THANACHART BANK PUBLIC COMPANY LIMITED

REPORT AND INTERIM FINANCIAL STATEMENTS

30 JUNE 2006

Report of Independent Auditor

To The Board of Directors and Shareholders of

Thanachart Bank Public Company Limited

I have audited the accompanying balance sheet of Thanachart Bank Public Company Limited as at 30 June 2006, and the related statements of earnings, changes in shareholders' equity, and cash flows for the six-month period then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to report on these financial statements based on my audit. The balance sheet as at 31 December 2005, and the statements of earnings, changes in shareholders' equity and cash flows for the six-month period ended 30 June 2005, as presented herein for comparative purpose, were audited by another auditor in the same office who expressed an unqualified opinion on those financial statements under his report dated 22 February 2006 and 24 August 2005, respectively, but drew attention to the plan for a financial business restructuring within Thanachart Group for the financial statements for the six-month period ended 30 June 2005.

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 Bank Public Company Limited as at 30 June 2006, and the results of its operations, and cash flows for the six-month period then ended in accordance with generally accepted accounting principles.

I have also reviewed the statement of earnings for the three-month period ended 30 June 2006 which is the responsibility of the Company's management as to their correctness and the completeness of the presentation. I conducted my review in accordance with the 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 statements 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, was reviewed by another auditor who, under his report dated 24 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 respects, in accordance with generally accepted accounting principles, but drew attention to the plan for a financial business restructuring within Thanachart Group.

Ratana Jala

Certified Public Accountant (Thailand) No. 3747

Ernst & Young Office Limited

Bangkok : 23 August 2006

THANACHART BANK PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

(Unit : Baht)

	Note	30 June 2006	31 December 2005
ASSETS			
CASH		1,799,328,998	800,361,157
INTERBANK AND MONEY MARKET ITEMS	*4*		
Domestic			
Interest bearing		514	500
Non-interest bearing		2,857,390,819	3,609,741,321
		2,857,391,333	3,609,741,821
Foreign - Non-interest bearing		88,079,712	57,631,976
Total interbank and money market items - Net		2,945,471,045	3,667,373,797
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	*5*	55,700,000,000	12,500,000,000
INVESTMENTS	*6*		
Current investments - Net		4,931,783,420	974,551,995
Long-term investments - Net		14,851,129,101	16,440,534,603
Net investments		19,782,912,521	17,415,086,598
LOANS AND ACCRUED INTEREST RECEIVABLES	*7*		
Loans		174,541,854,081	158,696,713,133
Accrued interest receivables		180,751,561	165,781,845
Total loans and accrued interest receivables		174,722,605,642	158,862,494,978
Less : Allowance for doubtful accounts	*8*	(2,257,579,343)	(1,860,884,523)
Revaluation allowance for debt restructuring	*9*	(46,200,614)	(47,235,396)
Net loans and accrued interest receivables		172,418,825,685	156,954,375,059
PROPERTY FORECLOSED - Net	*12*	853,245,023	768,205,755
LAND, PREMISES AND EQUIPMENT - Net	*13*	827,513,495	493,972,856
INTANGIBLE ASSETS - LEASEHOLD AND SOFTWARE		155,279,682	99,594,085
ACCRUED INTEREST AND DIVIDEND INCOME RECEIVABLES		234,339,963	138,722,608
VALUE ADDED TAX RECEIVABLES		1,518,711,164	2,264,443,862
OTHER ASSETS	*14*	564,185,689	376,533,276
TOTAL ASSETS		256,799,813,265	195,478,669,053

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

THANACHART BANK PUBLIC COMPANY LIMITED

BALANCE SHEETS (Continued)

AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

(Unit : Baht)

	Note	30 June 2006	31 December 2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
DEPOSITS	*15*		
Deposits in Baht		210,435,864,723	149,010,553,589
Deposits in foreign currencies		1,394,699	4,371,736
Total deposits		210,437,259,422	149,014,925,325
INTERBANK AND MONEY MARKET ITEMS - Domestic	*16*		
Domestic			
Interest bearing		1,874,632,924	2,451,713,169
Non-interest bearing		95,253,001	196,102,549
		1,969,885,925	2,647,815,718
Foreign - Non-interest bearing		29,130,239	-
Total interbank and money market items - Net		1,999,016,164	2,647,815,718
LIABILITY PAYABLE ON DEMAND		887,642,462	997,155,289
BORROWINGS	*17*		
Short-term borrowings		515,760,000	285,760,000
Long-term borrowings		24,440,822,867	24,706,680,327
Total borrowings		24,956,582,867	24,992,440,327
ACCRUED INTEREST PAYABLE		1,758,680,665	1,155,021,843
INSURANCE PREMIUM PAYABLE		404,820,233	472,978,541
COPORATE INCOME TAX PAYABLE		19,157,090	-
EXPENSES PAYABLE		237,879,796	160,068,849
OTHER LIABILITIES	*18*	906,543,380	737,942,046
TOTAL LIABILITIES		241,607,582,079	180,178,347,938

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

THANACHART BANK PUBLIC COMPANY LIMITED

BALANCE SHEETS (Continued)

AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

(Unit : Baht)

	Note	30 June 2006	31 December 2005
SHAREHOLDERS' EQUITY			
Share capital			
Registered			
1,500,000,000 ordinary shares of Baht 10 each		15,000,000,000	15,000,000,000
Issued and paid-up share capital			
1,458,356,092 ordinary shares of Baht 10 each		14,583,560,920	14,583,560,920
Share premium		340,897,648	340,897,648
Revaluation surplus on investments	*20*	100,615,045	91,899,233
Revaluation deficit on investments	*20*	(589,618,266)	(643,914,708)
Retained earnings			
Appropriated - statutory reserve	*21*	66,648,873	66,648,873
Unappropriated		690,126,966	861,229,149
TOTAL SHAREHOLDERS' EQUITY		15,192,231,186	15,300,321,115
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		256,799,813,265	195,478,669,053
		-	-
OFF-BALANCE SHEET ITEMS - CONTINGENCIES	*30.1*		
Aval to bills and guarantees of loans		59,312,500	239,200,000
Liability under unmatured import bills		10,162,944	3,717,431
Letter of credits		549,397,380	635,370,238
Other commitments		33,384,207,814	30,798,347,104

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

DIRECTORS

THANACHART BANK PUBLIC COMPANY LIMITED

STATEMENTS OF EARNINGS

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

	Note	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
		2006	2005	2006	2005
		(Unaudited but reviewed)	(Unaudited but reviewed)	(Audited)	(Audited)
INTEREST AND DIVIDEND INCOME					
Loans	*29*	1,703,069,412	635,667,352	3,365,783,256	1,145,692,596
Interbank and money market items		678,495,677	63,420,981	848,529,125	109,735,502
Hire purchase and financial lease		1,315,640,902	8,629,186	2,166,332,137	8,629,186
Investments		202,968,859	147,043,625	400,403,648	323,128,085
Total interest and dividend income		3,900,174,850	854,761,144	6,781,048,166	1,587,185,369
INTEREST EXPENSES					
Deposits		2,110,040,105	257,297,588	3,374,477,530	481,412,377
Interbank and money market items		28,291,262	8,745,278	43,782,155	16,669,990
Short-term borrowings		1,883,881	1,697,537	3,747,441	3,498,309
Long-term borrowings		287,466,952	190,252,393	547,482,862	341,126,129
Total interest expenses		2,427,682,200	457,992,796	3,969,489,988	842,706,805
Net interest and dividend income		1,472,492,650	396,768,348	2,811,558,178	744,478,564
BAD DEBT AND DOUBTFUL ACCOUNTS	*10*	(178,387,242)	(39,421,997)	(395,863,235)	(20,725,223)
LOSS ON DEBT RESTRUCTURING		(42,080)	(650,640)	(4,666,782)	(40,800,546)
Net interest and dividend income after bad debt and doubtful account and loss on debt restructuring		1,294,063,328	356,695,711	2,411,028,161	682,952,795
NON-INTEREST INCOME					
Gain (loss) on investments	*23*	(14,571,494)	19,167,917	4,031,661	73,740,856
Fees and service income					
Acceptances, aval and guarantees		3,833,987	2,903,875	7,282,312	5,750,230
Discounted income on insurance premium		155,348,308	34,123,225	326,194,782	34,988,509
Others		44,637,650	9,752,740	76,155,873	14,704,492
Gain on exchanges and financial derivatives contracts		7,746,056	2,361,962	12,423,026	3,054,558
Income on supporting service	*29*	44,677,540	6,760,948	90,433,000	6,760,948
Other income		7,346,590	3,477,148	26,149,725	5,099,627
Total non-interest income		249,018,637	78,547,815	542,670,379	144,099,220

