142	(17,698,755)	21,636,237	18,618,453
Earnings (loss) from operating activities before changes in operating assets and liabilities	(2,162,806,423)	(1,456,512,535)	(2,333,692,104)	(2,095,540,379)

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

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

STATEMENTS OF CASH FLOWS (Continued)

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Decrease (increase) in operating assets				
Securities purchased under resale agreements	(36,000,000,000)	(11,300,000,000)	7,200,000,000	(9,800,000,000)
Interbank and money market items	684,391,341	(716,984,801)	477,297,226	(159,857,073)
Investment in trading securities	(9,561,690)	(4,107,410)	-	-
Receivables from clearing house - Thailand Securities Depository	(119,318,332)	(170,091,706)	-	-
Loans	(19,134,615,244)	(11,557,898,676)	20,187,585,874	(4,188,970,999)
Property foreclosed	1,238,091,733	786,715,033	646,761,504	561,269,334
Other assets	445,734,937	(158,828,832)	(135,209,367)	157,629,394
Increase (decrease) in operating liabilities				
Deposits	61,712,500,817	10,215,198,010	-	(1,399,093,034)
Interbank and money market items	(646,339,338)	(310,358,582)	(25,199,739,468)	14,449,432,701
Short-term borrowings	(316,432,001)	843,700,000	-	968,700,000
Securities sold under repurchase agreements	(100,000,000)	200,000,000	-	-
Payable to clearing house - Thailand Securities Depository	95,404,822	(139,304,927)	-	-
Securities business payable	(373,405,533)	146,379,817	-	-
Liability payable on demand	(109,512,827)	504,398,850	-	-
Other liabilities	361,532,806	232,031,911	(194,073,548)	(6,745,919)
Net cash flows from (used in) operating activities	<u>5,565,665,068</u>	<u>(12,885,663,848)</u>	<u>648,930,117</u>	<u>(1,513,175,975)</u>
<b>Cash flows from investing activities</b>				
Decrease (increase) in long-term investments	(2,917,626,485)	7,799,932,610	445,966,417	3,181,188,624
Cash paid for purchase of investments in a subsidiary company - net	-	(132,165,483)	-	(249,997,000)
Dividend received from subsidiary and associated companies	68,581,859	58,411,378	421,476,896	263,904,867
Cash paid for purchase of equipment	(477,285,633)	(311,880,751)	(51,250,594)	(181,072,425)
Cash received from disposal of equipment	179,570,277	23,539,905	170,049,269	159,851
Net cash flows from (used in) investing activities	<u>(3,146,759,982)</u>	<u>7,437,837,659</u>	<u>986,241,988</u>	<u>3,014,183,917</u>

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

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

STATEMENTS OF CASH FLOWS (Continued)

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Cash flows from financing activities</b>				
Long-term borrowings	-738,700,000	6,216,520,002	-968,700,000	(968,700,000)
Dividend paid	(666,472,105)	(532,127,160)	(666,472,105)	(532,127,160)
Dividend paid to minority interest	(14,828,356)	(17,241,567)	-	-
Net cash flows used in financing activities	(1,420,000,461)	5,667,151,275	(1,635,172,105)	(1,500,827,160)
Net increase in cash	998,904,625	219,325,086	-	180,782
Cash at beginning of the period	800,953,623	217,206,581	40,000	1,211,749
Cash at ending of the period	1,799,858,248	436,531,667	40,000	1,392,531
<b>Supplemental cash flows information :-</b>				
Cash paid during the period for				
Interest	3,595,800,671	1,942,593,886	2,212,705,276	1,500,849,374
Corporate income tax	532,719,332	476,398,185	307,969,017	233,541,386
Non-cash transactions				
Property foreclosed transferred from loans, other receivable and investment in receivables purchased	1,250,970,915	894,155,637	678,244,853	487,464,523

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED								Total
	Issued and paid up		Share premium	Surplus from revaluation of assets of an associated company	Revaluation surplus (deficit) on investments	Retained earnings		Minority interest	
	Preference shares	Ordinary shares				Appropriated - statutory reserve	Unappropriated		
<b>Balance - as at 1 January 2005</b>	195,760	13,331,344,270	2,065,644,888	559,034,746	(571,289,332)	368,770,961	4,990,538,145	749,488,746	21,493,728,184
Appropriated earnings of 2004 - payment of dividend	-	-	-	-	-	-	(533,261,601)	-	(533,261,601)
Reversal of dividend on shares held by shareholders who have no right to receive	-	-	-	-	-	-	1,134,441	-	1,134,441
Increase in surplus from revaluation of assets	-	-	-	16,628,975	-	-	-	-	16,628,975
Increase in revaluation deficit on investments	-	-	-	-	(80,214,074)	-	-	-	(80,214,074)
Decrease in minority interest in subsidiary com	-	-	-	-	-	-	-	(24,810,985)	(24,810,985)
Net earnings for the period	-	-	-	-	-	-	1,468,459,196	6,903,792	1,475,362,988
<b>Balance - as at 30 June 2005</b>	<u>195,760</u>	<u>13,331,344,270</u>	<u>2,065,644,888</u>	<u>575,663,721</u>	<u>(651,503,406)</u>	<u>368,770,961</u>	<u>5,926,870,181</u>	<u>731,581,553</u>	<u>22,348,567,928</u>
<b>Balance - as at 1 January 2006</b>	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
Appropriated earnings of 2005 - payment of dividend (Note 20)	-	-	-	-	-	-	(666,577,002)	-	(666,577,002)
Reversal of dividend on shares held by shareholders who have no right to receive	-	-	-	-	-	-	104,896	-	104,896
Decrease in surplus from revaluation of assets	-	-	-	(15,582,748)	-	-	-	-	(15,582,748)
Decrease in revaluation deficit on investments	-	-	-	-	101,423,591	-	-	-	101,423,591
Decrease in minority interest in subsidiary com	-	-	-	-	-	-	-	(15,259,511)	(15,259,511)
Net earnings for the period	-	-	-	-	-	-	1,108,802,759	59,766,493	1,168,569,252
<b>Balance - as at 30 June 2006</b>	<u>195,460</u>	<u>13,331,344,570</u>	<u>2,065,644,888</u>	<u>524,837,414</u>	<u>(728,754,447)</u>	<u>523,975,925</u>	<u>7,449,756,905</u>	<u>791,268,890</u>	<u>23,958,269,605</u>

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

(Unit : Baht)

	THE COMPANY ONLY							Total
	Issued and paid up		Share premium	Surplus from revaluation of assets	Revaluation surplus (deficit) on investments	Retained earnings		
	Preference shares	Ordinary shares				Appropriated - statutory reserve	Unappropriated	
<b>Balance - as at 1 January 2005</b>	195,760	13,331,344,270	2,065,644,888	559,034,746	(571,289,332)	368,770,961	4,990,538,145	20,744,239,438
Appropriated earnings of 2004 - payment of dividend	-	-	-	-	-	-	(533,261,601)	-533,261,601
Reversal of dividend on shares held by shareholders who have no right to receive	-	-	-	-	-	-	1,134,441	1,134,441
Increase in surplus from revaluation of assets	-	-	-	16,628,975	-	-	-	16,628,975
Increase in revaluation deficit on investments	-	-	-	-	(80,214,074)	-	-	-80,214,074
Net earnings for the period	-	-	-	-	-	-	1,468,459,196	1,468,459,196
<b>Balance - as at 30 June 2005</b>	<u>195,760</u>	<u>13,331,344,270</u>	<u>2,065,644,888</u>	<u>575,663,721</u>	<u>(651,503,406)</u>	<u>368,770,961</u>	<u>5,926,870,181</u>	<u>21,616,986,375</u>
<b>Balance - as at 1 January 2006</b>	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
Appropriated earnings of 2005 - payment of dividend (Note 20)	-	-	-	-	-	-	(666,577,002)	-666,577,002
Reversal of dividend on shares held by shareholders who have no right to receive	-	-	-	-	-	-	104,896	104,896
Decrease in surplus from revaluation of assets	-	-	-	(15,582,748)	-	-	-	-15,582,748
Decrease in revaluation deficit on investments	-	-	-	-	101,423,591	-	-	101,423,591
Net earnings for the period	-	-	-	-	-	-	1,108,802,759	1,108,802,759
<b>Balance - as at 30 June 2006</b>	<u>195,460</u>	<u>13,331,344,570</u>	<u>2,065,644,888</u>	<u>524,837,414</u>	<u>(728,754,447)</u>	<u>523,975,925</u>	<u>7,449,756,905</u>	<u>23,167,000,715</u>

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

THANACHART CAPITAL PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES  
(FORMERLY KNOWN AS “NATIONAL FINANCE PUBLIC COMPANY LIMITED”)  
NOTES TO INTERIM FINANCIAL STATEMENTS

**1. GENERAL INFORMATION**

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

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

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

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

**2.1 Basis of preparation of the interim financial statements**

These interim financial statements have been prepared in accordance with Thai Accounting Standards No. 41 “Interim financial statements”, like an annual financial statements, a full presentation has been selected for an interim financial statements.



## 2.2 Basis of preparation of the consolidated financial statements

These consolidated financial statements include the balance sheets as at 30 June 2006 and 31 December 2005 and the related statements of earnings for the three-month and the six-month periods ended 30 June 2006 and 2005 of Thanachart Capital Public Company Limited (hereinafter referred to as “the Company”) and the following subsidiary companies (herein after referred to as “the subsidiary companies”) as follows :-

	Percentage of shares held by the Company		Percentage of shares held by the subsidiary companies	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
<b><u>Subsidiary companies directly held by the Company</u></b>				
Thanachart Bank Plc.	99.36	99.36	-	-
N.F.S. Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	58.45	58.45	-	-
Thanachart Securities Plc.	100.00	100.00	-	-
Thanachart Insurance Co., Ltd.	70.00	70.00	9.94	9.94
Pasara Co., Ltd.	100.00	100.00	-	-
Thanachart Fund Management Co., Ltd.	75.00	75.00	-	-
Thanachart Broker Co., Ltd. (Formerly known as “N.F.S. Capital Co., Ltd.”)	100.00	100.00	-	-
Thiravanit Co., Ltd.	99.90	99.90	-	-
Sinkahakarn Co., Ltd.	95.12	95.12	-	-
Bangkok Home Co., Ltd.	99.87	99.87	-	-
Thanachart Group Leasing Co., Ltd.	100.00	100.00	-	-
Thanachart Management and Services Co., Ltd.	100.00	100.00	-	-
Thanachart Legal and Appraisal Co., Ltd.	100.00	100.00	-	-
Thanachart Property Fund 6	99.80	99.80	0.06	0.06
Thanachart SPV 01 Co., Ltd.	100.00	100.00	-	-
Thanachart Life Assurance Co., Ltd.	100.00	100.00	-	-
<b><u>Subsidiary companies indirectly held by the Company</u></b>				
Thanachart Leasing 2000 Co., Ltd.	-	-	99.99	99.99
National Leasing Co., Ltd.	-	-	100.00	100.00

Total assets and total income of the subsidiary companies that have significant impact to and are included in the consolidated financial statements as at 30 June 2006 and 31 December 2005 and for the six-month periods ended 30 June 2006 and 2005 are as follows :-

	(Unit : Million Baht)			
	Total assets		Total income for the six-month	
	30 June 2006	31 December 2005	periods ended 30 June	
	2006	2005	2006	2005
Thanachart Bank Plc.	195,376	108,622	4,838	1,321
N.F.S. Asset Management Co., Ltd.	11,432	11,914	998	515
Thanachart Life Assurance Co., Ltd.	3,583	3,180	531	336
Thanachart Securities Plc.	3,063	3,387	430	333
Max Asset Management Co., Ltd.	2,214	2,048	202	88

- a) The consolidated financial statements as at 30 June 2006 and 31 December 2005 did not include the financial statements of Glas Haus Building Co., Ltd., which the Company acquired through troubled debt restructuring and intends to hold as a temporary investment. As at the balance sheet date, such investment was valued at zero in the Company's accounts.
- b) Outstanding balances between the Company and its subsidiary companies, significant intercompany transactions, investments in subsidiary companies as recorded in the Company's and its subsidiary companies' books of accounts, and the shareholders' equity of the subsidiary companies have been eliminated in the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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 Bank of Thailand ("BOT"). (Formerly, the Company was a finance company obligated to follow the Bank of Thailand's guidelines. The Company is now the parent company of a financial business group which is under a consolidated supervision by the BOT and its main subsidiary companies, which are a commercial bank and asset management companies, are under the supervision of the BOT.)

Significant accounting policies adopted by the Company and its subsidiary companies are summarised below :-

### 3.1 Revenue recognition

a) Interest and discounts on loans

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

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

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

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

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

b) Interest and dividends on investments in securities

Interest and dividends on investments is recognised as income on an accrual basis.

c) Brokerage fee income

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

d) Interest on loans for purchase of securities

Interest on loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary company ceases accruing interest for certain loans that fall under the conditions set by the Securities Exchange Commission (SEC) under Notification No. Kor. Thor. 5/2544 dated 15 February 2001.

e) Gain (loss) on investments

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

f) Fees and service income

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

g) Insurance/life insurance premium income

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

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

### **3.2 Expense recognition**

#### a) Interest expense

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

#### b) Commission and expenses charged on hire-purchase

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

### **3.3 Unearned premium/life insurance premium reserve**

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

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

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

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

### **3.4 Investments**

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

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

Investments in debt securities, both due within one year and expected to be held to maturity, are determined at cost after amortisation.

