

TISCO BANK PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES  
REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2006 AND 2005

**Report of Independent Auditor**

To The Board of Directors and Shareholders of  
TISCO Bank Public Company Limited

I have audited the accompanying consolidated balance sheet of TISCO Bank Public Company Limited and its subsidiaries as at 31 December 2006, the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended, and the separate financial statements of TISCO Bank Public Company Limited for the same period. These financial statements are the responsibility of the Bank's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of TISCO Bank Public Company Limited and its subsidiaries and the separate financial statements of TISCO Bank Public Company Limited as at 31 December 2005 and for the year then ended, as presented herein for comparative purposes, were audited by another auditor of our firm who, under his report dated 9 February 2006, expressed an unqualified audit opinion on those financial statements.

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 TISCO Bank Public Company Limited and its subsidiaries and of TISCO Bank Public Company Limited as at 31 December 2006, and the results of their operations, and cash flows for the year then ended in accordance with generally accepted accounting principles.

  
Narong Puntawong

Certified Public Accountant (Thailand) No. 3315

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2006	2005	2006	2005
<b>ASSETS</b>					
CASH		210,224,762	203,952,651	209,087,846	202,324,961
INTERBANK AND MONEY MARKET ITEMS	3.2				
Domestic					
Interest bearing		201,922,475	338,991,696	-	125,449
Non-interest bearing		502,547,476	618,458,009	480,066,266	490,008,800
Foreign					
Interest bearing		187,328,700	547,963,075	-	-
Non-interest bearing		132,436,705	-	102,154,800	-
Total interbank and money market items - net		1,024,235,356	1,505,412,780	582,221,066	490,134,249
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	3.3	1,718,000,000	2,000,000,000	1,718,000,000	2,000,000,000
INVESTMENTS	3.4,3.5,3.8				
Current investment - net		774,660,668	826,593,131	723,292,076	715,779,356
Long-term investment - net		3,618,540,549	4,378,779,842	3,007,622,036	4,145,861,821
Investment in subsidiaries - net		-	-	3,986,406,393	3,566,055,931
Net investments		4,393,201,217	5,205,372,973	7,717,320,505	8,427,697,108
RECEIVABLE FROM CLEARING HOUSE		256,710,155	61,191,433	-	-
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE	3.6,3.8				
Loans and receivable		74,641,231,101	63,948,411,845	68,880,667,472	57,799,317,430
Securities and derivative business receivables		667,250,225	1,275,269,335	-	-
Total loans and receivable		75,308,481,326	65,223,681,180	68,880,667,472	57,799,317,430
Accrued interest receivable		143,399,168	113,987,295	98,862,425	77,532,932
Total loans, receivable and accrued interest receivable		75,451,880,494	65,337,668,475	68,979,529,897	57,876,850,362
Less : Allowance for doubtful accounts	3.7.1	(2,771,223,476)	(3,181,001,341)	(2,463,410,866)	(2,865,571,288)
Less : Allowance for loss on debt restructuring	3.7.2	(22,403,970)	(303,731,217)	(22,403,970)	(303,731,217)
Net loans, receivable and accrued interest receivable		72,658,253,048	61,852,935,917	66,493,715,061	54,707,547,857
PROPERTY FORECLOSED - NET	3.9	1,042,803,295	1,206,694,763	1,044,940,739	1,211,258,840
LAND, PREMISES AND EQUIPMENT - NET	3.10	1,602,800,147	1,559,496,070	1,080,850,642	1,004,248,203
DEFERRED TAX ASSETS	3.23	655,771,653	682,854,387	451,322,921	499,674,406
DIVIDEND RECEIVABLE FROM SUBSIDIARIES	3.27	-	-	591,022,425	846,022,234
OTHER ASSETS	3.11	1,219,421,878	1,004,850,554	1,035,386,753	833,879,355
<b>TOTAL ASSETS</b>		<b>84,781,421,511</b>	<b>75,282,761,528</b>	<b>80,923,867,958</b>	<b>70,222,787,213</b>

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2006	2005	2006	2005
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
DEPOSITS IN BAHT	3.12	40,567,860,158	34,450,801,235	40,668,116,274	34,611,262,962
<b>INTERBANK AND MONEY MARKET ITEMS</b>					
Domestic - Interest bearing	3.13	2,156,981,126	6,415,252,821	2,566,078,459	6,231,223,970
LIABILITY PAYABLE ON DEMAND		477,515,807	247,287,192	477,515,807	247,287,192
<b>BORROWINGS</b>					
Short-term borrowings	3.14	25,720,283,810	12,322,795,836	23,155,078,314	9,998,000,000
Long-term borrowings		361,700,000	5,167,743,812	361,700,000	5,144,200,000
Total borrowings		26,081,983,810	17,490,539,648	23,516,778,314	15,142,200,000
PAYABLE TO CLEARING HOUSE		365,137,963	566,490,815	-	-
SECURITIES AND DERIVATIVE BUSINESS PAYABLES		710,639,235	1,347,282,618	-	-
ACCRUED INTEREST PAYABLE		462,185,329	247,144,460	452,359,341	238,101,787
OTHER LIABILITIES	3.15	1,276,255,960	1,436,296,502	986,998,806	1,102,013,091
<b>TOTAL LIABILITIES</b>		<b>72,098,559,388</b>	<b>62,201,095,291</b>	<b>68,667,847,001</b>	<b>57,572,089,002</b>