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

THANACHART BANK PUBLIC COMPANY LIMITED

STATEMENTS OF EARNINGS (Continued)

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

(Unit : Baht)

	Note	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
		2006	2005	2006	2005
		(Unaudited but reviewed)	(Unaudited but reviewed)	(Audited)	(Audited)
NON-INTEREST EXPENSES					
Personnel expenses	*25*	294,977,549	106,579,708	564,163,115	198,099,318
Premises and equipment expenses		106,427,639	39,004,534	195,603,532	70,404,680
Taxes and duties		128,945,454	31,817,466	241,590,898	56,662,279
Fees and charges		15,717,273	2,554,428	24,620,129	5,492,799
Directors' remuneration	*26*	5,137,890	3,481,497	6,822,390	4,967,497
Loss (gain) on disposal of property foreclosed and other assets	*24*	32,844,055	(34,237,152)	50,669,094	(42,983,544)
Contribution fee to the Financial Institutions Development Fund		148,924,563	46,039,421	297,849,126	92,078,841
Commission and expense charged on hire purchase		401,980,801	68,891,218	838,756,535	68,891,218
Other expenses		251,009,024	63,475,883	496,136,881	107,975,811
Total non-interest expenses		1,385,964,248	327,607,003	2,716,211,700	561,588,899
EARNINGS BEFORE CORPORATE INCOME TAX		157,117,717	107,636,523	237,486,840	265,463,116
CORPORATE INCOME TAX	*27*	(14,000,000)	-	(44,000,000)	-
NET EARNINGS FOR THE PERIOD		143,117,717	107,636,523	193,486,840	265,463,116
EARNINGS PER SHARE					
Basic earnings per share		0.10	0.13	0.13	0.33
Weighted average number of ordinary shares		1,458,356,092	810,199,062	1,458,356,092	810,199,062

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

THANACHART BANK PUBLIC COMPANY LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

(Unit : Baht)

	Issued and paid-up share capital	Share premium	Revaluation surplus on investments	Revaluation deficit on investments	Retained earnings		Total
					Appropriated - statutory reserve	Unappropriated	
Balance - as at 1 January 2005	8,101,990,620	340,897,648	295,020,369	(605,965,774)	48,565,026	720,185,736	8,900,693,625
Decrease in revaluation surplus on investments	-	-	(29,323,960)	-	-	-	(29,323,960)
Decrease in revaluation deficit on investments	-	-	-	3,938,799	-	-	3,938,799
Net earnings for the period	-	-	-	-	-	265,463,116	265,463,116
Dividend paid	-	-	-	-	-	(202,549,665)	(202,549,665)
Balance - as at 30 June 2005	8,101,990,620	340,897,648	265,696,409	(602,026,975)	48,565,026	783,099,187	8,938,221,915
Balance - as at 1 January 2006	14,583,560,920	340,897,648	91,899,233	(643,914,708)	66,648,873	861,229,149	15,300,321,115
Increase in revaluation surplus on investments	-	-	8,715,812	-	-	-	8,715,812
Decrease in revaluation deficit on investments	-	-	-	54,296,442	-	-	54,296,442
Net earnings for the period	-	-	-	-	-	193,486,840	193,486,840
Dividend paid (Note 19)	-	-	-	-	-	(364,589,023)	(364,589,023)
Balance - as at 30 June 2006	14,583,560,920	340,897,648	100,615,045	(589,618,266)	66,648,873	690,126,966	15,192,231,186

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

THANACHART BANK PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS

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

(Unit : Baht)

	2006	2005
Cash flows from operating activities		
Net earnings	193,486,840	265,463,116
Adjustments to reconcile net earnings to		
net cash provided by (used in) operating activities :-		
Depreciation and amortisation	67,560,703	24,366,025
Bad debt and doubtful accounts and loss from debt restructuring	400,530,017	61,525,769
Amortization of (premiums) discounts on invesmtent in debt securities	(15,939,381)	48,298,231
Amortization of discounts payable on long-term borrowings	14,142,540	14,096,614
Decrease in provision for impairment of investments	(3,047,137)	(10,597,321)
Increase (decrease) in allowance for diminution in value of property foreclosed	68,850,594	(13,572,060)
Increase in allowance for diminution in value of other assets	51,996,742	1,059,799
Gain on loan repayment	-	(40,454,416)
Loss (gain) on disposal of equipment	(1,773,215)	951,345
Gain on exchanges and financial derivative contracts	(22,425,840)	(950,300)
Increase in accrued interest and dividend receivables	(109,941,876)	(19,178,564)
Decrease (increase) in other income receivable	9,018,222	(6,864,748)
Increase (decrease) in fees and rental received in advance	(33,333,894)	679,092
Amortization of deferred hire purchase and deferred income	(2,145,027,707)	(13,696,164)
Increase (decrease) in accrued interest payable	603,658,822	(38,721,674)
Increase in accrued expenses	77,810,947	57,484,350
Earnings (loss) from operating activities before changes		
in operating assets and liabilities	(844,433,623)	329,889,094

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

THANACHART BANK PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS (Continued)

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

(Unit : Baht)

	2006	2005
Decrease (increase) in operating assets		
Interbank and money market	721,902,752	(214,832,559)
Securities purchased under resale agreements	(43,200,000,000)	(1,500,000,000)
Loans	(14,109,110,633)	(17,789,651,547)
Property foreclosed	257,030,156	104,737,866
Other assets	558,713,693	(286,065,981)
Increase (decrease) in operating liabilities		
Deposits	61,422,334,097	8,890,783,514
Interbank and money market items - Domestic	(648,799,554)	259,343,206
Liability payable on demand	(109,512,827)	504,398,850
Short-term borrowings	(50,000,000)	(125,000,000)
Other liabilities	145,496,210	184,313,546
Net cash flows from (used in) operating activities	4,143,620,271	(9,642,084,011)
Cash flows from investing activities		
Decrease (increase) in investments in securities held for investment	(2,385,733,347)	2,824,918,664
Cash paid for purchase of equipment	(396,554,060)	(42,865,009)
Cash received from disposal of equipment	2,224,000	830,000
Net cash flows from (used in) investing activities	(2,780,063,407)	2,782,883,655
Cash flows from financing activities		
Cash received from long-term borrowings	-	7,280,760,000
Cash paid for dividend	(364,589,023)	(202,549,665)
Net cash flows from (used in) financing activities	(364,589,023)	7,078,210,335
Net increase in cash	998,967,841	219,009,979
Cash at beginning of the period	800,361,157	215,639,352
Cash at end of the period	1,799,328,998	434,649,331
Supplemental cash flows information :-		
Cash paid during the period for		
Interest	3,351,688,626	867,331,865
Income tax deducted at source	24,842,910	4,961,997
Non-cash transactions		
Transfer of properties foreclosed from receivables for debt settlement	403,482,218	3,649,145

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

THANACHART BANK PUBLIC COMPANY LIMITED

NOTES TO INTERIM FINANCIAL STATEMENTS

1. THE BANK'S INFORMATION/PLAN FOR RESTRUCTURING OF FINANCIAL INSTITUTION BUSINESS

Thanachart Bank Public Company Limited ("the Bank") was incorporated as a public limited company under Thai laws and commenced operation as a commercial bank on 22 April 2002. The Bank's registered address is 900, Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok. Its parent company is Thanachart Capital Public Company Limited (formerly known as "National Finance Public Company Limited") ("the Parent Company"), a public limited company also existing under Thai laws, which holds 99.36 percent of its shares. Currently, the Bank had 92 operational branches.