Premiums/Discounts on debt securities of the Company and its subsidiary companies are amortised by the effective rate method. The amortised amount is presented as an adjustment to the interest income.

The fair value of marketable securities is based on the latest bid price of the last working day of the period 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.

Investments in non-marketable equity securities which are classified as other investments are valued at cost.

Loss on impairment (if any) of the investments is included in determining earnings.

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

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

### **3.5 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). Loss on impairment of investments is included in determining earnings.

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

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

### **3.6 Investments in subsidiary and associated companies**

Investments in subsidiary and associated companies are accounted for under the equity method. Under this method, investments are initially recorded at acquisition cost and are adjusted to reflect the attributable share of the earnings from the operations of each subsidiary and associated company, in proportion to the investment. The excess (discount) of the cost of the investment over (under) the net book value at the acquisition date is amortised over a period of 5 - 10 years.

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

### **3.7 Loans**

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

### **3.8 Allowances for doubtful accounts**

The Company and its subsidiary companies provide allowances for doubtful accounts in accordance with the notifications of the BOT (except for the classification of receivables, which is to be made by contract according to the BOT, however, the Company and its subsidiary companies still classify their receivables by customers, so as to comply with generally accepted accounting principles) or the SEC, as the case may be, 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.

Such provisions are made in accordance with the guideline laid down by the BOT in relation to the classification of loans (determined based on overdue period), provisioning rates consideration for each class of debtors, and the valuation of collaterals to be deducted against the loan balances for determining provisions for doubtful debts and reclassification of restructured loans as normal debt.

Amounts written off as bad debts, or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

Allowance for doubtful accounts of other receivables is based on the estimated loss that may be incurred in the uncollection of receivables complied with the review of current status as at the balance sheet date.



### **3.9 Troubled debt restructuring**

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

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

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

### 3.10 Property foreclosed

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

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

### 3.11 Land, premises and equipment and depreciation

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

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

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

Land, land improvement, leasehold rights on land and premises of an associated company which is engaged in real estate business are presented at their appraisal value (market value or replacement cost). Such accounting policy differs from the Company's policy because the nature of their business differs. Such assets of an associated company are stated at their appraised value less accumulated depreciation. Depreciation is not provided for land. As at 30 June 2006, surplus from revaluation of assets of the associated company recognised under the equity method and presented as part of shareholders' equity amounts to Baht 525 million.

### **3.12 Intangible assets and amortisation**

- a) Computer software is amortised as expenses on a straight-line method over estimated useful lives of 5 - 10 years.
- b) Leasehold rights on land and buildings are amortised as expenses on a straight-line method over the lease periods.

### **3.13 Financial lease**

The Company and its subsidiary companies record vehicles under financial leases as assets and liabilities at the fair value of leased assets on the commencing date of the lease. The interest charge is recorded to period during the lease term on the remaining balance of the lease payable for each period.

### **3.14 Premium due and uncollected**

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

### **3.15 Sales of commercial paper**

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

### **3.16 Loss reserve and outstanding claims/Benefits payment to life policy**

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

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

### **3.17 Foreign currencies**

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

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

### **3.18 Financial instruments**

Financial instruments as presented in the balance sheet comprise cash, interbank and money market items, securities purchased under resale agreements, investments, loans, deposits, securities sold under repurchase agreements, receivables from/payable to clearing house, securities trading payables, borrowings, and liabilities payable on demand. The accounting policy for each transaction is separately and individually disclosed.

### **3.19 Financial derivatives**

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

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

Interest rate swap, cross currency and interest rate swaps executed for hedging purposes are recorded as off-balance sheet items and valued on an accrual basis. Foreign currency elements are valued using current exchange rates and interest rate elements are recorded on an accrual basis, in the same way of the underlying assets and liabilities.

### **3.20 Earnings per share**

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

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

### **3.21 Use of accounting estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates of certain accounting transaction, affecting amounts reported in the financial statements and notes thereto. Subsequent actual results may differ from such estimates.

#### 4. INTERBANK AND MONEY MARKET ITEMS (ASSETS)

(Unit : Million Baht)

	Consolidated					
	30 June 2006			31 December 2005		
	At call	Term	Total	At call	Term	Total
<b>Domestic :</b>						
Bank of Thailand and Financial Institution Development Fund	2,768	-	2,768	4,031	-	4,031
Commercial banks	907	392	1,299	493	151	644
Other banks	1	-	1	1	-	1
Other financial institutions	72	40	112	62	157	219
<b>Total</b>	<b>3,748</b>	<b>432</b>	<b>4,180</b>	<b>4,587</b>	<b>308</b>	<b>4,895</b>
Add : Accrued interest receivables	1	5	6	-	2	2
Less : Allowance for doubtful accounts	(42)	(1)	(43)	(42)	(1)	(43)
<b>Total interbank and money market - domestic</b>	<b>3,707</b>	<b>436</b>	<b>4,143</b>	<b>4,545</b>	<b>309</b>	<b>4,854</b>
<b>Foreign :</b>						
USD Dollar	55	-	55	33	-	33
Others	33	-	33	25	-	25
<b>Total interbank and money market - foreign</b>	<b>88</b>	<b>-</b>	<b>88</b>	<b>58</b>	<b>-</b>	<b>58</b>
<b>Total interbank and money market - net</b>	<b>3,795</b>	<b>436</b>	<b>4,231</b>	<b>4,603</b>	<b>309</b>	<b>4,912</b>

(Unit : Million Baht)

	The Company Only					
	30 June 2006			31 December 2005		
	At call	Term	Total	At call	Term	Total
<b>Domestic :</b>						
Bank of Thailand and Financial Institution Development Fund	-	-	-	515	-	515
Commercial banks	334	-	334	297	-	297
Other financial institutions	-	20	20	-	20	20
<b>Total</b>	<b>334</b>	<b>20</b>	<b>354</b>	<b>812</b>	<b>20</b>	<b>832</b>
Add : Accrued interest receivables	1	-	1	-	-	-
Less : Allowance for doubtful accounts	-	(1)	(1)	-	(1)	(1)
<b>Total interbank and money market - domestic net</b>	<b>335</b>	<b>19</b>	<b>354</b>	<b>812</b>	<b>19</b>	<b>831</b>

As at 30 June 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 for (31 December 2005 : Baht 42 million).

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

## 5. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Government bonds and Bank of Thailand bonds	5,948	1,000	-	-
Financial Institutions Development Fund bonds	49,752	18,700	-	7,200
Total securities purchased under resale agreements	55,700	19,700	-	7,200

## 6. INVESTMENTS

### 6.1 Classified by type of investments

(Unit : Million Baht)

	Consolidated				The Company Only			
	30 June 2006		31 December 2005		30 June 2006		31 December 2005	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Current investments :</b>								
<b>Trading securities</b>								
Government and state enterprise securities	306	306	264	264	-	-	-	-
Domestic marketable equity securities	19	18	52	53	-	-	-	-
	325	324	316	317	-	-	-	-
Add (less) : Allowance for change in value	(1)		1		-	-	-	-
	324		317		-	-	-	-
<b>Available-for-sale securities</b>								
Government and state enterprise securities	4,840	4,839	337	337	-	-	-	-
Private debt securities	349	346	203	204	-	-	-	-
Domestic marketable equity securities	17	17	10	12	7	9	7	9
	5,206	5,202	550	553	7	9	7	9
Add (less) : Allowance for change in value	(4)		3		2		2	
	5,202		553		9		9	
<b>Held-to-maturity debt securities - due within 1 year</b>								
Government and state enterprise securities	4,518		4,948		-		-	
Private debt securities	60		20		-		-	
Foreign debt securities	921		-		-		-	
	5,499		4,968		-		-	
<b>Total current investments - net</b>	11,025		5,838		9		9	



(Unit : Million Baht)

	Consolidated				The Company Only			
	30 June 2006		31 December 2005		30 June 2006		31 December 2005	
	Cost/ Amortised		Cost/ Amortised		Cost/ Amortised		Cost/ Amortised	
	cost	Fair value	cost	Fair value	cost	Fair value	cost	Fair value
<b>Long-term investments :</b>								
<b>Available-for-sale securities</b>								
Government and state enterprise securities	329	319	330	319	-	-	-	-
Private debt securities	287	278	522	509	-	-	-	-
Domestic marketable equity securities	3,665	3,625	5,394	5,326	885	900	1,357	1,390
	4,281	4,222	6,246	6,154	885	900	1,357	1,390
Add (less) : Allowance for change in value	(59)		(92)		15		33	
	4,222		6,154		900		1,390	
<b>Held-to-maturity debt securities</b>								
Government and state enterprise securities	14,374		15,647		991		1,004	
Private debt securities	391		400		-		-	
Foreign debt securities	1,338		579		-		-	
	16,103		16,626		991		1,004	
Less : Allowance for impairment	(362)		(344)		(137)		(119)	
	15,741		16,282		854		885	
<b>Other investments</b>								
Investments in receivables purchased	1,780		2,008		485		546	
Investments in property fund	1,183		1,259		-		-	
Domestic non-marketable equity securities - domestic	357		366		241		235	
	3,320		3,633		726		781	
Less : Allowance for impairment	(332)		(355)		(104)		(111)	
	2,988		3,278		622		670	
<b>Total long-term investments - net</b>	<b>22,951</b>		<b>25,714</b>		<b>2,376</b>		<b>2,945</b>	

As at 30 June 2006, the Company and its subsidiary companies have a revaluation surplus and deficit amounting to Baht 50 million and Baht 754 million, respectively, as a result of the recategorisation of debt securities, and these are presented in shareholders' equity (the Company Only : Baht 23 million and Baht 142 million, respectively) (31 December 2005 : outstanding revaluation surplus amounting to Baht 54 million and outstanding revaluation deficit amounting to Baht 815 million in the consolidated financial statements, and a revaluation surplus amounting to Baht 24 million and a revaluation deficit amounting to Baht 153 million in the Company's financial statements).

## 6.2 Classified by due date of debt securities

(Unit : Million Baht)

	Consolidated							
	30 June 2006				31 December 2005			
	Maturity				Maturity			
	Not over 1 year	Over 1-5 years	Over 5 years	Total	Not over 1 year	Over 1-5 years	Over 5 years	Total
<b>Trading securities</b>								
Government and state								
enterprise securities	306	-	-	306	215	49	-	264
Add : Allowance								
for change in value	-	-	-	-	-	-	-	-
Total	306	-	-	306	215	49	-	264
<b>Available-for-sale securities</b>								
Government and state								
enterprise securities	4,810	359	-	5,169	327	340	-	667
Private debt securities	349	287	-	636	203	522	-	725
Total	5,159	646	-	5,805	530	862	-	1,392
Add (less) : Allowance for								
change in value	(4)	(19)	-	(23)	1	(24)	-	(23)
Total	5,155	627	-	5,782	531	838	-	1,369
<b>Held-to-maturity</b>								
<b>debt securities</b>								
Government and state								
enterprise securities	4,518	4,658	9,716	18,892	4,948	4,309	11,338	20,595
Private debt securities	60	365	26	451	20	374	26	420
Foreign debt securities	921	1,338	-	2,259	-	579	-	579
Total	5,499	6,361	9,742	21,602	4,968	5,262	11,364	21,594
Less : Allowance for								
impairment	-	-	(362)	(362)	-	-	(344)	(344)
Total	5,499	6,361	9,380	21,240	4,968	5,262	11,020	21,250
<b>Total debt securities</b>	<b>10,960</b>	<b>6,988</b>	<b>9,380</b>	<b>27,328</b>	<b>5,714</b>	<b>6,149</b>	<b>11,020</b>	<b>22,883</b>

(Unit : Million Baht)

	The Company Only							
	30 June 2006				31 December 2005			
	Maturity				Maturity			
	Not over 1 year	Over 1-5 years	Over 5 years	Total	Not over 1 year	Over 1-5 years	Over 5 years	Total
<b>Held-to-maturity debt securities</b>								
Government and state enterprise securities	-	473	518	991	-	473	531	1,004
Less : Allowance for impairment	-	-	(137)	(137)	-	-	(119)	(119)
<b>Total debt securities</b>	-	473	381	854	-	473	412	885

**6.3** As at 30 June 2006 and 31 December 2005, the Company and a subsidiary company have investments of Baht 578 million in government bonds under the conditions of the Ministry of Finance's Tier II capital support scheme. These debt instruments are 10 year government bonds which carrying interest at rates of 2.5 - 4.0 percent per annum (the Company Only : Baht 473 million).

**6.4** As at 30 June 2006, long-term investments in held-to-maturity debt securities include Baht 1,966 million of non-transferable, 10 year promissory notes received in relation to the transfer of non-performing loans to Thai Asset Management Corporation ("TAMC") (the Company Only : Baht 518 million) (31 December 2005 : Baht 2,411 million in the consolidated financial statements and Baht 531 million in the Company's financial statements). However, the amounts paid in the form of promissory notes may still be increased or reduced after TAMC reviews the prices, appraises the collateral values, or adjusts the prices.

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

As at 30 June 2006, the Company and its subsidiary companies are still unable to estimate the exact amount of such losses. However, the Company and its subsidiary companies have estimated their share of losses which may arise from the management of non-performing assets at approximately Baht 362 million. Such losses have been shown as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified by the type of promissory note (the Company Only : Baht 137 million) (31 December 2005 : Baht 344 million in the consolidated financial statements and Baht 119 million in the Company's financial statements).

During the six-month period ended 30 June 2006, the Company and its subsidiary companies have recognised interest on TAMC's promissory notes amounting to Baht 21 million and have received payment under promissory notes and interest amounting to Baht 469 million (the Company Only : Baht 4 million and Baht 18 million, respectively).

- 6.5** As at 30 June 2006, investments in government and state enterprise bonds of subsidiaries of approximately Baht 765 million have been placed as collateral for loans from commercial banks and as security with the Insurance Registrar (31 December 2005 : Baht 735 million). Moreover, an investment in equity securities in an associated company of Baht 89 million (at cost) (at fair value of Baht 175 million) has been placed as security for liabilities sold under a repurchase agreement.

**6.6** As at 30 June 2006, investments in other equity securities amounting to approximately Baht 19 million, at cost, were received as a result of debt restructuring and prohibited from being sold for a period as specified in the agreements. (the Company Only : Baht 10 million) (31 December 2005 : investments of Baht 20 million were prohibited from being sold for a period as specified in the agreements, and the debtors had first right to purchase the investments of Baht 14 million in the consolidated financial statements, and Baht 10 million in the Company's financial statements was prohibited from being sold for a period as specified in the agreements).

**6.7** The following are investments in which the Company and its subsidiary companies hold not less than 10 percent of the equity of the investees, but which are not classified as investments in subsidiary and associated companies :-

Name	Nature of business	Consolidated			
		30 June 2006		31 December 2005	
		Net book value	Percentage of holding	Net book value	Percentage of holding
		Million Baht	%	Million Baht	%
<b><u>Manufacturing and commercial industries</u></b>					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	294	19.59	266	19.59
Burapa Steel Industry Co., Ltd.	Production and distribution of steel bar	-	11.43	-	11.43
Siam V.M.C. Safety Glass Co., Ltd.	Production and distribution of safety glass	-	10.21	-	10.21
NEP Realty and Industry Plc.	Packaging (Jute sack)	69	15.04	62	15.04
<b><u>Public utilities and services</u></b>					
Maxwin Property Co., Ltd.	Service apartment	-	10.00	-	10.00
<b><u>Property development and construction</u></b>					
HTR Corporation Limited	Office building for rent and property development	20	19.10	20	19.10
Prosperity Industrial Estate Co., Ltd.	Property development	17	18.49	17	18.49
RNS Holding Co., Ltd.	Property development	-	-	-	19.50
Preecha Group Plc.	Property development	33	10.71	-	10.71

		Consolidated			
		30 June 2006		31 December 2005	
Name	Nature of business	Net	Percentage	Net	Percentage
		book value	of holding	book value	of holding
		Million Baht	%	Million Baht	%
<b>Others</b>					
Saturn International Management Inc.	Holding	-	-	-	12.64
Saturn Inc.	Joint venture	-	12.49	-	12.49
The Thai Business Fund 3 <sup>(1)</sup>	Unit trusts - property fund	540	26.67	577	26.67
Sub Thawee Property Fund <sup>(1)</sup>	Unit trusts - property fund	257	56.00	277	56.00
Thai Pattana Fund 1 <sup>(1)</sup>	Unit trusts - property fund	211	20.00	220	20.00
Thanasarn Open-Ended Fund <sup>(1)</sup>	Unit trusts - debt securities	362	65.09	903	89.72
Thanachart Tuntawee 1 <sup>(1)</sup>	Unit trusts - equity and debt securities	372	78.01	405	99.28
Thanachart Tuntawee 3 <sup>(1)</sup>	Unit trusts - debt securities	189	99.95	491	99.88
Thanachart Tuntawee 4 <sup>(1)</sup>	Unit trusts - debt securities	184	99.91	818	97.33
N-SET Fund	Unit trusts - equity securities	-	-	109	14.54
Nasset Big Cap Long Term Equity Fund	Unit trusts - equity securities	59	14.52	62	15.70
Nasset Long Term Equity Dividend Fund	Unit trusts - equity securities	31	15.77	34	16.39
Thanachart Cash Management Mutual Fund <sup>(1)</sup>	Unit trusts - debt securities	-	-	152	24.29

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

		The Company Only			
		30 June 2006		31 December 2005	
Name	Nature of business	Net	Percentage	Net	Percentage
		book value	of holding	book value	of holding
		Million Baht	%	Million Baht	%
<b>Manufacturing and commercial industries</b>					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	147	9.79	133	9.79
<b>Property development and construction</b>					
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
RNS Holding Co., Ltd.	Property development	-	-	-	19.50
Preecha Group Plc.	Property development	33	10.71	-	10.71
<b>Others</b>					
Thanachart Tuntawee 1 <sup>(1)</sup>	Unit trusts - equity and debt securities	107	22.44	116	28.55
Nasset Big Cap Long Term Equity Fund	Unit trusts - equity securities	54	13.20	57	14.27
Nasset Long Term Equity Dividend Fund	Unit trusts - equity securities	26	13.14	28	13.66

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

## 6.8 Investments in receivables purchased

Investments in receivables purchased are loans receivable purchased through bids from local financial institutions. The outstanding balances of loans receivable as at 30 June 2006 and 31 December 2005 can be summarised as follow :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Investments in receivables	1,780	2,008	485	546
Less : Allowance for impairment	(232)	(239)	(25)	(20)
Investments in receivables - net	1,548	1,769	460	526

	30 June 2006				31 December 2005			
	Number of debtors	Balance per agreement Million Baht	Purchase price Million Baht	Yield Percent	Number of debtors	Balance per agreement Million Baht	Purchase price Million Baht	Yield Percent
<b><u>Consolidated</u></b>								
Total accumulated investments in receivables	1,578	29,404	6,386	6.50-18.97	1,578	29,404	6,386	6.50-18.97
Outstanding investments in receivables as at the balance sheet date	1,043	12,275	1,780		1,069	12,398	2,008	
<b><u>The Company Only</u></b>								
Total accumulated investments in receivables	622	4,559	797	12.43-18.97	622	4,559	797	12.43-18.97
Outstanding investments in receivables as at the balance sheet date	528	4,057	485		543	4,068	546	

During the six-month period ended 30 June 2006, the Company and its subsidiary companies have restructured loans with a total of 19 troubled receivables with book balances before restructuring totaling approximately Baht 14 million (the Company Only : 16 debtors with book balances before restructuring of Baht 3 million), by means of various types of restructuring without any loss on debt restructuring, as summarised below :-

Pattern of restructuring	Number of receivables	Outstanding loan	Outstanding loan	Type of assets to be transferred	Fair value of
		balance before restructuring	balance after restructuring		assets to be transferred
		Million Baht	Million Baht		per agreements
					Million Baht
<b>Consolidated</b>					
Transfer of assets	1	2	2	Land and premise thereon	5
Modification of terms	18	12	12		
Total	19	14	14		
<b>The Company Only</b>					
Modification of terms	16	3	3		
Total	16	3	3		

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

Periods	Consolidated		The Company Only	
	Number of receivables	Outstanding loan	Number of receivables	Outstanding loan
		balances after restructuring		balances after restructuring
		Million Baht		Million Baht
Past due after debt restructuring	1	2	1	2
Due within 2006	18	12	15	1
Total	19	14	16	3

Restructured investments in receivables are transferred to the loans account on the debt restructuring agreement executed day, in accordance with the BOT regulations. They are transferred at their book value, which is held to be fair value. Therefore, as at 30 June 2006, there were no restructured receivables outstanding in the balance of investments in receivables.



**6.9** As at 30 June 2006 and 31 December 2005, investments in securities of the Company and its subsidiary companies, which are financial institutions (bank business and asset management business), include investments in securities of companies with weak financial positions and poor operating results, are summarised as below :-

	Consolidated							
	Number of transactions		Cost		Fair value		Allowance for possible loss/impairment provided in the accounts	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<b><u>Equity securities - common shares</u></b>								
1. Listed companies vulnerable to delisting from the SET	2	3	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	5	4	-	-	-	-	-	-
3. Companies which have loan settlement problems or have defaulted the repayment of debts	2	2	1	1	1	1	-	-
4. Companies whose auditors' reports cited going concern issues	14	15	144	144	45	45	99	99
<b><u>Investments in receivables</u></b>								
1. Closed financial institutions	10	10	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	2	2	38	38	38	38	-	-
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	7	7	7	7	-	-
4. Companies which have loan settlement problems or have defaulted the repayment of debts	353	359	1,162	1,243	1,530	1,708	154	164
5. Companies whose auditors' reports cited going concern issues	4	5	1	6	2	5	4	1

The Company Only

	Number of transactions		Cost		Fair value		Allowance for possible loss/impairment provided in the accounts	
	30	31	30	31	30	31	30	31
	June	December	June	December	June	December	June	December
	2006	2005	2006	2005	2006	2005	2006	2005
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	
<b>Equity securities - common shares</b>								
1. Listed companies vulnerable to delisting from the SET	-	1	-	-	-	-	-	-
2. Companies which have loans settlement problems or have defaulted the repayment of debts	1	1	1	1	1	1	-	-
3. Companies whose auditors' reports cited going concern issues	6	7	113	113	35	35	78	78
<b>Investments in receivables</b>								
1. Closed financial institutions	7	7	-	-	-	-	-	-
2. Companies which have loan settlement problems or have defaulted the repayment of debts	153	154	286	288	284	285	4	3
3. Companies whose auditors' reports cited going concern issues	1	2	-	-	-	-	-	-

## 7. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES

7.1 As at 30 June 2006 and 31 December 2005, the Company and its subsidiary companies have the following investments in subsidiary and associated companies :-

(Unit : Million Baht)													
Company's name	Nature of business	Paid-up share capital				Percentage of holding (%)		Investment value				Dividend income for the six-month periods ended 30 June	
		30 June 2006		31 December 2005		30 June 2006		31 December 2005		30 June 2006		31 December 2005	
		30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005
<b>Subsidiary companies directly held by the Company</b>													
Thanachart Bank Plc.	Bank business	14,584	14,584	99.36	99.36	16,181	16,181	15,064	15,180	362	200		
N.F.S. Asset Management Co., Ltd.	Non-performing assets management	1,000	1,000	100.00	100.00	1,000	1,000	896	429	-	-		
Max Asset Management Co., Ltd.	Non-performing assets management	572	572	58.45	58.45	334	334	851	768	-	-		
Thanachart Securities Plc.	Securities business	1,500	1,500	100.00	100.00	1,500	1,500	2,481	2,271	-	-		
Thanachart Insurance Co., Ltd.	Non-life insurance	300	300	70.00	70.00	210	210	271	275	-	-		
Pasara Co., Ltd.	Cease operation	30	30	100.00	100.00	181	181	144	141	-	-		
Thanachart Fund Management Co., Ltd.	Fund management	100	100	75.00	75.00	113	113	115	130	38	45		
Thanachart Broker Co., Ltd.	Non-life insurance broker	100	100	100.00	100.00	100	100	112	109	-	-		
Thiravanit Co., Ltd.	Cease operation	6	6	99.90	99.90	34	34	12	11	-	-		
Sinkahakarn Co., Ltd.	Cease operation	25	25	95.12	95.12	20	20	44	43	-	-		
Bangkok Home Co., Ltd.	Cease operation	15	15	99.87	99.87	46	46	16	15	-	-		
Thanachart Group Leasing Co., Ltd.	Leasing and hire purchase	360	360	100.00	100.00	360	360	438	439	-	-		
Thanachart Management and Services Co., Ltd.	Services	6	6	100.00	100.00	8	8	14	6	-	-		
Thanachart Legal and Appraisal Co., Ltd.	Legal services	10	10	100.00	100.00	10	10	11	11	-	-		
Thanachart Property Fund 6	Non-performing assets management	900	900	99.80	99.80	898	898	850	862	-	-		
Thanachart SPV 01	Not yet operate	2	2	100.00	100.00	2	2	2	2	-	-		
Thanachart Life Assurance Co., Ltd.	Life - insurance	500	500	100.00	100.00	500	500	780	628	-	-		
<b>Subsidiary companies directly held by the Company - exclude from consolidation</b>													
Glas Haus Building Co., Ltd.	Office building rental	195	195	100.00	100.00	-	-	-	-	-	-		
Less : Investment in an associated company (MBK Plc.) held by subsidiary companies						(681)	(681)	(1,418)	(1,191)	-	-		
						20,816	20,816	20,683	20,129	400	245		
<b>Associated companies directly and indirectly held by the Company</b>													
MBK Plc.	Property rental, hotel and services	2,000	2,000	19.23	19.23	992	992	1,702	1,650	69	58		
Puen Pob Paet Co., Ltd.	Clinic	1	1	28.58	28.58	-	-	1	1	-	-		
						992	992	1,703	1,651	69	58		
						21,808	21,808	22,386	21,780	469	303		

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

- 7.2** The consolidated balance sheet and statement of earnings for the six-month period ended 30 June 2006 included assets of a subsidiary company (Thanachart Life Assurance Co., Ltd.) amounting to Baht 3,583 million and income of Baht 531 million and net earnings of Baht 66 million of such subsidiary. The auditor of the subsidiary company issued a qualified report on its financial statements with regard to the effect to the financial statements of any adjustments which might be required as a result of a scope limitation imposed on the audit of insurance income and related expenses. However, the Company's management believes that there is no material impact to the Company's financial statements as a whole.
- 7.3** The consolidated financial statements as at 30 June 2006 and 31 December 2005 did not include the financial statements of Glas Haus Building Co., Ltd., as the Company intends to hold such subsidiary company as a temporary investment. The Company has no outstanding guarantees or commitments to give financial support to such company and the investment is therefore recorded at cost, with a full provision (of approximately Baht 0.2 million). As at 30 June 2006, based on financial statements prepared by management of such subsidiary, such subsidiary company has total assets of approximately Baht 151 million, total liabilities of Baht 467 million and a capital deficit of Baht 316 million (31 December 2005 : total assets of Baht 161 million, total liabilities of Baht 483 million and a capital deficit of Baht 322 million).
- 7.4** The share of profit of an associated company recognised in the current period (MBK Plc.) is determined based on financial statements of that associated company prepared for a different period, as a result of limitation on the availability of information. Share of profit for the current period amounting to Baht 120 million (or at 11 percent of consolidated and the Company's net earnings) is determined based on the financial statements of such company for the six-month period ended 31 March 2006, prepared by the Company's management with reference to the financial statements as reviewed by its auditor (2005 : share of profit of Baht 89 million or at 6 percent).