In 2005, the proposed plan approved by the Ministry of Finance was implemented, with the significant steps taken being that the Bank has conducted hire purchase transactions in place of the Parent Company since 9 May 2005, the Parent Company transferred deposits in the form of promissory notes from individual customers on 1 July 2005 and from corporate customers on 1 November 2005, transferred loans on 1 October 2005 to the Bank, and registered the issued share capital in December 2005. In addition, during the year 2006, additional loans amounting to Baht 888 million, which was contract rate that determined with reference to basis approved by financial advisor, were transferred from the Parent Company to the Bank.

2. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547, with reference to the principles stipulated by the Bank of Thailand ("BOT").

Significant accounting policies adopted by the Bank are summarised below :-

3.1 Revenue recognition

a) Interest and discounts on loans

Interest on loan is recognised as income on an accrual basis, based on the amount of principal outstanding. Interest on hire purchase is recognised on sum-of-the-year-digits method. Interest on financial lease is recognized on effective interest method. For loans on which principal or interest payments have been defaulted for more than three months past the due date, the Bank ceases accrual of interest income, and accrued interest already recorded is reversed from the Bank's accounts. Interest is then recognised as income on a cash basis.

Interest income on restructured loans is recognised as income on an accrual basis, with reference to the interest rate stipulated in the agreements, with the exception of interest on loans that are subject to monitoring for compliance with restructuring conditions, which the Bank recognises as income on a cash basis until the receivable is able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

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

Deferred interest income on hire purchase represents discounted on interest given to debtors by dealers, is recognized 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

Interest on investments is recognised as income on an accrual basis. Dividends from securities are recognised as income when the register is closed.

c) Gains (losses) on investments

Gains (losses) on investments are recognised as income/expenses on the transaction dates.

d) Fees and service income

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

3.2 Expenses recognition

a) Interest expenses

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

b) Commission and expenses charged on hire-purchase business

Commission and expenses charged on hire-purchase business are recognized as expenses at the transaction date.

3.3 Investments

Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity and are recognised as gains (losses) when the securities are sold.

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

Premiums/discounts on debt securities are amortised by the effective rate method with the amortised amount 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.

Losses on impairment of investments are included in determining earnings when there is a factor indicating that such investment might be impaired.

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

In the event of the Bank's transferring investments to another category, the investments are valued at their fair value prevailing on the transfer date. Differences between the carrying amount of the investments and their fair value on that date are recorded as gains (losses) in determining earnings or surplus (deficit) from revaluation of investments, presented as a separate item in shareholders' equity, and amortised over the remaining period to maturity of the debt security, as the case may be.

3.4 Loans

The Bank presents loans at principal balances, excluding accrued interest receivable. Unrecognised deferred income and discounts on loans are deducted from the loan balances.

3.5 Allowances for doubtful accounts

The Bank provides allowances for doubtful accounts in accordance with the Notifications of the BOT (except for the classification of receivables, which according to the BOT is to be done by contract, while the Bank classifies them by customer so as to comply with generally accepted accounting principles) and adjusts these by the additional amount which is expected not to be collectible based on an 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 guidelines laid down by the BOT in relation to the classification of loans (determined based on overdue period), provisioning rate consideration for each class of debtor, the valuation of collateral to be deducted against the loan balance for determining provision for doubtful accounts, and the 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 are provided based on the estimated loss that may be incurred in the uncollected receivable which review of current status as at the balance sheet date.

3.6 Troubled debt restructuring

In cases where the debt restructuring involves modifications of the terms, the fair value of the receivables after restructuring is based on the net present value of expected future cash flows, discounted by the market's minimum interest rate for credit to large customers as at the date of the debt restructuring. The Bank recognises differences between the fair values of receivables as of the restructuring date and their previous book values in "Revaluation allowance for debt restructuring", as an expense in the statement of earnings. The Bank reviews such revaluation allowance based on the net present value of future cash flows over the remaining period to maturity, recognising adjustments against bad debt and doubtful accounts.

In cases where the troubled debt restructuring involves the transfer of assets or equity, the Bank records the assets or equity interest received as a result of debt restructuring at their fair value (based on the value appraised by internal appraisers or external independent appraisers) providing this does not exceed the amount of principal (including interest of which recognition has ceased until the restructuring date) legally claimable by the Bank from the debtor. Any excess of the fair value of the assets over the book value is recognised as interest income in the statement of earnings. If assets are transferred under conditions whereby the debtor must repurchase or has the option to repurchase the assets at prices and within a period specified in the agreement, the Bank records the assets at the lower of the fair value or book value.

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

3.7 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.

Gains on the disposal of property foreclosed are recognised in the statement of earnings on disposal, unless the purchase is made with a loan from the Bank. In such cases, gains are recognised in proportion to the amount of payment received. Losses on disposal and impairment are recognised as expenses in the statement of earnings.

3.8 Land, premises and equipment and depreciation

a) Premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated with reference to cost on a straight-line basis over the following estimated useful lives (with the exception as listed below) :-

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

Depreciation of computers and related equipment acquired between 1 July 1995 and 30 June 2001 is calculated by the sum-of-the-year-digits method over estimated useful lives of 5 years.

b) Land is stated at cost and depreciation is not provided.

3.9 Intangible assets and amortisation

a) Computer software is amortised to expenses on a straight-line basis over estimated useful lives of 5 – 10 years.

b) Building leasehold rights are amortised to expenses on a straight-line basis over the lease periods.

3.10 Financial leases

The Bank records 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 terms on the remaining balance of the lease payable for each period.

3.11 Sales of commercial paper

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

3.12 Foreign currencies

Foreign currency transactions occurred during the period has 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 on the balance sheet date.

Exchange gain and loss are included in determining earnings.

3.13 Financial instruments

Financial instruments presented in the balance sheets comprise cash, interbank and money market items, securities purchased under resales agreements, investments, loans, deposits, liabilities payable on demand, and borrowings. The accounting policy for each transaction is separately and individually disclosed.

3.14 Financial derivatives

The Bank has entered into off-balance sheet transactions involving derivative financial instruments in order to manage the risk and response to customer needs.

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

Interest rate swaps contracts, cross currency and interest rate swaps contracts which executed for hedging purposes are recorded as off-balance sheet items, and presented on an accrual basis. For foreign currency component, it will be presented at the current exchange rate. For interest rate component, it will be presented on an accrual basis as the same as hedged assets or liabilities.

3.15 Earnings per share

Earnings per share as presented 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 in issue during the period.

3.16 Use of accounting estimates

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

4. INTERBANK AND MONEY MARKET ITEMS (ASSETS)

(Unit : Million Baht)

	30 June 2006			31 December 2005		
	At call	Time	Total	At call	Time	Total
Domestic :-						
Bank of Thailand and Financial Institutions Development Fund	2,767	-	2,767	3,515	-	3,515
Commercial banks	90	-	90	95	-	95
Total domestic items	2,857	-	2,857	3,610	-	3,610
Foreign :-						
US Dollar	55	-	55	33	-	33
Euro	7	-	7	8	-	8
Others	26	-	26	16	-	16
Total foreign items	88	-	88	57	-	57
Total	2,945	-	2,945	3,667	-	3,667

5. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(Unit : Million Baht)

	30 June 2006	31 December 2005
Bank of Thailand Bonds	5,948	1,000
FIDF Bonds	49,752	11,500
Total securities purchased under resale agreements	55,700	12,500

6. INVESTMENTS

6.1 Classified by type of investment

(Unit : Million Baht)

	30 June 2006		31 December 2005	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Current investment :				
Available-for-sale securities				
Government and state enterprises securities	3,847	3,846	-	-
Private debt securities	150	149	34	34
Total	3,997	3,995	34	34
Less : Allowance for change in value	(2)		-	
Total	3,995		34	
Held-to-maturity debt securities				
- dued within one year				
Government and state enterprises securities	16		941	
Foreign debt securities	921		-	
Total	937		941	
Total current investment – net	4,932		975	
Long-term investment :				
Available-for-sale securities				
Private debt securities	116	112	269	262
Domestic marketable equity securities				
Listed securities	891	813	539	428
Unit trusts	975	1,030	2,642	2,707
	1,982	1,955	3,450	3,397
Less : Allowance for change in value	(27)		(53)	
Total	1,955		3,397	