## 7.5 Cash flow information of asset management companies which are subsidiary companies

Cash flow information of asset management companies which are subsidiary companies for the six-month periods ended 30 June 2006 and 2005 are as follows :-

	(Unit : Million Baht)			
	N.F.S. Asset		Max Asset	
	Management Co., Ltd.		Management Co., Ltd.	
	2006	2005	2006	2005
<b>Cash flows from operating activities :</b>				
Net earnings	446	309	147	8
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities :-				
Gain on assets transferred from investments in receivables/loans	(12)	(15)	(4)	(21)
Loss on diminution in value of investments in receivables (reversal of loss)	2	-	(48)	2
Bad debts and doubtful accounts (reversal)	(44)	(522)	(56)	3
Loss on debt restructuring	34	243	-	-
Loss on diminution in value of property foreclosed	-	4	(1)	7
Amortisation of discounts on investments in debt securities	(85)	(39)	-	-
Gain on disposal of property foreclosed	(416)	(27)	(30)	(7)
Gain on disposal of investments	(6)	(22)	(9)	(5)
Increase (decrease) in corporate income tax payable	100	154	20	(157)
Others	4	13	(11)	(12)
Earnings (loss) from operating activities before changes in operating assets and liabilities	23	98	8	(182)

(Unit : Million Baht)

	N.F.S. Asset		Max Asset	
	Management Co., Ltd.		Management Co., Ltd.	
	2006	2005	2006	2005
Decrease (increase) in operating assets				
Investments in receivables	-	-	7	2
Loans	365	233	52	12
Property foreclosed	725	153	52	-
Other assets	(2)	(2)	(5)	(5)
Increase (decrease) in operating liabilities				
Other liabilities	(86)	(103)	7	(4)
Net cash flows from (used in) operating activities	1,025	379	121	(177)
<b>Cash flows from investing activities :</b>				
Decrease in loans to financial institutions	-	1,865	-	157
Cash received from sales (purchase) of investments	(24)	1,971	10	5
Net cash flows from (used in) investing activities	(24)	3,836	10	162
<b>Cash flows from financing activities :</b>				
Repayment of borrowings from banks and financial institutions	(1,000)	(4,124)	(184)	(229)
Repayment of borrowings from juristic person	-	-	(36)	(46)
Net cash flows used in financing activities	(1,000)	(4,124)	(220)	(275)
Net increase (decrease) in cash and cash equivalents	1	91	(89)	(290)
Cash and cash equivalents at beginning of the period	94	112	332	316
Cash and cash equivalents at end of the period	95	203	243	26

## 8. LOANS AND ACCRUED INTEREST RECEIVABLE

### 8.1 Classified by loan types

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
<u>Finance business loans</u>				
Overdrafts	697	372	-	-
Loans	34,353	33,883	990	2,263
Notes receivable	2,978	3,944	661	915
Hire-purchases receivable	144,727	121,251	63,105	79,937
Financial leases receivable	928	916	-	-
Total finance business loans	183,683	160,366	64,756	83,115
Add : Accrued interest receivable	239	238	26	37
Less : Allowance for doubtful accounts	(6,576)	(6,594)	(2,876)	(3,245)
Less : Revaluation allowance for debt restructuring	(194)	(189)	-	-
Finance business loans and accrued interest receivable – net	177,152	153,821	61,906	79,907
<u>Securities business receivable</u>				
Customer's accounts	534	867	-	-
Margin loans	907	1,167	-	-
Other receivables	309	322	-	-
Total securities business receivable	1,750	2,356	-	-
Add : Accrued interest receivable	1	1	-	-
Less : Allowance for doubtful accounts	(307)	(320)	-	-
Securities business receivable and accrued interest receivable – net	1,444	2,037	-	-
Loans and accrued interest receivable – net	178,596	155,858	61,906	79,907

During the six-month period ended 30 June 2006, the Company and its subsidiary companies transferred 19 investments in purchased receivables, which had been restructured, totaling Baht 14 million (the Company Only : transferred 16 investments in purchased receivables amounting to Baht 3 million) to loans, in accordance with the BOT's guidelines.

In addition, during the six-month period ended 30 June 2006, the Company transferred performing loans, excluding hire-purchase receivables, welfare loans and consumer loans, to Thanachart Bank totaling Baht 888 million at the agreed contracted rate.

## 8.2 Classified by remaining period of contract

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
At call *	6,332	7,186	504	347
Not over 1 year	11,028	10,618	4,000	3,602
Over 1 year	168,799	145,659	60,278	79,203
Total loans and accrued interest receivable	186,159	163,463	64,782	83,152
Less : Intercompany profits from loans transferred	(486)	(502)	-	-
Total loans and accrued interest receivable	<u>185,673</u>	<u>162,961</u>	<u>64,782</u>	<u>83,152</u>

\* Include expired contracts

## 8.3 Classified by currency and country

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Baht				
- Local	185,700	163,014	64,782	83,152
- Foreign	430	442	-	-
US Dollar - Local	24	7	-	-
Euro - Local	5	-	-	-
Total loans and accrued interest receivable	186,159	163,463	64,782	83,152
Less : Intercompany profits from loans transferred	(486)	(502)	-	-
Total loans and accrued interest receivable	<u>185,673</u>	<u>162,961</u>	<u>64,782</u>	<u>83,152</u>



## 8.4 Classified by type of business and loan classification

(Unit : Million Baht)

	Consolidated					Total
	30 June 2006					
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	
Agricultural and mining	211	-	-	11	24	246
Manufacturing and commercial	5,191	30	522	282	880	6,905
Real estate and construction	3,255	9	305	375	1,534	5,478
Public utilities and services	7,863	31	678	153	650	9,375
Hire purchase business	100	-	-	-	-	100
Personal consuming						
Housing loans	9,469	311	158	86	500	10,524
Securities	1,665	-	11	-	299	1,975
Hire purchase	130,628	12,185	793	398	723	144,727
Others	3,647	206	94	59	238	4,244
Others	1,602	18	433	6	526	2,585
Total loans and accrued interest receivable	163,631	12,790	2,994	1,370	5,374	186,159
Less : Intercompany profits from loans transferred						(486)
Total loans and accrued interest receivable						185,673

(Unit : Million Baht)

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

(Unit : Million Baht)

The Company Only						
30 June 2006						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries – asset management and leasing companies	1,194	-	-	-	-	1,194
Manufacturing and commercial	1	-	2	4	-	7
Real estate and construction	1	-	-	-	-	1
Public utilities and services	2	2	2	-	9	15
Personal consuming						
Housing loans	15	1	19	6	15	56
Securities	-	-	2	-	-	2
Hire purchase	54,004	7,626	473	296	706	63,105
Others	229	60	28	24	61	402
Total loans and accrued interest receivable	55,446	7,689	526	330	791	64,782

(Unit : Million Baht)

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

## 8.5 Non-performing loans

As at 30 June 2006 and 31 December 2005, the Company and its subsidiary companies engaging in financial businesses (bank, asset management and securities) have non-performing loans and receivable, classified in accordance with the BOT's and SEC's regulations (debtors classified as substandard, doubtful and doubtful of loss) as follow :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Non-performing loans (excluding accrued interest receivable)				
The Company	1,647	1,498	1,647	1,498
Banking business	3,147	3,582	-	-
Asset management business	4,473	4,643	-	-
Securities business	307	319	-	-

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

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

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
The Company	2,025	1,944	2,025	1,944
Bank business	2,466	1,750	-	-
Securities business	307	319	-	-

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

## 8.6 Unearned income

As at 30 June 2006 and 31 December 2005, unearned income is summarised as follows :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Unearned interest income	123	132	-	-
Unearned income from hire purchase/financial lease	19,940	15,254	5,834	8,414

## 8.7 Troubled Debt Restructuring

During the six - month periods ended 30 June 2006, the Company and its subsidiary companies which are financial institutions (bank, securities and asset management companies) have entered into debt restructuring agreements with a total of 105 debtors, with total outstanding balances before restructuring amounting to approximately Baht 961 million, (of these 42 debtors, representing a total outstanding balances before restructuring amounting to approximately Baht 219 million, had previously entered into debt restructuring agreements but were unable to make repayment, and therefore re-entered into new debt restructuring agreements during the period). In the course of such restructuring, losses amounting to Baht 49 million were incurred (of which Baht 40 million from hair-cuts granted at the restructuring date) (the Company Only : 7 debtors, with total outstanding balances before debt restructuring of Baht 45 million, (of these 3 debtors, representing a total outstanding balances before restructuring amounting to approximately Baht 19 million, had previously entered into debt restructuring agreements but were unable to make repayment, and therefore re-entered into new debt restructuring agreements during the period)).

Type of restructuring	Number of receivables	Outstanding loan	Outstanding loan	Type of assets to be transferred	Value of
		balance before restructuring <sup>(1)</sup>	balance after restructuring <sup>(1)</sup>		assets to be transferred per agreements
		Million Baht	Million Baht		Million Baht
<b>Consolidated</b>					
Modification of terms	101	926	886		
Transfer of assets and/or equity securities and/or modification of terms	4	35	35	Land and premises thereon	35
Total	105	961	921		
<b>The Company Only</b>					
Modification of terms	7	45	45		
Total	7	45	45		

<sup>(1)</sup> Outstanding balance includes both principal and interest receivable

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

Periods	Consolidated		The Company Only	
	Number of receivables	Outstanding loan balances after restructuring	Number of receivables	Outstanding loan balances after restructuring
		Million Baht		Million Baht
Past due after debt restructuring	19	50	-	-
Due within 2006	61	366	3	1
Less than 5 years	10	481	3	40
5 - 10 years	10	13	-	-
10 - 15 years	4	9	1	4
More than 15 years	1	2	-	-
Total	105	921	7	45

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

	(Unit : Million Baht)	
	<u>Consolidated</u>	<u>The Company Only</u>
Interest income recognised in statements of earnings	368	8
Gain on debt repayment/disposals recognised in statements of earnings	44	22
Loss on debt restructurings recognised in statements of earnings	49	-
Gain on transfers of assets for debt repayment recognised in statements of earnings	10	-
Cash proceeds from collection/disposals of debts	935	324
Assets transferred from debtors	62	-

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

Additionally, as at 30 June 2006, the subsidiary companies have outstanding balance of assets which are to be transferred under debt restructuring agreements totaling Baht 509 million.

As at 30 June 2006, the Company and its subsidiary companies have the following restructured receivables balance (principal and interest receivable), including the restructuring debtors who transferred from investments in receivables as follows :-

	Restructured receivables			
	Total number of outstanding receivables	Outstanding loans		
		Number of receivables	Outstanding loans balance	balance, net of Collateral
			Million Baht	Million Baht
Thanachart Capital Plc.	287,948	13	59	24
Thanachart Bank Plc.	236,879	284	3,158	591
N.F.S. Asset Management Co., Ltd.	1,606	375	1,992	663
Max Asset Management Co., Ltd.	93	93	523	127
Thanachart Securities Plc.	1,342	1	1	1

**8.8** As at 30 June 2006 and 31 December 2005, the Company has the following loans to the subsidiary companies :-

Company	Type of credit	Contract period	Interest rate	Outstanding balance	
				30 June 2006	31 December 2005
				Million Baht	Million Baht
Max Asset Management Co., Ltd.	Long-term loan	5 years (maturing August 2010)	fixed at 11.51% per annum	525	708
National Leasing Co., Ltd.,	Promissory note	5 years (maturing August 2008)	fixed at 3.50% per annum	646	900
Total				1,171	1,608

### 8.9 Classification of loans under the Bank of Thailand's guidelines

As at 30 June 2006 and 31 December 2005, the Company and its subsidiary companies, which are financial institutions (bank business and asset management business), classified and made allowances against their loans and receivable (including loans to financial institutions which presented as part of interbank and money market items) in accordance with the Bank of Thailand's guidelines as summarised below :-

(Unit : Million Baht)

	Consolidated <sup>(1)</sup>								
	Debt balance/ book value				Minimum percentage required by BOT <sup>(2)</sup>	Allowance for doubtful accounts			
						Minimum amount to be provided under BOT's guidelines		Amount provided in the accounts	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005	
<b>Loans and accrued interest receivable (including loans to financial institutions) <sup>(3)</sup></b>									
Normal	159,057	137,636	136,654	116,844	1	1,367	1,168	2,452	2,579
Special mention	12,557	10,290	12,200	9,645	2	244	193	244	193
Substandard	1,508	1,553	986	576	20	197	115	197	115
Doubtful	1,106	1,119	466	419	50	233	210	233	210
Doubtful of loss	2,211	2,442	1,167	1,045	100	1,167	1,045	1,167	1,045
Total	176,439	153,040	151,473	128,529		3,208	2,731	4,293	4,142
Additional allowance for possible uncollectable debts	-	-						583	693
	176,439	153,040						4,876	4,835

(Unit : Million Baht)

	Consolidated <sup>(1)</sup>								
	Debt balance/ book value				Minimum percentage required by BOT <sup>(2)</sup>	Allowance for doubtful accounts			
						Minimum amount to be provided under BOT's guidelines		Amount provided in the accounts	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005	
<b>Loans of N.F.S. Asset</b>									
<b><u>Management Co., Ltd.,</u></b>									
<b><u>which transferred from</u></b>									
<b><u>Thanachart Group</u></b>									
Normal	725	882	539	574	1	7	8	239	278
Special mention	54	57	8	2	2	-	-	-	-
Substandard	1,394	1,479	44	38	20	9	8	135	451
Doubtful	77	67	2	2	50	1	1	1	1
Doubtful of loss	2,509	2,720	705	711	100	705	711	1,074	764
<b>Total</b>	<b>4,759</b>	<b>5,205</b>	<b>1,298</b>	<b>1,327</b>		<b>722</b>	<b>728</b>	<b>1,449</b>	<b>1,494</b>
Additional allowance for possible uncollectable debts	-	-						33	33
	4,759	5,205						1,482	1,527
<b>Total</b>	<b>181,198</b>	<b>158,245</b>							
Revaluation allowance for debt restructuring	(194)	(189)							
Less : Intercompany gain	(486)	(502)							
<b>Total</b>	<b>180,518</b>	<b>157,554</b>							
<b><u>Investments in receivables</u></b>									
<b><u>transferred to loans</u></b>									
Normal	32	74	19	38	1	-	-	10	5
Special mention	2	156	-	1	2	-	-	-	4
Substandard	42	61	15	15	20	3	3	15	20
Doubtful	154	9	3	3	50	2	2	3	3
Doubtful of loss	338	344	106	111	100	106	111	106	159
<b>Total</b>	<b>568</b>	<b>644</b>	<b>143</b>	<b>168</b>		<b>111</b>	<b>116</b>	<b>134</b>	<b>191</b>
<b>Total loans and accrued interest</b>	<b>181,086</b>	<b>158,198</b>						<b>6,492</b>	<b>6,553</b>

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

(2) The provisioning rates required by the BOT's guidelines for loan balances net of collateral value.

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



(Unit : Million Baht)

The Company Only									
					Minimum percentage required by BOT <sup>(1)</sup>	Allowance for doubtful accounts			
Debt balance/ book value		Debt balance after collateral		Minimum amount to be provided under BOT's guidelines		Amount provided in the accounts			
30 June 2006	31 December 2005	30 June 2006	31 December 2005			30 June 2006	31 December 2005	30 June 2006	31 December 2005
<b>Loans and accrued interest</b>									
<b>(including loans to</b>									
<b>financial institutions)<sup>(2)</sup></b>									
Normal	55,441	72,664	55,436	72,113	1 <sup>(3)</sup>	543	705	1,628	2,115
Special mention	7,688	8,949	7,682	8,641	2	153	173	153	173
Substandard	522	467	503	454	20	101	91	101	91
Doubtful	330	375	324	359	50	162	179	162	179
Doubtful of loss	782	645	766	620	100	766	620	766	620
Total	64,763	83,100	64,711	82,187		1,725	1,768	2,810	3,178
Additional allowance for possible uncollectable debts									
	-	-						66	66
Total	64,763	83,100						2,876	3,244
<b>Investments in receivables</b>									
<b>transferred to loans</b>									
Normal	-	24	-	24	1	-	-	-	1
Substandard	4	2	-	-	20	-	-	-	-
Doubtful of loss	9	9	-	-	100	-	-	-	-
Total	13	35	-	24		-	-	-	1
<b>Total loans and accrued interest</b>	<b>64,776</b>	<b>83,135</b>						<b>2,876</b>	<b>3,245</b>

(1) The provisioning rates required by the BOT's guidelines for loan balances net of collateral value.

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

(3) Under the equity method, debt balance/book value is excluding loans to subsidiary companies.

Allowances for doubtful accounts have been determined after taking into account the value of collaterals, in accordance with the BOT's guidelines (most collaterals comprise land, buildings and premises which are appraised by external independent appraisers or internal appraisers, as per the BOT's guidelines).

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

	Consolidated							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	30	31	30	31	30	31	30	31
	June	December	June	December	June	December	June	December
	2006	2005	2006	2005	2006	2005	2006	2005
		Million	Million	Million	Million	Million	Million	
		Baht	Baht	Baht	Baht	Baht	Baht	
1. Closed financial institutions	4	4	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	4	4	45	45	72	76	3	28
3. Non – listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	26	26	1,150	1,105	1,542	1,435	81	75
4. Companies which have loan settlement problems or have defaulted of the repayment of debts	459	387	3,408	3,847	4,022	4,897	708	712
5. Companies whose auditors’ reports cited going concern issues	18	19	151	219	205	205	107	119

	The Company Only							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	30	31	30	31	30	31	30	31
	June	December	June	December	June	December	June	December
	2006	2005	2006	2005	2006	2005	2006	2005
		Million	Million	Million	Million	Million	Million	
		Baht	Baht	Baht	Baht	Baht	Baht	
1. Non – listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	-	1	-	240	-	310	-	-
2. Companies which have loan settlement problems or have defaulted of the repayment of debts	248	197	156	137	-	-	96	86
3. Companies whose auditors’ reports cited going concern issues	1	1	20	43	-	-	1	1

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

As at 30 June 2006 and 31 December 2005, a subsidiary company operating in the securities business classified its securities business receivable and accrued interest receivable and provided related allowance for doubtful accounts in accordance with the notification of the Office of the Securities and Exchange Commission (SEC) as follows :-

	(Unit : Million Baht)					
	Receivable and accrued interest receivable		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Doubtful	299	310	299	310	299	310
Substandard	9	10	-	-	-	-
Total	<u>308</u>	<u>320</u>	<u>299</u>	<u>310</u>	299	310
General reserve					8	10
Total allowance for doubtful accounts					<u>307</u>	<u>320</u>

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

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

As at 30 June 2006 and 31 December 2005, hire-purchase and financial lease receivable of three subsidiary companies engaged in hire-purchase and financial lease businesses are classified by the due date of the contracts as follows :-

	(Unit : Million Baht)	
	30 June 2006	31 December 2005
Current or overdue less than 90 days	2,442	2,071
Overdue 91 – 365 days	75	36
Overdue more than 1 year	4	2
Debtors under legal actions	13	8
Total	<u>2,534</u>	<u>2,117</u>
Allowance for doubtful accounts	<u>84</u>	<u>42</u>

## 9. ALLOWANCE FOR DOUBTFUL ACCOUNTS

(Unit : Million Baht)

	Consolidated						
	For the six-month period ended 30 June 2006						
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance – beginning of the period	2,880	199	592	218	2,299	726	6,914
Add : Increase (decrease) during the period	(158)	49	(236)	51	373	(110)	(31)
Balance – end of the period	<u>2,722</u>	<u>248</u>	<u>356</u>	<u>269</u>	<u>2,672</u>	<u>616</u>	<u>6,883</u>

(Unit : Million Baht)

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

(Unit : Million Baht)

	The Company Only						
	For the six-month period ended 30 June 2006						
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance – beginning of the period	2,116	173	91	179	620	66	3,245
Add : Increase (decrease) during the period	(488)	(20)	10	(17)	146	-	(369)
Balance – end of the period	<u>1,628</u>	<u>153</u>	<u>101</u>	<u>162</u>	<u>766</u>	<u>66</u>	<u>2,876</u>

(Unit : Million Baht)

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

## 10. REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING

(Unit : Million Baht)

	Consolidated		The Company Only	
	For the six-month	For the	For the six-month	For the
	period ended	year ended	period ended	year ended
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Balance - beginning of the period	189	254	-	-
Add : Increase during the period	9	8	-	-
Less : Amortised during the period	(2)	(73)	-	-
Reversal from hair cut	(2)	-	-	-
Balance – end of the period	194	189	-	-

## 11. CLASSIFICATION OF ASSETS

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

(Unit : Million Baht)

	Consolidated									
	Loans and accrued		Property				Other assets		Total	
	interest receivable		Investments		foreclosed					
	30	31	30	31	30	31	30	31	30	31
June	December	June	December	June	December	June	December	June	December	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	
Normal	159,814	138,592	-	-	-	-	61	50	159,875	138,642
Special mention	12,613	10,503	-	-	-	-	58	46	12,671	10,549
Substandard	2,944	3,093	-	-	-	-	5	4	2,949	3,097
Doubtful	1,337	1,195	-	-	-	-	4	5	1,341	1,200
Doubtful of loss	5,058	5,506	840	891	871	724	733	568	7,502	7,689
Total	181,766	158,889	840	891	871	724	861	673	184,338	161,177
Less: Revaluation allowance										
for debt restructuring	(194)	(189)								
Intercompany gain from										
loans transferred	(486)	(502)								
	181,086	158,198								

(Unit : Million Baht)

	The Company Only									
	Loans and accrued interest receivable				Property					
			Investments		foreclosed		Other assets		Total	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Normal	55,441	72,688	-	-	-	-	40	41	55,481	72,729
Special mention	7,688	8,949	-	-	-	-	43	43	7,731	8,992
Substandard	526	469	-	-	-	-	3	3	529	472
Doubtful	330	375	-	-	-	-	4	5	334	380
Doubtful of loss	791	654	293	274	440	356	651	538	2,175	1,822
<b>Total</b>	<b>64,776</b>	<b>83,135</b>	<b>293</b>	<b>274</b>	<b>440</b>	<b>356</b>	<b>741</b>	<b>630</b>	<b>66,250</b>	<b>84,395</b>

**12. PROPERTY FORECLOSED**

(Unit : Million Baht)

	For the six-month period ended 30 June 2006							
	Consolidated				The Company Only			
	Balance - beginning of the period	Additions	Disposals	Balance - end of the period	Balance - beginning of the period	Additions	Disposals	Balance - end of the period
Assets transferred in settlement of debts								
Immovable assets	7,060	58	(397)	6,721	3,213	3	(64)	3,152
Movable assets	252	1,000	(779)	473	228	593	(590)	231
Assets foreclosed from purchase by bid on the open market								
Immovable assets	1,558	310	(117)	1,751	175	95	(5)	265
<b>Total property foreclosed</b>	<b>8,870</b>	<b>1,368</b>	<b>(1,293)</b>	<b>8,945</b>	<b>3,616</b>	<b>691</b>	<b>(659)</b>	<b>3,648</b>
Less : Allowance for impairment	(725)	(192)	42	(875)	(356)	(101)	17	(440)
<b>Property foreclosed - net</b>	<b>8,145</b>	<b>1,176</b>	<b>(1,251)</b>	<b>8,070</b>	<b>3,260</b>	<b>590</b>	<b>(642)</b>	<b>3,208</b>

As at 30 June 2006, the Company and its subsidiary companies have obligations with regard to property foreclosed received in settlement of debts. For Baht 4 million, the debtors have an option to buy back the properties at prices and within periods specified in the agreements. For a further Baht 264 million, the debtors have first right of purchase (the Company Only : Baht 120 million).

As at 30 June 2006, for a further approximately Baht 95 million (at cost) of the property foreclosed of the Company and its subsidiary companies (the Company Only : Baht 31 million), sales agreements have been made with customers, but the payment of installments or the transfer of ownership rights is still in progress. The Company and its subsidiary companies have not recognised any gain in these cases and these assets are still recorded as property foreclosed.

### 13. LAND, PREMISES AND EQUIPMENT

(Unit : Million Baht)

	Consolidated					Total
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Furniture and fixtures in progress	
<u>Cost :</u>						
31 December 2005	216	155	1,457	187	51	2,066
Additions	18	14	410	17	18	477
Transfers	-	26	36	-	(62)	-
Disposals	(7)	(5)	(202)	(30)	-	(244)
30 June 2006	227	190	1,701	174	7	2,299
<u>Accumulated depreciation :</u>						
31 December 2005	-	21	661	106	-	788
Disposals	-	(4)	(50)	(24)	-	(78)
Depreciation during the period	-	4	125	14	-	143
30 June 2006	-	21	736	96	-	853
<u>Net book value :</u>						
31 December 2005	216	134	796	81	51	1,278
30 June 2006	227	169	965	78	7	1,446
Depreciation charge included in the earnings statements						
for the six-month periods ended 30 June						
2005						95
2006						143

(Unit : Million Baht)

	The Company Only					Total
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Furniture and fixtures in Progress	
<u>Cost :</u>						
31 December 2005	70	126	568	58	44	866
Additions	-	-	34	3	14	51
Transfers	-	26	25	-	(51)	-
Disposals	(7)	(5)	(198)	(9)	-	(219)
30 June 2006	63	147	429	52	7	698
<u>Accumulated depreciation :</u>						
31 December 2005	-	21	245	40	-	306
Disposals	-	(3)	(49)	(6)	-	(58)
Depreciation during the period	-	3	39	3	-	45
30 June 2006	-	21	235	37	-	293
<u>Net book value :</u>						
31 December 2005	70	105	323	18	44	560
30 June 2006	63	126	194	15	7	405
Depreciation charge included in the earnings statements						
for the six-month period ended 30 June :-						
2005						39
2006						45

As at 30 June 2006, the Company and its subsidiary companies have vehicles and office equipment, acquired under financial leases with net book values amounting to approximately Baht 68 million, and have office equipment and vehicles which have been fully depreciated but is still in use with original costs, before deducting accumulated depreciation, amounting to approximately Baht 407 million (the Company Only : Baht 15 million and Baht 252 million, respectively).