(Unit : Million Baht)

	30 June 2006		31 December 2005	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Held-to-maturity debt securities				
Government and state enterprises securities	10,259		10,248	
Private debt securities	26		35	
Foreign debt securities	1,338		1,400	
	11,623		11,683	
Less : Allowance for impairment	(44)		(44)	
Total	11,579		11,639	
Other investment				
Investments in property fund	1,178		1,253	
Non-marketable equity securities - Domestic	159		174	
	1,337		1,427	
Less : Allowance for impairment	(20)		(23)	
Total	1,317		1,404	
Total long-term investment – net	14,851		16,440	

6.2 Classified by due date of debt securities

(Unit : Million Baht)

	30 June 2006				31 December 2005			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities								
Government and state enterprises securities	3,847	-	-	3,847	-	-	-	-
Private debt securities	150	116	-	266	34	269	-	303
Total	3,997	116	-	4,113	34	269	-	303
Less : Allowance for change in value	(2)	(4)	-	(6)	-	(7)	-	(7)
Total	3,995	112	-	4,107	34	262	-	296
Held-to-maturity debt securities								
Government and state enterprises securities	16	3,530	6,729	10,275	941	2,375	7,873	11,189
Private debt securities	-	26	-	26	-	35	-	35
Foreign debt securities	921	1,338	-	2,259	-	1,400	-	1,400
Total	937	4,894	6,729	12,560	941	3,810	7,873	12,624
Less : Allowance for impairment	-	-	(44)	(44)	-	-	(44)	(44)
Total	937	4,894	6,685	12,516	941	3,810	7,829	12,580
Total debt securities	4,932	5,006	6,685	16,623	975	4,072	7,829	12,876

6.3 As at 30 June 2006, the revaluation surplus and deficit arising from the transfer of investments in debt securities, of which the current balances of Baht 11 million and Baht 471 million, respectively, have been presented in shareholders' equity (31 December 2005: revaluation surplus and deficit of transfer of investments were Baht 13 million and Baht 512 million, respectively).

6.4 As at 30 June 2006 and 31 December 2005, the Bank has investments amounting to Baht 105 million in government bonds under the conditions of the Ministry of Finance's Tier II capital support scheme. These government bonds are for 10 years and bear interest at rates of 2.75 – 4.00 percent per annum.

6.5 As at 30 June 2006, long-term investments in held-to-maturity debt securities include non-transferable, 10-year promissory notes amounting to Baht 296 million received as a result of the transfer of non-performing loans to Thai Asset Management Corporation ("TAMC") (31 December 2005 : Baht 296 million). However, the amount of the agreed transfer price, which has already been received in the form of promissory notes, could still be revised up or down after TAMC reviews the price or has the collateral assessed or the price adjusted.

Under the guideline of the Emergency Decree, the Bank 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 Bank 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 Bank 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 Bank are still unable to estimate the exact amount of such losses. However, the Bank have estimated their share of losses which may arise from the management of non-performing assets at approximately Baht 44 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 (31 December 2005 : Baht 44 million).

During the period, the Bank has recognised interest on TAMC's promissory notes amounting to Baht 2.6 million (2005 : Baht 1.3 million).

6.6 As at 30 June 2006, approximately Baht 9 million of other investments (at cost) comprised investments in securities received as a result of debt restructuring. The Bank is prohibited from selling these investments for periods stipulated in the debt restructuring agreements (31 December 2005 : Baht 9 million which the Bank was prohibited from selling for periods stipulated in the debt restructuring agreements and Baht 14 million which the debtors had first option to purchase the investments).

6.7 As at 30 June 2006 and 31 December 2005, the Bank had the following investments in securities comprising not less than 10 percent of the shares issued by the investee entity :-

		30 June 2006		31 December 2005	
Securities	Nature of business	Cost	Percentage of holding	Cost	Percentage of holding
		Million Baht	Percent	Million Baht	Percent
Manufacturing and commerce					
Thanachart Insurance Co., Ltd.	Insurance	30	10.00	30	10.00
Public utilities and services					
Puen Pob Paet Co., Ltd.	Medical Clinic	-	18.71	-	18.71
Maxwin Property Co., Ltd.	Service Apartment	-	10.00	-	10.00
Others					
Thanachart Tuntawee 1[(1)]	Mutual Fund - equity securities	230	47.93	230	61.00
Thanachart Tuntawee 3[(1)]	Mutual Fund - debt securities	186	99.95	497	99.88
Thanachart Tuntawee 4[(1)]	Mutual Fund - debt securities	150	83.30	819	97.33
Thanasarn[(1)]	Mutual Fund - equity and debt securities	354	65.09	892	89.72
Thanachart Cash Management [(1)]	Mutual Fund - money market	-	-	151	24.29
The Thai Business Fund 3[(1)]	Mutual Fund - property	540	26.67	577	26.67
Sub Thawee Property Fund[(1)]	Mutual Fund - property	257	56.00	277	56.00
Thai Pattana Fund 1[(1)]	Mutual Fund - property	211	20.00	220	20.00

(1) The Bank does not treat these investments as associated or subsidiary companies because the Bank does not have control or influence over the financial and operating policy of these funds, which are independently managed by the fund manager in accordance with the details of each fund project and the funds are under the regulations of the Committees of the Stock Exchange of Thailand. Therefore, the Bank accounts for its long-term investments in these funds as available-for-sale securities or other investments depending on the objective of investment.

6.8 As at 30 June 2006 and 31 December 2005, the Bank's investments in securities included investments in the securities of companies with weak financial position and poor operating results as summarised below :-

	Number of investment		Cost		Fair value		Allowance for changes in value/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
Equity securities - common shares								
1. Listed companies vulnerable to delisting	1	1	-	-	-	-	-	-
2. Companies whose auditors' reports cited going concern issues	2	2	21	21	2	2	19	19

7. LOANS AND ACCRUED INTEREST RECEIVABLES

7.1 Classified by loan type

(Unit : Million Baht)

	30 June 2006	31 December 2005
Overdrafts	697	372
Loans	29,093	27,042
Notes receivable	64,736	91,168
Hire-purchases receivable	79,758	40,048
Financial leases receivable	258	66
Total	174,542	158,696
Add : Accrued interest receivables	181	166
Less : Allowance for doubtful accounts	(2,258)	(1,861)
Revaluation allowance for debt restructuring	(46)	(47)
Loans and accrued interest receivables – net	172,419	156,954

During the six-month period ended 30 June 2006, loans amounting to Baht 888 million were transferred from the Parent Company to the Bank. In addition, non-performing loans amounting to Baht 422 million were transferred from the Bank to a related company. The transferred price was contract rate that determined with reference to basis approved by financial advisor.