## 14. OTHER ASSETS

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Premium receivable from direct insurance - net	399	385	-	-
Accrued interest	284	199	13	19
Accrued income	153	179	31	39
Unrealised gain on derivative contracts	151	29	-	-
Other receivable (VAT paid in advance for customers) - net	107	85	72	75
Deferred expenses	88	21	11	5
Withholding tax deducted at source	45	55	-	-
Other receivables	162	151	32	41
Receivable from sales of housing loans to Secondary Mortgage Corporation	12	13	7	9
Deposits	93	76	12	12
Others	173	154	39	12
Total other assets	1,667	1,347	217	212

During the years 1999 and 2000, the Company and a subsidiary company entered into agreements to sell housing loans with balances of approximately Baht 276 million and Baht 223 million (principal only), per the consolidated and the Company's financial statements, respectively, to the Secondary Mortgage Corporation ("the Corporation"). The Corporation is to pay 80 percent of the loan value with the Corporation's bonds. The remaining 20 percent is deferred under the Participating Obligations Agreement ("PO"). This deferred amount is the maximum amount for which the Company and its subsidiary are responsible if the Corporation suffers any loss as a result of the debts purchased. The obligations will decrease in proportion to the amount of payment made by the debtors to the Corporation. As at 30 June 2006, the outstanding balances of approximately Baht 12 million and Baht 7 million are recorded in the consolidated and the Company's financial statements, respectively (31 December 2005 : Baht 13 million and Baht 9 million, respectively).

## 15. DEPOSITS

### 15.1 Classified by type of deposits

(Unit : Million Baht)

	Consolidated		The Company Only		
	30 June	31 December	30 June	2006	31 December
	2006	2005			2005
At call	267	210	-		-
Saving	22,108	11,277	-		-
Promissory notes	16,706	44,343	-		-
Fixed					
- Less than 6 months	90,113	40,557	-		-
- 6 months and up to 1 year	53,733	16,964	-		-
- Over 1 year	27,157	35,020	-		-
Total deposits	210,084	148,371	-		-

### 15.2 Classified by the remaining period of contract

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
At call	22,521	11,990	-	-
Not over 1 year*	174,493	114,107	-	-
Over 1 year	13,070	22,274	-	-
Total deposits	210,084	148,371	-	-

\*Include matured contracts

### 15.3 Classified by currency and location

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
Baht - local	210,082	148,367	-	-
US Dollar - local	2	4	-	-
	210,084	148,371	-	-

## 16. INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

(Unit : Million Baht)

	Consolidated					
	30 June 2006			31 December 2005		
	At call	Term	Total	At call	Term	Total
<b>Domestic :</b>						
Bank of Thailand and Financial Institutions Development Fund	-	104	104	-	108	108
Commercial banks	1	-	1	250	-	250
Other financial institutions	202	1,618	1,820	755	1,488	2,243
<b>Total</b>	<b>203</b>	<b>1,722</b>	<b>1,925</b>	<b>1,005</b>	<b>1,596</b>	<b>2,601</b>
<b>Foreign :</b>						
US Dollar	-	24	24	-	-	-
EURO	-	5	5	-	-	-
<b>Total</b>	<b>-</b>	<b>29</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interbank and money market items</b>	<b>203</b>	<b>1,751</b>	<b>1,954</b>	<b>1,005</b>	<b>1,596</b>	<b>2,601</b>

(Unit : Million Baht)

	The Company Only					
	30 June 2006			31 December 2005		
	At call	Term	Total	At call	Term	Total
<b>Domestic :</b>						
Commercial banks	50,500	-	50,500	75,700	-	75,700
<b>Total</b>	<b>50,500</b>	<b>-</b>	<b>50,500</b>	<b>75,700</b>	<b>-</b>	<b>75,700</b>

As at 30 June 2006, Baht 50,500 million of borrowings from financial institutions in the Company's financial statements are from a subsidiary company (Thanachart Bank). The interest rate charged is in accordance with money market rates, and not less than TBANK's 1 year fixed deposit rate plus a fixed percentage per annum. Principal is payable at call but not more than May 2007 (31 December 2005 : Baht 75,500 million).

## 17. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As at 30 June 2006, securities sold under repurchase agreements amounting to Baht 100 million are subject to interest at a rate of 5.75 percent per annum. The repurchasing date is in July 2006. Investment in a marketable security of an associated company has been pledged as collateral (as mentioned in Note 6.5).

## 18. BORROWINGS

(Unit : Million Baht)

Type of borrowings	Interest rate per annum	Maturity date	Consolidated		The Company Only	
			30 June 2006	31 December 2005	30 June 2006	31 December 2005
<u>Short-term borrowings</u>						
Liabilities under commercial papers sold avaled by Thanachart Bank Plc. which is subsidiary company	Fixed rate of 3.40 percent	2006	236	286	-	-
Bill of exchange	Fixed rate of 3.80 percent	2007	280	670	-	670
Promissory note	Floating rate based on the six-month Thai Baht swap offer rate	2006	-	299	-	299
Total short-term borrowings			516	1,255	-	969
<u>Long-term borrowings</u>						
Subordinated debenture						
Issued in accordance with the plan to establish the Restricted Bank	Fixed rate of 9 percent	2008	1,943	1,943	-	-
Issued under the scheme to increase Tier II capital	3.50 - 5.00 percent	2009 - 2010	578	578	473	473
Unsubordinated and unsecured debentures	Fixed rate of 2.95 percent	2008	1,000	1,000	1,000	1,000
Unsubordinated and unsecured debentures	Floating rate of the average MLR of 4 commercial banks minus the fixed rate	2010	4,000	4,000	4,000	4,000

(Unit : Million Baht)

Type of borrowings	Interest rate per annum	Maturity date	Consolidated		The Company Only	
			30 June	31 December	30 June	31 December
			2006	2005	2006	2005
Long-term loan agreement	Fixed rate of 11.51 percent	2010	104	141	-	-
Bill of exchange	3.75 - 4.80 percent	2007 - 2010	13,703	13,968	-	-
Bill of exchange	Floating rate of the average MLR of 4 commercial banks minus the fixed rate	2008 - 2009	2,650	2,650	-	-
Bill of exchange	Floating rate THB-THBFIX-REUTERS plus the fixed rate	2010	750	750	-	-
Promissory notes	3.90 and 4.10 percent	2007	2,777	2,777	2,777	2,777
Promissory notes	3-months fixed deposit rate plus the fixed rate	2007	5,000	5,000	-	-
Promissory notes	Floating rate based on the six-month Thai Baht Swap Offer rate but not over 4.50 percent at the fourth year and not over 5.00 percent at the fifth year	2007	158	158	158	158
Promissory notes	4.40 percent minus six-month Thai Baht Swap Office rate	2008	150	150	150	150
Promissory notes	Floating rate of the average MLR of 4 commercial banks minus the fixed rate	2008 - 2009	7,580	7,580	7,580	7,580
Total long term borrowings			40,393	40,695	16,138	16,138
Total borrowings			40,909	41,950	16,138	17,107

## 19. OTHER LIABILITIES

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Insurance premium payable	485	595	68	112
Value added tax payable	219	243	207	230
Deferred gain on disposal of property foreclosed	300	327	1	9
Losses reserve and outstanding claims from insurance/life insurance	478	336	-	-
Cash received from contracted sales on property foreclosed	18	180	6	10
Amounts withheld on reinsurance treaties	78	76	-	-
Unearned income from hire purchase	239	249	108	141
Accrued personnel expenses	243	201	38	50
Suspense account receivable	838	705	292	283
Payables for property foreclosed	345	260	86	58
Others	837	751	165	194
Total	4,080	3,923	971	1,087

## 20. SHARE CAPITAL

As at 30 June 2006, 19,546 preference shares, with each preference share convertible to 1 ordinary share, remain unconverted which the conversion rights are unconditional and do not expire.

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

As at 30 June 2006, the Company will not be required to maintain the capital funds in accordance with Section 4 of the Act on Undertaking of Finance Business result from the Company has already returned its finance business license.

## 21. REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Revaluation surplus on investments :-				
Available-for-sale investments				
Debt instruments	20	21	-	-
Equity instruments	247	244	69	80
Held-to-maturity debt securities	50	54	23	24
Surplus recognised for subsidiary and associated companies - under equity method	19	2	244	217
Total	336	321	336	321
Revaluation deficit on investments :-				
Available -for-sale investments				
Debt instruments	(28)	(30)	-	-
Equity instruments	(283)	(306)	(52)	(45)
Held-to-maturity debt securities	(754)	(815)	(142)	(153)
Deficit recognised for subsidiary and associated companies - under equity method	-	-	(871)	(953)
Total	(1,065)	(1,151)	(1,065)	(1,151)
Revaluation surplus (deficit) on investments	(729)	(830)	(729)	(830)

## 22. STATUTORY RESERVE

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

### 23. BAD DEBTS AND DOUBTFUL ACCOUNTS

Bad debts and doubtful accounts in the statements of earnings for the six-month periods ended 30 June 2006 and 2005 consists of :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Bad debts and doubtful accounts (reversal of bad debt and doubtful accounts) from loans and interbank and money market items	(31)	(92)	(369)	330
Amortisation of revaluation allowance for debt restructuring during the period	(2)	(54)	-	-
Total bad debts and doubtful accounts (reversal of bad debt and doubtful accounts)	<u>(33)</u>	<u>(146)</u>	<u>(369)</u>	<u>330</u>

### 24. LOSS FROM DEBT RESTRUCTURING

Loss from debt restructuring in the statements of earnings for the six-month periods ended 30 June 2006 and 2005 consists of the following :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Loss from hair-cut	40	104	-	-
Increase in revaluation allowance for debt restructuring	9	179	-	-
Total loss from debt restructuring	<u>49</u>	<u>283</u>	<u>-</u>	<u>-</u>



## 25. GAIN (LOSS) ON INVESTMENTS

Gain (loss) on investments for the six-month periods ended 30 June 2006 and 2005 consists of the following :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Unrealised loss on valuation adjustment	(5)	-	-	-
Allowance for impairment of investments	(2)	-	(6)	-
Reversal of provision for impairment of investments in receivables (allowance for impairment)	7	(34)	(5)	-
Gain on debt settlement/assets transferred from investments in receivables	23	54	3	-
Realised gain (loss) on sales of investments				
Trading securities	7	18	-	-
Available-for-sale securities	171	182	120	73
Held-to-maturity securities	-	(117)	-	(119)
Other securities	53	5	53	-
Total	<u>254</u>	<u>108</u>	<u>165</u>	<u>(46)</u>

During the six-month periods ended 30 June 2005, the Company disposed of held-to-maturity debt securities with an amortised cost of Baht 3,410 million. This was mainly due to the policy of restructuring its financial business operations. After the restructuring, the Company was not required to hold bonds for the purpose of maintaining its liquid asset and they therefore decided to reduce their investment in debt securities.

## 26. GAIN (LOSS) ON PROPERTY FORECLOSED

Gain (loss) on property foreclosed for the six-month periods ended 30 June 2006 and 2005 consists of the following :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Realised gain on disposal of property foreclosed	501	142	24	74
Allowance for impairment	(150)	(14)	(84)	(18)
Total	351	128	(60)	56

## 27. NUMBER OF EMPLOYEES

	Consolidated		The Company Only	
	2006	2005	2006	2005
Number of employees as at 30 June (persons)	5,356	4,605	655	904
Personnel expenses for the six-month periods ended 30 June (Million Baht)	1,180	921	131	286

## 28. 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 27 April 2006, the Annual General Meeting of shareholders had approved the payment of director's remuneration amounting to approximately Baht 11 million to the Company's directors.

## 29. CORPORATE INCOME TAX

Corporate income tax has been calculated based on the earnings for the period after adding back disallowable expenses and provisions deducting taxable expenses and tax-exempted income, and tax losses brought forward from prior years (if any) and multiplied with the estimated average tax rate for the year.

### 30. PROVIDENT FUND

The Company, certain of its subsidiaries and their employees have jointly registered provident funds scheme under the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the companies at the rate of 5 percent of the employee's salary. The fund will be paid to the employees upon termination in accordance with the rules of the funds. During the six-month periods ended 30 June 2006, Baht 27 million has been contributed to the funds by the Company and its subsidiaries (the Company Only : Baht 5 million).