As at 30 June 2006 and 31 December 2005, the Bank has unearned interest income, and interest income received in advance as follows :-

(Unit : Million Baht)

	30 June 2006	31 December 2005
Unearned interest income	199	199
Unearned income from hire-purchase/financial lease	13,721	6,527
Interest income received in advance	4	4

7.2 Classified by remaining period of contract

(Unit : Million Baht)

	30 June 2006	31 December 2005
At call*	1,389	1,347
Not over 1 year	65,505	15,795
Over 1 year	107,829	141,720
Total loans and accrued interest receivables	174,723	158,862

* *Included expired contracts*

7.3 Classified by currency and country

As at 30 June 2006 and 31 December 2005, the outstanding balances of loans and accrued interest receivables can be classified by currency and country as follows :-

(Unit : Million Baht)

	30 June 2006			31 December 2005		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	174,265	429	174,694	158,413	442	158,855
US Dollar	24	-	24	7	-	7
Euro	5	-	5	-	-	-
Total	174,294	429	174,723	158,420	442	158,862

7.4 Classified by type of business and loan classification

(Unit : Million Baht)

	30 June 2006					
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Parent and related companies	61,743	-	-	-	-	61,743
Agricultural and mining	187	-	-	-	-	187
Manufacturing and commerce	4,582	12	416	258	327	5,595
Real estate and construction	3,139	-	-	286	736	4,161
Public utilities	2,495	-	-	29	-	2,524
Services	4,805	30	127	44	17	5,023
Housing loans	9,384	298	100	53	137	9,972
Hire purchase	75,022	4,388	278	69	1	79,758
Others	5,302	145	66	36	211	5,760
Total loans and accrued interest receivables	166,659	4,873	987	775	1,429	174,723

(Unit : Million Baht)

	31 December 2005					
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Parent and related companies	87,198	-	-	-	-	87,198
Agricultural and mining	35	-	-	-	-	35
Manufacturing and commerce	4,478	19	196	258	310	5,261
Real estate and construction	1,904	6	552	311	849	3,622
Public utilities	2,699	-	29	-	35	2,763
Services	4,807	-	133	41	324	5,305
Housing loans	9,557	323	88	73	101	10,142
Hire purchase	39,113	900	33	2	-	40,048
Others	4,100	96	55	59	178	4,488
Total loans and accrued interest receivables	153,891	1,344	1,086	744	1,797	158,862

7.5 Non-performing loans

As at 30 June 2006 and 31 December 2005, the Bank had non-performing loans (debtors classified as substandard, doubtful and doubtful of loss) classified in accordance with the Notification of the Bank of Thailand as follows :-

(Unit : Million Baht)

	30 June 2006	31 December 2005
Non-performing loans (excluding accrued interest receivables)	3,147	3,582

The above definition of non-performing loans does not include overdue loans which have been restructured and meet the conditions for classification as Normal or Special Mention debt under BOT regulations.

As at 30 June 2006 and 31 December 2005, the Bank had loans for which income recognition under an accrual basis has been discontinued amounting to approximately Baht 2,466 million and Baht 1,750 million, respectively.

7.6 Troubled debt restructuring

During the six-month period ended 30 June 2006, the Bank has entered into debt restructuring agreements with 32 debtors. The total outstanding book balances of these debtors before restructuring amounted to approximately Baht 80 million (of which 18 debtors, representing a total of approximately Baht 51 million, had already entered into debt restructuring agreements but were unable to make repayment, and therefore entered into new debt restructuring agreements) which type of restructuring is modification of repayment conditions. Loss on debt restructuring conducted during the period was approximately Baht 5 million.

Counting from the balance sheet date, the remaining periods to maturing of receivables which entered into debt restructuring agreements during the period under the restructuring agreements, are summarised below :-

(Unit : Million Baht)

Periods	Number of debtors	Outstanding loan balances after restructuring
Past due after restructuring	16	21
Due within 2006	3	32
Less than 5 years	3	4
5 - 10 years	7	11
11 - 15 years	2	5
More than 15 years	1	2
Total	32	75

Supplemental information for the six-month period ended 30 June 2006 relating to restructured loan is as follows :-

(Unit : Million Baht)

Interest income recognised in statement of earnings	114
Loss on debt restructuring recognised in statement of earnings	5
Loss on disposal of receivables	8
Cash repayment by receivables/disposal	353

Additionally, as at 30 June 2006, the Bank has outstanding balance of assets which are to be transferred under debt restructuring agreements totaling Baht 156 million.

As at 30 June 2006, the Bank has restructured receivables from 284 debtors (out of the Bank's total of 236,882 receivables). The outstanding balances (including principal and accrued interest) of these restructured loans amounted to approximately Baht 3,158 million (including Baht 43 million of loans restructured during the period 2006). If the balance is calculated net of collateral, the total value is approximately Baht 591 million.

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

As at 30 June 2006 and 31 December 2005, the Bank classified its loans and related allowance against those in accordance with the BOT's guidelines, as summarised below :-

(Unit : Million Baht)

	Debt balance/ book value		Debt balance net of collateral		Minimum percentage required by BOT [1]	Allowance for doubtful accounts: Minimum amount to be provided under BOT's guidelines		Allowance for doubtful accounts: Amount provided in the accounts	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005	(Percent)	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Loans and accrued interest receivables [2]									
Normal	166,531	153,777	144,131	133,538	1	1,441	1,335	1,441	1,335
Special mention	4,868	1,341	4,519	1,005	2	91	20	91	20
Substandard	987	1,086	483	121	20	97	24	97	24
Doubtful	775	744	142	59	50	71	30	71	30
Doubtful of loss	1,429	1,797	401	426	100	401	426	401	426
Total	174,590	158,745	149,676	135,149		2,101	1,835	2,101	1,835
Additional allowance for possible uncollectability debts								157	26
Total	174,590	158,745						2,258	1,861

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

(2) Debt balance/book value for normal and special mention loans are excluded accrued interest receivable.

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

7.8 Loan in companies which have settlement problems

As at 30 June 2006 and 31 December 2005, one part of loans included debts due from companies with weak financial position and poor operating results :-

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts as required by the BOT and 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
1. Non - listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	15	14	1,044	736	1,259	830	76	61
2. Companies which have loan settlement problems or have defaulted on the repayment to debts	44	28	1,580	2,366	1,832	3,149	301	312
3. Companies whose auditors' reports cited issues with regard to the going concern of the business	-	1	-	45	-	-	-	1

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

(Unit : Million Baht)

	For the six-month period ended 30 June 2006						
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the period	1,335	20	24	30	426	26	1,861
Increase (decrease) during the period	106	71	73	41	(25)	131	397
Balance - end of the period	1,441	91	97	71	401	157	2,258

(Unit : Million Baht)

	For the year ended 31 December 2005						
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the year	221	-	10	165	203	670	1,269
Increase (decrease) during the year	1,114	20	14	(135)	223	(644)	592
Balance - end of the year	1,335	20	24	30	426	26	1,861

9. REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING

(Unit : Million Baht)

	For six-month period ended 30 June 2006	For the year ended 31 December 2005
Balance - beginning of the period	47	88
Add : Increase during the period	-	8
Less : Amortised during the period	(1)	(49)
Balance - end of the period	46	47

10. BAD DEBTS AND DOUBTFUL ACCOUNTS

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

(Unit : Million Baht)

	2006	2005
Bad debts and doubtful accounts	397	70
Amortisation of revaluation allowance for restructured debts for the period	(1)	(49)
Total bad debts and doubtful accounts	396	21

11. CLASSIFICATION OF ASSETS

As at 30 June 2006 and 31 December 2005, the quality of assets is classified in accordance with the announcements of the BOT as follows :-

(Unit : Million Baht)

	Loans and accrued interest receivables		Investments		Property 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	166,531	153,777	-	-	-	-	20	8	166,551	153,785
Special mention	4,868	1,341	-	-	-	-	15	3	4,883	1,344
Substandard	987	1,086	-	-	-	-	1	-	988	1,086
Doubtful	775	744	-	-	-	-	-	-	775	744
Doubtful of loss	1,429	1,797	183	200	109	40	56	4	1,777	2,041
Total	174,590	158,745	183	200	109	40	92	15	174,974	159,000

12. PROPERTY FORECLOSED

(Unit : Million Baht)

	For the six-month period ended 30 June 2006			
	Balance - beginning of the period	Additions	Disposals	Balance - end of the period
Assets transferred in settlement of debt :-				
Immovable	752	-	(69)	683
Movable	20	404	(186)	238
Assets acquired by bid on the open market :-				
Immovable	36	5	-	41
Total	808	409	(255)	962
Less : Allowance for impairment	(40)	(77)	8	(109)
Property foreclosed - net	768	332	(247)	853

As at 30 June 2006, for approximately Baht 6 million (at cost) of the property foreclosed of the Bank, sales agreements have been made with customers, but the payment of installments or the transfer of ownership rights is still in progress. The Bank has therefore not recognised any of the revenue as income and the related assets are still recorded as property foreclosed.

13. PROPERTY, PLANT AND EQUIPMENT

(Unit : Million Baht)

	Land	Building	Office equipment	Furniture and fixture	Computer	Vehicles	Total
Cost :-							
31 December 2005	146	29	91	165	150	63	644
Additions	18	14	37	243	74	10	396
Disposals	-	-	-	-	-	(8)	(8)
30 June 2006	164	43	128	408	224	65	1,032
Accumulated depreciation :-							
31 December 2005	-	-	27	60	35	28	150
Disposals	-	-	-	-	-	(8)	(8)
Depreciation charged for the period	-	1	11	27	18	5	62
30 June 2006	-	1	38	87	53	25	204
Net book value :-							
31 December 2005	146	29	64	105	115	35	494
30 June 2006	164	42	90	321	171	40	828

Depreciation charged are included in the earnings statements for the six-month periods ended 30 June :-

2005	24
2006	62

As at 30 June 2006, the Bank has vehicles, acquired under financial leases, with net book values amounting to approximately Baht 35 million. In addition, the Bank has office equipment which has been fully depreciated but is still in use of which the original costs, before deducting accumulated depreciation, amounted to approximately Baht 16 million.

14. OTHER ASSETS

(Unit : Million Baht)

	30 June 2006	31 December 2005
Other receivables	188	151
Accrued premium insurance income	85	100
Withholding tax refundable	23	31
Receivable from sales of housing loans to Secondary Mortgage Corporation	4	5
Financial derivative assets	151	29
Others	113	61
Total other assets	564	377

During the year 2000, the Bank entered into agreements to sell housing loans with balances amounting to approximately Baht 53 million (principal only) to the Secondary Mortgage Corporation ("the Corporation"). The Corporation is to pay 80 percent of the loan value by the Corporation's bonds, with payment of the remaining 20 percent to be deferred under the Participating Obligations Agreement (PO). This is the maximum amount for which the Bank is responsible if the Corporation suffers any loss from those debtors. The amount of the retention will decrease in proportion to the amounts of payment made by the debtors to the Corporation and the Corporation will return it to the Bank. As at 30 June 2006, the outstanding balance of such amount is approximately Baht 4 million (31 December 2005 : Baht 5 million).

15. DEPOSITS

15.1 Classified by type of deposits

(Unit : Million Baht)

	30 June 2006	31 December 2005
Current	346	226
Saving	22,160	11,422
Promissory notes	16,813	44,658
Fixed deposits		
- Less than 6 months	90,118	40,651
- 6 months and up to 1 year	53,821	17,013
- Over 1 year	27,179	35,045
Total deposits	210,437	149,015

15.2 Classified by the remaining period of contracts

(Unit : Million Baht)

	30 June 2006	31 December 2005
Not over 1 year *	197,367	126,741
Over 1 year	13,070	22,274
Total deposits	210,437	149,015

** Included expired contracts*

15.3 Classified by currency and countries

(Unit : Million Baht)

	30 June 2006	31 December 2005
Baht - Domestic	210,436	149,011
US Dollar - Domestic	1	4
Total deposits	210,437	149,015

16. INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

(Unit : Million Baht)

	30 June 2006			31 December 2005		
	At call	Term	Total	At call	Term	Total
Interbank and money market items						
Domestic :-						
Bank of Thailand and Financial Institutions Development Fund	-	104	104	-	108	108
Other financial institutions	247	1,619	1,866	1,052	1,488	2,540
Total domestic items	247	1,723	1,970	1,052	1,596	2,648
Foreign :-						
US Dollar	-	24	24	-	-	-
Euro	-	5	5	-	-	-
Total foreign items	-	29	29	-	-	-
Total interbank and money market items	247	1,752	1,999	1,052	1,596	2,648

17. BORROWINGS

As at 30 June 2006 and 31 December 2005, the Bank has domestic borrowings as follows :-

(Unit : Million Baht)

Type of borrowing	Interest rate per annum	Maturity date	30 June 2006	31 December 2005
Short-term borrowings				
Liabilities under commercial papers sold avaled by the Bank	Fixed rate of 3.40 percent	2006	236	286
Bill of exchange	Fixed rate of 3.80 percent	2007	280	-
			516	286
Long-term borrowings				
Subordinated debentures				
Issued in accordance with the plan to establish the Restricted Bank	Fixed rate of 9 percent	2008	1,943	1,943
Issued under Tier II support scheme	Fixed rate of 3.75 - 5.00 percent	2009 - 2010	105	105
Promissory notes	3 months fixed deposit rate plus 1.25 percent	2007	5,000	5,000
Bill of exchanges	Fixed rate of 3.75 - 4.80 percent	2007 - 2010	13,993	14,258
Bill of exchanges	Floating rate of the average MLR of 4 commercial banks minus 3.55 – 3.60 percent	2008 - 2009	2,650	2,650
Bill of exchanges	Floating rate of THB-THBFIX-REUTERS plus 0.45 – 0.47 percent	2010	750	750
			24,441	24,706
Total borrowings			24,957	24,992

18. OTHER LIABILITIES

(Unit : Million Baht)

	30 June 2006	31 December 2005
Other payables	95	46
Suspense cash received from account receivables	504	398
Unearned income from hire purchase	131	108
Proceeds from contracted sales on property foreclosed	-	58
Others	177	127
Total other liabilities	907	737

19. DIVIDEND PAID

On 26 April 2006, the Annual General Meeting of the Bank's shareholders approved the payment of a dividend of Baht 0.25 per share to ordinary shareholders, a total of Baht 365 million.

20. REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS

(Unit : Million Baht)

	30 June 2006	31 December 2005
Revaluation surplus on investments :-		
Available-for-sale investments		
Equity instruments	90	79
Held-to-maturity investments (transfer from available-for-sale investments)	11	13
Total	101	92
Revaluation deficit on investments :-		
Available-for-sale investments		
Debt instruments	(6)	(7)
Equity instruments	(113)	(125)
Held-to-maturity investments (transfer from available-for-sale investments)	(471)	(512)
Total	(590)	(644)
Revaluation surplus (deficit) on investments	(489)	(552)

21. STATUTORY RESERVE

Under the Public Limited Company Act B.E. 2535, the Bank is required to set aside as a statutory reserve at least 5 percent of its net profit of the year, 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.

22. CAPITAL FUNDS

As at 30 June 2006 and 31 December 2005, the capital funds maintained by the Bank in accordance with Section 4 of the Act on Undertaking of Banking business B.E. 2505 were as follows :-

(Unit : Million Baht)

	30 June 2006	31 December 2005
Tier I		
Issued and paid up share capital	14,584	14,584
Share premium	341	341
Retained earnings	496	518
Statutory reserve	67	48
Total	15,488	15,491
Tier II		
Subordinated debentures	777	777
Reserve for loans classified as normal	1,441	1,260
Total	2,218	2,037
Total Tier I and Tier II	17,706	17,528
Less : Net revaluation deficit on equity instruments	(23)	(46)
Investment in Tier II of other financial institution	-	(81)
Total capital funds	17,683	17,401

As at 30 June 2006 and 31 December 2005, the Bank's capital ratio which calculated based on the BOT's regulation is as follows :-

	30 June 2006		31 December 2005	
	Capital ratio of the Bank	Minimum requirement by BOT	Capital ratio of the Bank	Minimum requirement by BOT
Total capital to risk assets (percent)	10.18	8.50	17.26	8.50
Total Tier I to risk assets (percent)	8.92	4.25	15.37	4.25

23. GAIN ON INVESTMENTS

Gain on investments for the six-month periods ended 30 June 2006 and 2005 consisted of the following :-

(Unit : Million Baht)

	2006	2005
Allowance for impairment of investment in receivable	-	11
Reversal of impairment of investments	3	-
Realised gains on trading of available-for-sale securities	1	63
Total gain on investments	4	74

24. LOSS (GAIN) ON PROPERTY FORECLOSED AND OTHER ASSETS

Loss (gain) on property foreclosed and other assets for the six-month periods ended 30 June 2006 and 2005 consisted of the following :-

(Unit : Million Baht)

	2006	2005
Realised gains on disposal of property foreclosed and other assets	(18)	(29)
Allowance for impairment set up during the period (reversal of allowance for impairment)	69	(14)
Total loss (gain) on property foreclosed and other assets	51	(43)

25. NUMBER OF EMPLOYEES

	2006	2005
Number of employees as at 30 June (persons)	3,350	1,596
Personnel expenses for the six-month periods ended 30 June (Million Baht)	564	198

26. DIRECTORS' REMUNERATION

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

27. CORPORATE INCOME TAX

The Bank records corporate income tax as an expense, calculating it using net earnings for the period after adding back disallowed expenses and provisions and deducting tax-exempted income and tax loss brought forward from prior years multiply with estimated average tax rate for the year.