### 31. RECONCILIATION OF DILUTED EARNINGS PER SHARE

Consolidated and the Company Only						
For the three-month periods ended 30 June						
Net earnings		Weighted average number of ordinary shares		Earnings per share		
2006	2005	2006	2005	2006	2005	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
<b>Basic earnings per share</b>						
Net earnings	360,756	781,359	1,333,134	1,333,134	0.27	0.59
<b>Effect of dilutive securities</b>						
Preference shares convertible to ordinary shares	-	-	20	20		
<b>Diluted earnings per share</b>						
Net earnings of ordinary shareholders assuming conversion of dilutive securities	360,756	781,359	1,333,154	1,333,154	0.27	0.59

Consolidated and the Company Only						
For the six-month periods ended 30 June						
Net earnings		Weighted average number of ordinary shares		Earnings per share		
2006	2005	2006	2005	2006	2005	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
<b>Basic earnings per share</b>						
Net earnings	1,108,803	1,468,459	1,333,134	1,333,134	0.83	1.10
<b>Effect of dilutive securities</b>						
Preference shares convertible to ordinary shares	-	-	20	20		
<b>Diluted earnings per share</b>						
Net earnings of ordinary shareholders assuming conversion of dilutive securities	1,108,803	1,468,459	1,333,154	1,333,154	0.83	1.10

## 32. RELATED PARTY TRANSACTIONS

During the three-month and six-month periods ended 30 June 2006 and 2005, the Company and its subsidiary companies had significant business transactions with its subsidiary, associated and related companies (related by way of common shareholders and/or common directors). Such transactions which have been concluded on the terms and basis as determined by the Company, its subsidiary companies and those companies, are summarised below :-

(Unit : Million Baht)

	For the three-month periods ended 30 June				Pricing Policies (For the year 2006)
	Consolidated		The Company Only		
	2006	2005	2006	2005	
<b>Subsidiary companies :-</b>					
Sales of investments in debt securities	-	-	2,416	1,333	At market price
Transfer of assets	-	-	150	-	At the rate determined under appraisal value and book value
Interest income from loans	-	-	23	141	At interest rates of 3.50 and 11.51 percent per annum
Interest income from deposits	-	-	3	-	At the rate of 3.00 percent per annum
Rental and other service income	-	-	48	31	At the rate determined under the contract between related parties
Fees and other income	3	2	-	5	At the rate determined under the contract between related parties
Interest expenses	-	-	945	254	At interest rates of 6.5 - 7.125 percent per annum
Rental and other service expenses	7	8	68	41	At the rate determined under the contract between related parties
Insurance expenses	-	-	2	2	As insurance policy
<b>Associated companies :-</b>					
Interest expenses	3	5	-	-	At interest rates of 11.51 percent per annum
Other expenses	14	10	12	7	
<b>Related companies:-</b>					
Dividend income	13	7	3	-	As declared
Interest income	24	21	-	4	At interest rates of 0.50 - 7.90 percent per annum
Other income	1	37	1	1	
Interest expenses	8	13	-	2	At interest rates of 0.50 - 5.125 and 9 percent per annum
Project management expenses	16	13	8	7	At the rate determined under the contracts which based on the estimated time spent and charge-out rate
Other expenses	13	11	3	7	

(Unit : Million Baht)

	For the six-month periods ended 30 June				Pricing Policies (For the year 2006)
	Consolidated		The Company Only		
	2006	2005	2006	2005	
<b>Subsidiary companies :-</b>					
Sales of investments in debt securities	-	-	2,416	3,006	At market price
Purchase of investments in debt securities	-	-	3,987	-	At market price
Transfer value of loans	-	-	888	-	At contract rate, determined with reference to basis approved by financial advisor
Transfer of assets	-	-	165	-	At the rate determined under appraisal value and book value
Interest income from loans	-	-	50	275	At interest rates of 3.50 and 11.51 percent per annum
Interest income from deposits	-	-	3	-	At the rate of 3.00 percent per annum
Rental and other service income	-	-	89	58	At the rate determined under the contract between related parties
Fees and other income	15	4	1	10	At the rate determined under the contract between related parties
Interest expenses	-	-	1,963	436	At interest rates of 5.5 - 7.125 percent per annum
Rental and other service expenses	13	11	130	76	At the rate determined under the contract between related parties
Insurance expenses	-	-	3	3	As insurance policy
<b>Associated companies :-</b>					
Other income	-	1	-	-	
Interest expenses	7	10	-	-	At interest rates of 11.51 percent per annum
Other expenses	24	21	19	14	
<b>Related companies:-</b>					
Dividend income	33	7	4	-	As declared
Interest income	52	40	2	9	At interest rates of 0.50-7.90 percent per annum
Other income	3	53	2	2	
Interest expenses	18	25	-	4	At interest rates of 0.50-5.125 and 9 percent per annum
Project management expenses	30	25	14	13	At the rate determined under the contracts which based on the estimated time spent and charge-out rate
Other expenses	40	28	11	16	

During the six-month periods ended 30 June 2006, Thanachart Bank transferred additional non-performing loans amounting to Baht 422 million to N.F.S. Asset Management Co., Ltd.

The outstanding balances of the above transactions during the six-month periods ended 30 June 2006 and 2005 are below shown at the average month end balance :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
<u>Subsidiary companies</u>				
Interbank and money market items (Assets)	-	-	153	40
Loans	-	-	1,392	15,150
Deposits	23	27	-	-
Interbank and money market items (Liabilities)	-	-	62,707	24,024
<u>Associated companies</u>				
Investments in debt securities	20	24	-	-
Loans	3	8	-	-
Deposits	40	9	-	-
Borrowings	126	197	-	23
<u>Related companies</u>				
Interbank and money market items (Assets)	560	443	72	117
Investments in debt and equity securities	1,356	1,126	284	259
Loans	1,479	2,223	133	279
Deposits	962	740	-	-
Interbank and money market items (Liabilities)	39	744	-	-
Borrowings	112	112	3	483

The outstanding balances of the above transactions are as follow :-

	(Unit : Million Baht)			
	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
<b><u>Interbank and money market items (Assets)</u></b>				
<b>Subsidiary companies :-</b>				
Thanachart Bank Plc.	-	-	81	131
<b>Related companies</b>	532	289	85	94
<b>Total</b>	532	289	166	225

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
<b><u>Investments in debt securities</u></b>				
<b>Associated companies :-</b>				
MBK Plc.	20	24	-	-
<b>Related companies</b>	259	306	-	-
<b>Total</b>	<b>279</b>	<b>330</b>	<b>-</b>	<b>-</b>
<b><u>Loans and receivable</u></b>				
<b>Subsidiary companies :-</b>				
Max Asset Management Co., Ltd.	-	-	525	708
National Leasing Co., Ltd.	-	-	646	900
	-	-	1,171	1,608
<b>Associated companies :-</b>				
MBK Plc.	15	4	-	-
<b>Related companies</b>	1,185	1,645	20	269
<b>Total</b>	<b>1,200</b>	<b>1,649</b>	<b>1,191</b>	<b>1,877</b>
<b><u>Accrued interest receivable from investments</u></b>				
<b><u>and loans</u></b>				
<b>Subsidiary companies :-</b>				
Max Asset Management Co., Ltd.	-	-	23	29
<b>Related companies</b>	3	10	-	1
<b>Total</b>	<b>3</b>	<b>10</b>	<b>23</b>	<b>30</b>



(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
<b><u>Other assets</u></b>				
<b>Subsidiary companies :-</b>				
Thanachart Securities Plc.	-	-	36	8
Other subsidiary companies	3	2	7	14
	<u>3</u>	<u>2</u>	<u>43</u>	<u>22</u>
<b>Associated companies</b>	8	9	4	4
<b>Related companies</b>	17	44	1	12
<b>Total</b>	<u>28</u>	<u>55</u>	<u>48</u>	<u>38</u>
<b><u>Deposits</u></b>				
<b>Subsidiary companies</b>	20	27	-	-
<b>Associated companies</b>				
MBK Plc.	24	20	-	-
Other associated companies	2	-	-	-
	<u>26</u>	<u>20</u>	<u>-</u>	<u>-</u>
<b>Related companies</b>	903	1,092	-	-
<b>Total</b>	<u>949</u>	<u>1,139</u>	<u>-</u>	<u>-</u>
<b><u>Interbank and money market items (liabilities)</u></b>				
<b>Subsidiary companies :</b>				
Thanachart Bank Plc.	-	-	50,500	75,500
<b>Related companies</b>	-	50	-	-
<b>Total</b>	<u>-</u>	<u>50</u>	<u>50,500</u>	<u>75,500</u>
<b><u>Borrowings</u></b>				
<b>Associated companies :-</b>				
MBK Plc.	104	141	-	-
<b>Related company</b>	112	112	-	-
<b>Total</b>	<u>216</u>	<u>253</u>	<u>-</u>	<u>-</u>

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
<b><u>Accrued interest payable</u></b>				
<b>Associated companies</b>	5	6	-	-
<b>Related companies</b>	11	10	-	-
<b>Total</b>	16	16	-	-
<b><u>Other liabilities</u></b>				
<b>Subsidiary companies :-</b>				
Thanachart Bank Plc.	-	-	20	23
National Leasing Co., Ltd.	-	-	18	23
Thanachart Insurance Co., Ltd.	-	-	6	13
Other subsidiary companies	-	-	7	7
	-	-	51	66
<b>Related companies</b>	40	406	6	11
<b>Total</b>	40	406	57	77
<b><u>Guarantees of loans</u></b>				
<b>Related companies</b>	10	10	10	10

As at 30 June 2006, the Company and its subsidiary companies have investments amounting to approximately Baht 873 million (the Company Only : Baht 199 million) in companies to which they are related by means of members of their management being shareholders and/or directors of those companies.

As at 30 June 2006 and 31 December 2005, the Company and its subsidiary companies had the following related parties transactions with executive employees from department manager level up :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
Loans	48	42	7	7
Deposits	570	401	-	-

### 33. FINANCIAL INFORMATION BY SEGMENT

Financial information relating to the business as at 30 June 2006 and 31 December 2005 and for the three-month and six-month periods ended 30 June 2006 and 2005 are summarized below :-

(Unit : Million Baht)

	For the three-month periods ended 30 June															
	The Company		Asset management business				Bank business		Securities business		Other business		Eliminations		Total	
			2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005		
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	295	1,045	91	303	1,294	353	52	40	96	63	(60)	(52)	1,768	1,752		
Share of profits from investments accounted for under equity method	393	499	-	-	-	-	-	-	10	-	(340)	(463)	63	36		
Non-interest income	172	192	150	206	216	118	234	204	713	518	(89)	(15)	1,396	1,223		
Operating expenses	(423)	(819)	(33)	(31)	(1,353)	(363)	(210)	(180)	(719)	(564)	126	77	(2,612)	(1,880)		
Corporate income tax	(76)	(136)	(64)	(174)	(14)	-	(17)	(13)	(42)	(20)	-	-	(213)	(343)		
Minority interest in net earnings in subsidiary companies	-	-	-	-	-	-	-	-	-	-	(41)	(7)	(41)	(7)		
Net earnings	361	781	144	304	143	108	59	51	58	(3)	(404)	(460)	361	781		

(Unit : Million Baht)

For the six-month periods ended 30 June

	Asset management													
	The Company		business		Bank business		Securities business		Other business		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	836	1,946	54	264	2,408	649	69	49	166	95	(92)	(52)	3,441	2,951
Share of profits from investments accounted for under equity method	922	915	-	-	-	-	-	-	20	-	(822)	(831)	120	84
Non-interest income	453	476	834	297	486	222	514	426	1,351	847	(196)	73	3,442	2,341
Operating expenses	(886)	(1,627)	(71)	(67)	(2,657)	(606)	(448)	(384)	(1,426)	(886)	257	139	(5,231)	(3,431)
Corporate income tax	(216)	(242)	(224)	(177)	(44)	-	(37)	(17)	(82)	(34)	-	-	(603)	(470)
Minority interest in net earnings in subsidiary companies	-	-	-	-	-	-	-	-	-	-	(60)	(7)	(60)	(7)
Net earnings	1,109	1,468	593	317	193	265	98	74	29	22	(913)	(678)	1,109	1,468

(Unit : Million Baht)

As at

	Asset management													
	The Company		business		Bank business		Securities business		Other business		Eliminations		Total	
	30	31	30	31	30	31	30	31	30	31	30	31	30	31
	June	December	June	December	June	December	June	December	June	December	June	December	June	December
Investments - Net	24,770	24,734	6,296	6,237	19,783	17,415	1,285	1,194	5,815	5,069	(22,270)	(21,445)	35,679	33,204
Loans and accrued interest receivable - Net (including interbank and money market items)	62,259	80,738	3,979	4,473	175,365	160,622	1,860	2,271	3,837	3,577	(64,473)	(90,911)	182,827	160,770
Land, premises and equipment - Net	405	560	1	2	827	494	161	165	52	57	-	-	1,446	1,278
Other assets	3,675	10,904	3,834	3,974	60,825	16,948	396	265	824	810	(81)	(80)	69,473	32,821
Total assets	91,109	116,936	14,110	14,686	256,800	195,479	3,702	3,895	10,528	9,513	(86,824)	(112,436)	289,425	228,073

### 34. COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2006 and 31 December 2005, commitments and contingent liabilities which are significant consisted of :-

#### 34.1

(Unit : Million Baht)

	Consolidated					
	30 June 2006			31 December 2005		
	Foreign		Total	Foreign		Total
	Baht	currency		Baht	currency	
Avals to bills	59	-	59	239	-	239
Guarantees of loans	10	-	10	10	-	10
Liability under unmatured import bills	-	10	10	-	4	4
Letters of credit	-	549	549	-	635	635
Other commitments						
Obligations under interest rate swap agreements	46,636	-	46,636	48,373	-	48,373
Obligations under forward exchange contracts						
Bought contracts	-	994	994	-	549	549
Sold contracts	-	1,108	1,108	-	625	625
Obligations under sales of cross currency and interest						
rate swap contracts - sold contracts	-	2,247	2,247	-	1,389	1,389
Committed (but not drawn) overdraft	1,080	-	1,080	628	-	628
Other guarantees	1,188	127	1,315	963	-	963
Total contingencies and commitments	48,973	5,035	54,008	50,213	3,202	53,415

(Unit : Million Baht)

	The Company Only					
	30 June 2006			31 December 2005		
	Foreign		Total	Foreign		Total
	Baht	currency		Baht	currency	
Guarantees of loans	10	-	10	10	-	10
Other commitments						
Obligation under interest rate swap agreements	19,986	-	19,986	21,723	-	21,723
Other guarantees	1	-	1	1	-	1
Total contingencies and commitments	19,997	-	19,997	21,734	-	21,734

- 34.2** During the years 2001 to 2003, the Company and its subsidiary companies have entered into agreements to sell loans with transfer prices totaling of approximately Baht 3,417 million to the Thai Asset Management Corporation (“TAMC”). The Company and its subsidiary companies are still jointly entitled to/liable for a share of the gains or losses arising from TAMC’s management of these non-performing assets, which is to be calculated at the end of fifth and tenth years, counting from 1 July 2001. In case of losses, the Company and its subsidiary companies are liable for all initial losses up to 20 percent of the transfer price, with the next 20 percent of such losses are to be shared equally between the Company or its subsidiary companies and TAMC. TAMC is liable for all remaining losses. Such gains or losses will be determined based on the cumulative value of the collections made on the assets as at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the receivables. The gain or loss cannot be reliably estimated by the Company and its subsidiary companies at this stage. However, as at 30 June 2006, the Company and its subsidiary companies have estimated their share of the losses which may arise from the management of non-performing assets at approximately Baht 362 million (the Company Only : Baht 137 million) (31 December 2005 : of Baht 344 million and Baht 119 million, respectively). This is presented as a part of the allowance for impairment of investment in promissory notes.
- 34.3** The Company and a subsidiary company have entered into agreements to sell housing loans/ to transfer rights to claim the 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 sell price of the said receivables, or approximately Baht 12 million (the Company Only : Baht 7 million).