28. PROVIDENT FUND

The Bank and its employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the Bank at a rate of 5 percent of the employees' salary, depending on the number of years of service. The fund will be paid to the employees upon termination of employment in accordance with the rules of the fund, and is managed by Thanachart Asset Management Company Limited. During the period 2006, approximately Baht 11 million has been contributed to the fund by the Bank (2005 : Baht 4 million).

29. RELATED PARTY TRANSACTIONS

During the periods 2006 and 2005, the Bank had significant business transactions with its parent 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 Bank and those companies, are summarised below :-

(Unit : Million Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June		Pricing policy
	2006	2005	2006	2005	(For the period 2006)
Transactions occurred during the periods					
Parent company :-					
Interest income	945	238	1,962	404	At interest rate 5.50 - 7.125 percent per annum
Income on supporting service	41	7	83	7	At the rate agreed under the contract between related parties
Rental and other service expenses	33	17	60	31	At the rate agreed under the contract between related parties
Dividend paid	362	200	362	200	As declared
Receipt of loans transferred	-	-	888	-	Contract rate, determined with reference to basis approved by financial advisor
Purchase of fixed assets	150	-	165	-	Contract rate, determined with reference to appraisal value and book value
Related companies :-					
Purchase of debt instruments	2,250	-	2,250	-	At market price
Sales of debt instruments	50	-	1,994	31	At market price
Sales of loans and receivables	-	-	422	-	Contract rate, determined with reference to basis approved by financial advisor
Interest and dividend income	212	33	414	61	At interest rate of 4.5 - 8.25 percent per annum and dividend as declared
Income on supporting service	4	-	8	-	At the rate agreed under the contract between related parties
Other income	1	1	3	3	
Interest expenses	16	11	29	17	At interest rate of 2 - 5.25 percent per annum
Interest expenses - long-term borrowings	6	3	12	5	At interest rate of 4.69 - 9 percent per annum
Rental and other service expenses	31	14	77	25	At the rate agreed under the contract between related parties

The outstanding balances of the above transactions during the six-month periods ended 30 June 2006 and 2005 have been shown at the average balance at the end of each month as follows :-

(Unit : Million Baht)

	2006	2005
Parent company :-		
Loans	62,707	22,357
Other receivables	25	1
Deposits	198	250
Related companies :-		
Investments in debt securities	175	122
Loans	12,705	3,080
Other receivables	10	41
Deposits	1,550	394
Interbank and money market items (liabilities)	500	9
Long-term borrowings	402	119

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

(Unit : Million Baht)

	30 June 2006	31 December 2005
Investments in debt securities		
Other related companies	101	127
Loans		
Parent company - Thanachart Capital Plc.	50,500	75,500
Related companies :-		
N.F.S. Asset Management Co., Ltd.	10,000	11,000
Thanachart Group Leasing Co., Ltd.	1,243	698
Other related companies	880	1,104
	12,123	12,802
Total	62,623	88,302

(Unit : Million Baht)

	30 June 2006	31 December 2005
Accrued interest receivables		
Other related companies	9	12
Other assets - other receivables		
Parent company - Thanachart Capital Plc.	8	10
Other related companies	6	6
Total	14	16
Deposits		
Parent company - Thanachart Capital Plc.	86	140
Other related companies	1,264	1,824
Total	1,350	1,964
Interbank and money market items (liabilities)		
Other related companies	46	172
Long-term borrowings		
Other related companies	402	402
Accrued interest payable		
Other related companies	14	3
Other liabilities		
Parent company - Thanachart Capital Plc.	6	4
Other related companies	46	34
Total	52	38

As at 30 June 2006 and 31 December 2005, included in the Bank's loans are the following loans to parent company and related companies within Thanachart Group :-

(Unit : Million Baht)

Company	Type of credit	Contract period	Interest rate	Outstanding balance	
				30 June 2006	31 December 2005
				Million Baht	Million Baht
Parent company :-					
Thanachart Capital Plc.	Promissory note	Call but not over May 2007	Money market interest rate but not less than one-year fixed deposit rate plus a fixed interest rate per annum	50,500	75,500
Related companies within Thanachart Group :-					
N.F.S. Asset Management Co., Ltd.	Promissory note	Call but not over May 2007	Money market interest rate but not less than one-year fixed deposit rate plus a fixed interest rate per annum	10,000	11,000
Thanachart Group Leasing Co., Ltd.	Promissory note	Call but not over May 2007	Money market interest rate but not less than one-year fixed deposit rate plus a fixed interest rate per annum	1,243	698
Total				61,743	87,198

As at 30 June 2006, the Bank has investments amounting to approximately Baht 268 million (31 December 2005 : Baht 187 million) in related companies to which it is related by means of members of its management being shareholders and/or directors of those companies.

As at 30 June 2006, employees of the Bank and Companies in Thanachart Group from department manager level up, including related persons who together with these employees, have deposits with and loans from the Bank amounting to Baht 570 million and Baht 41 million, respectively (31 December 2005 : Baht 401 million and Baht 35 million, respectively).

30. COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2006 and 31 December 2005, the Bank's significant commitments and contingent liabilities consisted of :-

30.1

(Unit : Million Baht)

	30 June 2006			31 December 2005		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Aval to bills	59	-	59	239	-	239
Liability under unmatured import bills	-	10	10	-	4	4
Letter of credits	-	549	549	-	635	635
Other obligations :-						
Foreign currency forward contracts						
- Bought	-	994	994	-	549	549
- Sold	-	1,108	1,108	-	625	625
Cross currency and interest rate swap contracts						
- Sold	-	2,248	2,248	-	1,389	1,389
Interest rate swap contracts	26,650	-	26,650	26,650	-	26,650
Committed (but not draw) overdraft	1,079	-	1,079	628	-	628
Others	1,178	127	1,305	957	-	957
Total	28,966	5,036	34,002	28,474	3,202	31,676

30.2 During the years 2001 and 2002, the Bank entered into agreements to transfer non-performing loans and receivables of approximately Baht 296 million to TAMC. The Bank is still jointly liable for a share of the gains and losses arising from TAMC's management of these non-performing assets to be calculated at the end of the fifth year and tenth year, counting from 1 July 2001. If there are losses, the Bank is liable for all initial losses up to 20 percent of the transfer price, while further losses of up to another 20 percent of the transfer price are to be shared equally between the Bank and TAMC, and TAMC is liable for all remaining losses. Such gains and losses will be determined based on the accumulated value of collections made on the assets at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the loans and receivables. The gain or loss cannot be estimated at this stage, but as at 30 June 2006, the Bank has estimated its share of the losses which may arise from the management of the non-performing assets at approximately Baht 44 million (31 December 2005 : Baht 44 million). This amount has been presented as a part of allowance for impairment of long-term investments in debt securities.

30.3 The Bank has entered into agreements to sell housing loans/transfer rights to the Secondary Mortgage Corporation, under which it is committed to compensate the Corporation for losses from uncollected housing loans up to a maximum of 20 percent of the valuation of the said receivables. As at 30 June 2006, its maximum obligation was Baht 4 million.

30.4 The Bank 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 plus accrued interest as of the last day of the six-month period before the contributions are made, every 30 June and 31 December of the year.

30.5 As at 30 June 2006, the Bank has commitments to pay the following service fees in relation to properties foreclosed, computer system services and for other services, including commitments in respect of office rental and related service fees under long-term rental contracts :-

(Unit : Million Baht)

Year	Other parties	Parent company	Related companies	Total
2006	76.3	40.6	14.8	131.7
2007	105.0	35.5	3.0	143.5
2008 onward	114.8	18.0	5.9	138.7

In addition, the Bank has obligations to pay an administrative fee to a related company, determined at actual cost plus a margin, for the period stipulated in the agreement.

31. LITIGATION

As at 30 June 2006, the Bank has contingent liabilities amounting to approximately Baht 484 million as a result of litigation. However, the Bank's management expect that no losses will result and therefore no liabilities are currently recorded, except in one case in which Appeals Court found for the plaintiff and the Bank was ordered to pay the plaintiff Baht 10 million plus interest at a rate of 7.5 percent calculated from 8 October 1998. The Bank has already appealed this case, but has recorded the liability as at the balance sheet date for conservative purpose.

32. FINANCIAL INSTRUMENTS

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

32.1 Credit risk

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

In addition, the Bank manages credit risk by the following means, in through careful consideration of credit approval process, analysis of risk factors and the ability to service debt of customers and credit review process, which examines and reviews the quality of the Bank's loan portfolio so as to prevent and provide a remedy for problem loans in the future.

32.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Bank's foreign currency position and investment status, and consequently causes the Bank to incur a financial loss. As such, market risk consists of interest rate risk, foreign exchange risk and equity position risk.

32.2.1 Interest rate risk

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

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

As at 30 June 2006, financial assets and liabilities classified by types of interest rate are as follows : -

(Unit: Million Baht)

Transactions	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets				
Cash	-	-	1,799	1,799
Interbank and money market items	-	-	2,945	2,945
Securities purchased under resale agreements	-	55,700	-	55,700
Investments	-	17,835	2,041	19,876
Loans	79,117	94,228	1,197	174,542
Financial liabilities				
Deposits	22,595	187,496	346	210,437
Interbank and money market items	152	1,752	95	1,999
Liabilities payable on demand	-	-	888	888
Borrowings	5,000	19,957	-	24,957

The outstanding balances of loans which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued (presented before deducting allowance for doubtful accounts).

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

(Unit : Million Baht)

Transactions	Repricing or maturity date					Total	Weighted average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
							Percent
Financial assets							
Securities purchased under resale agreements	-	55,700	-	-	-	55,700	5.00
Investments	-	3,125	3,202	5,075	6,433	17,835	4.33
Loans	243	2,816	7,911	69,779	13,479	94,228	7.72
Financial liabilities							
Deposits	145	108,081	66,377	12,893	-	187,496	4.66
Interbank and money market items	-	502	240	1,010	-	1,752	4.44
Borrowings	-	2,895	4,816	12,246	-	19,957	4.48

In addition, the average balances of the financial assets and liabilities of the Bank generating revenues and expenses, calculated based on the average balances outstanding during the period, and the average interest and dividend rate for the six-month period ended 30 June 2006 can be summarised as follows :-

(Unit: Million Baht)

	Average balances	Interest and dividend	Average rate (%)
Interest bearings financial assets			
Interbank and money market items	2,636	63	4.79
Securities purchased under resale agreements	33,955	785	4.63
Investments	18,700	400	4.28
Loans/hire purchase and finance leases	165,005	5,532	6.71
Interest bearings financial liabilities			
Deposits	181,479	3,374	3.72
Interbank and money market items	1,926	44	4.55
Borrowings	24,978	551	4.41

32.2.2 Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may result in changes in the value of financial instruments, and fluctuations in revenues or the values of financial assets and liabilities.

Since the Bank has foreign exchange transactions, it may be exposed to foreign exchange risk. However, the Bank has a policy to hedge this foreign exchange exposure through management of its net exchange position and operating in accordance with a risk management policy which has been approved by its Board of Directors and is in strict accordance with BOT guidelines.

The status of the Bank's foreign currency balances as at 30 June 2006 can be summaried as follows :-

(Unit : Million Baht)

	Outstanding balance of financial instruments			
	US Dollar	Euro	Yen	Others
Financial assets				
Cash	13	3	1	6
Interbank and money market items	55	7	9	17
Investments	1,991	-	268	-
Loans	24	5	-	-
Other assets - accrued interest receivable	26	-	-	-
Total	2,109	15	278	23
Financial liabilities				
Deposits	1	-	-	-
Interbank and money market items	24	5	-	-
Total	25	5	-	-
Foreign currency-off balance sheet				
Liability under unmatured import bills	10	-	-	-
Letter of credits	87	462	-	-
Foreign currency forward contracts				
- Bought	484	510	-	-
- Sold	556	521	11	20
Cross currency and interest rate swap contracts - sold	1,982	-	266	-
Others	3	124	-	-

The Bank has entered into forward exchange contracts to fully hedge the foreign exchange risk associated with foreign investments.

32.2.3 Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities will result in fluctuations in the value of investments, and fluctuations in revenue and the value of financial assets.

32.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the Bank incurring a financial loss.

The Bank manages liquidity risk by means of appropriate structuring of short-term and long-term sources of capital. In addition, the Bank has a policy to maintain liquidity in line with the liquidity maintenance principles stipulated by the BOT, to ensure that it has 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	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets					
Cash	1,799	-	-	-	1,799
Interbank and money market items	2,945	-	-	-	2,945
Securities purchased under resale agreements	-	55,700	-	-	55,700
Investments	-	4,988	12,937	1,951	19,876
Loans (1)	65,111	3,620	105,811	-	174,542
Financial liabilities					
Deposits	22,652	174,715	13,070	-	210,437
Interbank and money market items	247	692	1,060	-	1,999
Liability payable on demand	888	-	-	-	888
Borrowings	-	516	24,441	-	24,957
Off-balance sheet items					
Aval to bill	-	59	-	-	59
Liability under unmatured import bills	-	10	-	-	10
Letter of credit	15	534	-	-	549
Other contingencies	1,167	4,756	27,114	347	33,384

(1) The outstanding balances of loans and receivables at call include loans and receivables for which revenue recognition has been discontinued.

32.4 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 Bank has 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 are presented as the amount stated in the balance sheet, including cash, interbank and money market items, securities purchased under resales agreements, and loans. These financial assets have their fair value approximate to their respective carrying value since the values of these financial instruments are predominantly subject to market interest rates. Financial instruments with standard terms and conditions which are traded on an active and liquid market, such as investments, have their fair values determined by the quoted market price.

b) Financial liabilities

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

As at 30 June 2006, there are no material difference between the book value of financial instruments and their fair value, except for held-to-maturity debt securities with a fair values Baht 358 million lower than their book value.

32.5 Financial derivatives

The Bank engages in financial derivatives activities as required in the normal course of business of the Bank to meet its clients' needs and to manage the risks of the Bank such as forward foreign currency contracts, cross currency contracts and interest rate swap contracts.

The Bank has a policy to hedge the risk limits by which it requires risk reporting and control procedures for the various types of risk, as a control over financial derivative activities. The Bank manages 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 Bank is able to maintain risk at acceptable levels.

As at 30 June 2006, financial derivatives as classified by their maturities are as follows :-

(Unit : Million Baht)

	Less than 1 year	Over 1 year	Total
Foreign currency forward and spot contracts			
- Bought	994	-	994
- Sold	1,108	-	1,108
Cross currency and interest rate swap contracts			
- Sold	910	1,338	2,248
Interest rate swap contracts			
- Paid fixed interest rate	280	6,220	6,500
- Paid floating interest rate	280	6,545	6,825
- Received fixed interest rate	280	6,995	7,275
- Received floating interest rate	280	5,770	6,050

33. PRESENTATION

The presentation of the financial statements has been made in compliance with the requirement of the Notification of the Bank of Thailand relating to the format of the financial statements of commercial banks dated 10 May 2001.

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

34. APPROVAL OF FINANCIAL STATEMENTS

These interim financial statements were authorized for issue by the Bank's Board of Directors on 23 August 2006.