- 34.4** During this period, the Company has entered into an sales agreement with Thanachart Bank to transfer loans and receivables, under which Thanachart Bank has the right to return the loans and receivables to the Company, or to claim damages from the Company in certain cases in which it is unable to exercise its right as creditor under the agreement or its right over collateral, or because the compensation paid for the transfer did not accord with amount determined under the stipulated method. As at 30 June 2006, a total of Baht 888 million of loans and receivables are transferred and still subject to such obligations. However, the Company's management believes that any exercise of rights by Thanachart Bank would not significantly affect on the financial statements of the Company.
- 34.5** Thanachart Bank Plc., subsidiary company, is obliged to make contributions to the Financial Institutions Development Fund, at a rate of 0.2 percent of the total outstanding balance of the Bank's deposits and accrued interest arising from borrowings, as of the last day of the previous six-month period before the contributions are to be made, every 30 June and 31 December of the year.
- 34.6** As at 30 June 2006, the Company and its subsidiary companies have obligations to pay service fees related to property foreclosed and other services including long-term rental and office services agreements which can be presented as follows :-

(Unit : Million Baht)

Year	Consolidated	The Company Only	
	Other companies	Other companies	Subsidiaries
2006	218	99	17
2007	265	131	6
2008 onward	307	179	12

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

- 34.7** As at 30 June 2006, a subsidiary company has commitments under a research support and distribution services agreement made with an overseas company, whereby it must pay service charges of approximately USD 625,000 per quarter. The agreement will expire on 30 September 2008.

### **35. LITIGATION**

As at 30 June 2006, the Company and its subsidiary companies have contingent liabilities amounting to approximately Baht 840 million as a result of litigation (the Company Only : Baht 346 million). However, the Company and its subsidiary companies' management expect that no losses will result and therefore no liabilities are currently recorded.

### **36. BANK GUARANTEE**

As at 30 June 2006, there were outstanding bank guarantees of approximately Baht 7 million (the Company Only : Baht 5 million) issued by banks on behalf of the Company and its subsidiaries to guarantee the use of electricity and the rental of land.

### **37. 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 30 June 2006, the Company has no policy to speculate or trade in any off-balance sheet derivative financial instruments.

#### **37.1 Credit risk**

Credit risk is the risk that the party to a financial instrument will fail to fulfill an obligation causing the Company and its subsidiary companies to incur a financial loss. The maximum exposure to credit risk is the carrying amount of financial assets less provision for losses as stated in the balance sheet and off-balance sheet aval, guarantee of loans and other guarantees.

The Company and its subsidiary companies manage credit risk by means of careful consideration during the credit approval process, with analysis of risk factors and of the customer's 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.



### 37.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may affect the position of the Company and its subsidiary companies, and consequently cause them to incur a financial loss. 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 instruments will fluctuate as a result of changes in market interest rates.

The Company and its subsidiary companies manage interest rate risk by means of an appropriate structuring of holding in assets and liabilities with different repricing dates, taking into account the direction of market interest rate, 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.

(Unit : Million Baht)

	Consolidated				The Company Only			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total	Floating interest rate	Fixed interest rate	Without interest	Total
<b><u>Financial assets</u></b>								
Cash	-	-	1,800	1,800	-	-	-	-
Interbank and money market items	405	442	3,421	4,268	8	-	346	354
Securities purchased under resale agreements	-	55,700	-	55,700	-	-	-	-
Investments	1,780	28,881	5,776	36,437	485	991	23,519	24,995
Receivables from clearing house	-	-	283	283	-	-	-	-
Loans (include intercompany gain on loan transferred)	23,683	159,494	2,805	185,982	57	63,747	952	64,756

(Unit : Million Baht)

	Consolidated				The Company Only			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total	Floating interest rate	Fixed interest rate	Without interest	Total
<b>Financial liabilities</b>								
Deposits	22,542	187,274	268	210,084	-	-	-	-
Interbank and money market items	152	1,751	51	1,954	50,500	-	-	50,500
Securities sold under repurchase agreements	-	100	-	100	-	-	-	-
Payable to clearing house	-	-	121	121	-	-	-	-
Securities business payable	-	-	684	684	-	-	-	-
Borrowings	5,000	35,909	-	40,909	-	16,138	-	16,138
Liabilities payable on demand	-	-	888	888	-	-	-	-

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

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

(Unit : Million Baht)

Transactions	Consolidated					Total	Weighted Average interest rates Percentage
	At call	Repricing or maturity date					
		0-3 months	3-12 months	1 – 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	30	164	188	60	-	442	4.15 - 4.75
Securities purchased under resale agreements	-	55,700	-	-	-	55,700	5.00
Investments	-	9,813	4,220	7,072	7,776	28,881	4.08 - 4.17
Loans (include intercompany gain on loan transferred)	760	4,869	11,808	128,466	13,591	159,494	6.83 - 7.72
<b>Financial liabilities</b>							
Deposits	146	107,936	66,299	12,893	-	187,274	4.66
Interbank and money market items	-	502	239	1,010	-	1,751	4.43
Securities sold under repurchase agreements	-	100	-	-	-	100	5.75
Borrowings	-	4,545	13,231	18,133	-	35,909	3.83 - 4.48

(Unit : Million Baht)

Transactions	The Company Only						Weighted Average interest rates Percentage
	Repricing or maturity date					Total	
	At call	0-3 months	3-12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Investments	-	518	-	473	-	991	2.49
Loans	486	266	3,644	59,261	90	63,747	6.83
<b>Financial liabilities</b>							
Borrowings	-	1,650	8,415	6,073	-	16,138	3.83

In addition, the Company and its subsidiary companies have interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Company and its subsidiary companies for the six-month period ended 30 June 2006, and the average rate of interest and dividend income, can be summarised as follow :-

(Unit : Million Baht)

	Consolidated			The Company Only		
	Average	Interest	Average	Average	Interest	Average
	balance	and dividend	rate	balance	and dividend	rate
<b>Interest earnings financial assets</b>						
Interbank and money market items	3,532	72	4.05	125	3	4.8
Securities purchased under resale agreements	38,538	868	4.50	4,583	83	3.62
Investments	34,415	650	3.78	3,544	76	4.29
Loans	166,107	6,101	7.35	72,272	2,538	7.02
<b>Interest bearing financial liabilities</b>						
Deposits	181,315	3,367	3.72	-	-	-
Interbank and money market items	2,009	42	4.23	62,868	1,963	6.24
Securities sold under repurchase agreements	164	4	4.68	-	-	-
Borrowings	41,490	821	3.96	16,676	271	3.25

b) Foreign exchange risk

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

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

As at 30 June 2006, the Company and its subsidiary companies have foreign currency as follow :-

	(Unit : Million Baht)					
	Consolidated			The Company Only		
	Outstanding balances of financial instruments			Outstanding balances of financial instruments		
	US dollar	Euro	Others	US dollar	Euro	Others
<b><u>In-balance sheet foreign currency</u></b>						
<b><u>Financial assets</u></b>						
Cash	13	3	7	-	-	-
Interbank and money market items	55	7	26	-	-	-
Investments	1,991	-	268	-	-	-
Loans	24	5	-	-	-	-
Other assets	26	-	-	-	-	-
<b>Total</b>	<b>2,109</b>	<b>15</b>	<b>301</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Financial liabilities</u></b>						
Deposits	1	-	-	-	-	-
Interbank and money market items	24	5	-	-	-	-
<b>Total</b>	<b>25</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Off-balance sheet foreign currency</u></b>						
Liabilities under unmatured import bills	10	-	-	-	-	-
Letters of credit	87	462	-	-	-	-
Forwards exchange contracts						
- Bought contracts	484	510	-	-	-	-
- Sold contracts	556	521	31	-	-	-
Cross currency and interest rate swap contracts - sold contracts	1,982	-	266	-	-	-
Others	3	124	-	-	-	-

A subsidiary company has entered into forward exchange contracts to fully hedge the exposure to foreign exchange risk on its foreign investments.

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.

### 37.3 Liquidity risk

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

The Company and its subsidiary companies managed liquidity risk by mean of appropriate structuring of short-term and long-term sources of capital, under the supervision of an Assets and Liabilities Management Committee. In addition, the Company and its subsidiary companies have policy to maintain financial liquidity in line with the liquidity maintenance principles stipulated by the Bank of Thailand, to ensure that they have sufficient liquidity to meet both present and future requirements.

Counting from the balance sheet date, the periods to maturity of financial instruments held as at 30 June 2006 are as follows :-

(Unit : Million Baht)

Transactions	Consolidated					The Company Only				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b>Financial assets</b>										
cash	1,800	-	-	-	1,800	-	-	-	-	-
Interbank and money market items	3,836	352	80	-	4,268	334	-	20	-	354
Securities purchased under resale agreements	-	55,700	-	-	55,700	-	-	-	-	-
Investments	1,780	11,025	17,946	5,686	36,437	485	-	991	23,519	24,995
Receivables from clearing house	-	283	-	-	283	-	-	-	-	-
Loans <sup>(i)</sup>	11,283	10,371	164,328	-	185,982	2,054	3,817	58,885	-	64,756
<b>Financial liabilities</b>										
Deposits	22,521	174,493	13,070	-	210,084	-	-	-	-	-
Interbank and money market items	203	691	1,060	-	1,954	50,500	-	-	-	50,500
Securities sold under repurchase agreements	-	100	-	-	100	-	-	-	-	-
Payable to clearing house	-	121	-	-	121	-	-	-	-	-
Securities business payable	-	684	-	-	684	-	-	-	-	-
Borrowings	-	516	40,393	-	40,909	-	-	16,138	-	16,138
Liabilities payable on demand	888	-	-	-	888	-	-	-	-	-
<b>Off-balance sheet items :-</b>										
Avals to bills and guarantee of loans	10	59	-	-	69	10	-	-	-	10
Liability under unmatured import bills	-	10	-	-	10	-	-	-	-	-
Letter of credit	15	534	-	-	549	-	-	-	-	-
Other commitments	1,168	4,756	47,109	347	53,380	1	-	19,986	-	19,987

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

### 37.4 Fair value

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

a) Financial assets

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

b) Financial liabilities

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

As at 30 June 2006, there are no material differences between the book value of the financial instruments and their fair values, except that the fair value of investments in held-to-maturity debt securities is Baht 653 million less than the net book value of such investments.

### 37.5 Financial derivatives

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

The Company and its subsidiary company have policies 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 30 June 2006, financial derivatives, which the Company and its subsidiary company had engaged, can be classified as follow by period to maturity :

(Unit : Million Baht)

	Consolidated			The Company Only		
	Less than			Less than		
	1 year	Over 1 year	Total	1 year	Over 1 year	Total
Forward and spot contracts						
- Bought	994	-	994	-	-	-
- Sold	1,108	-	1,108	-	-	-
Cross currency swap contracts						
- Sold	909	1,338	2,247	-	-	-
Interest rate swap contracts						
- Fixed interest rate payment	280	13,728	14,008	-	7,508	7,508
- Floating interest rate payment	280	9,030	9,310	-	2,485	2,485
- Fixed interest rate receipt	280	12,680	12,960	-	5,685	5,685
- Floating interest rate receipt	280	10,078	10,358	-	4,308	4,308



### **38. PRESENTATION**

Because the Company is the parent company of a financial business group, with its principal subsidiary being a commercial bank, it is under a consolidated supervision of the Bank of Thailand. Therefore, in order to present financial information of the Group in accordance with substance, the presentation of the financial statements has been made in compliance with the Notification of the Bank of Thailand relating to the format of the financial statements of commercial banks, dated 10 May 2001.

Moreover, certain amounts in the financial statements as at 31 December 2005 and for the three-month and six-month periods ended 30 June 2005 have been reclassified to conform to the current period's classifications, with no effect on previously reported net earnings and shareholders' equity.

### **39. APPROVAL OF FINANCIAL STATEMENTS**

These interim financial statements were authorised by the Board of Directors on 24 August 2006.