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2006	2005	2006	2005
<b>SHAREHOLDERS' EQUITY</b>					
Share capital					
Registered	2.2	11,002,000,000	11,002,000,000	11,002,000,000	11,002,000,000
Issued and fully paid-up					
185,127,630 preference shares of Baht 10 each (2005: 180,947,630 preference shares of Baht 10 each)		1,851,276,300	1,809,476,300	1,851,276,300	1,809,476,300
541,277,120 ordinary shares of Baht 10 each (2005: 541,020,120 ordinary shares of Baht 10 each)		5,412,771,200	5,410,201,200	5,412,771,200	5,410,201,200
		7,264,047,500	7,219,677,500	7,264,047,500	7,219,677,500
Share premium					
Share premium of preference shares		73,190,950	43,128,630	73,190,950	43,128,630
Share premium of ordinary shares		36,500,000	36,500,000	36,500,000	36,500,000
Revaluation surplus on changes in the value of investment	3.19	662,956,136	1,011,780,646	662,956,136	1,011,780,646
Translation adjustment		82,146,613	112,560,156	82,146,613	112,560,156
Retained earnings					
Appropriated - statutory reserve	2.3	422,100,000	344,800,000	422,100,000	344,800,000
Unappropriated		3,715,079,758	3,882,251,279	3,715,079,758	3,882,251,279
Equity attributable to the Bank's shareholders		12,256,020,957	12,650,698,211	12,256,020,957	12,650,698,211
Minority interest - equity attributable to minority shareholders of subsidiaries		426,841,166	430,968,026	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>12,682,862,123</b>	<b>13,081,666,237</b>	<b>12,256,020,957</b>	<b>12,650,698,211</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
		<b>84,781,421,511</b>	<b>75,282,761,528</b>	<b>80,923,867,958</b>	<b>70,222,787,213</b>
<b>OFF - BALANCE SHEET ITEMS - CONTINGENCIES</b>					
Aval to bills and guarantees of loans	3.29	526,625,000	561,000,000	526,625,000	561,000,000
Other commitments		5,667,692,739	5,085,318,059	5,667,692,739	5,085,318,059

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

**TISCO**

ธนาคารทิสโก้ จำกัด (มหาชน)  
TISCO Bank Public Company Limited

Mr. Pichai Chanvirachart  
(President)

Mrs. Oranuch Apisaksirikul  
(Director and Senior Executive Vice President)

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2006	2005	2006	2005
<b>INTEREST AND DIVIDEND INCOME</b>					
Loans		943,334,215	589,703,186	940,730,182	583,655,232
Interbank and money market items		438,037,356	144,857,642	344,948,957	100,928,711
Hire purchase and financial lease income		4,068,351,456	3,544,059,627	2,948,289,622	2,535,591,199
Investments		255,587,949	288,778,023	250,302,312	284,507,514
Total interest and dividend income		5,705,310,976	4,567,398,478	4,484,271,073	3,504,682,656
<b>INTEREST EXPENSES</b>					
Deposit		2,344,239,878	1,049,806,386	2,342,037,750	1,049,927,580
Interbank and money market items		127,926,648	130,461,116	73,022,977	72,927,476
Short-term borrowings		295,086,990	70,391,099	172,905,654	8,689,919
Long-term borrowings		131,989,790	213,500,000	131,579,558	213,500,000
Total interest expenses		2,899,243,306	1,464,158,601	2,719,545,939	1,345,044,975
Net interest and dividend income		2,806,067,670	3,103,239,877	1,764,725,134	2,159,637,681
<b>REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS</b>					
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		221,845,281	186,221,513	280,460,484	230,527,483
<b>NON-INTEREST INCOME</b>					
Brokerage fees		648,525,326	621,950,517	-	-
Gain on investments	3.20	455,375,963	334,062,523	448,614,439	101,293,640
Share of profit of subsidiary companies		-	-	565,628,948	673,014,334
Fees and service income					
Acceptances, aval and guarantees		6,620,546	2,250,197	6,620,546	2,250,197
Insurance services		390,139,315	267,870,127	388,429,507	248,556,641
Fund management		264,442,568	242,847,889	-	-
Others		225,849,637	363,887,437	158,553,520	271,500,912
Gain (loss) on exchange		4,722,384	2,284,331	(3,861,229)	-
Other income	3.21	226,522,564	221,902,068	234,415,126	169,856,202
Total non-interest income		2,222,198,303	2,057,055,089	1,798,400,857	1,466,471,926
Total net income		5,250,111,254	5,346,516,479	3,843,586,475	3,856,637,090
<b>NON-INTEREST EXPENSES</b>					
Personnel expenses	3.25	1,216,248,371	1,205,427,967	671,678,838	646,896,834
Premises and equipment expenses		451,629,893	415,841,048	376,272,768	308,686,710
Taxes and duties		101,466,463	73,128,868	92,621,763	63,695,372
Fees and service expenses		728,456,160	588,622,501	477,292,290	368,472,295
Directors' remuneration	2.4	7,695,000	7,185,000	7,455,000	6,915,000
Other expenses	3.22	542,088,951	602,635,872	286,436,335	274,128,742
Total non-interest expenses		3,047,584,838	2,892,841,256	1,911,756,994	1,668,794,953
INCOME BEFORE INCOME TAX AND MINORITY INTEREST		2,202,526,416	2,453,675,223	1,931,829,481	2,187,842,137
CORPORATE INCOME TAX	3.23	(633,420,167)	(635,010,183)	(386,296,372)	(396,992,893)
INCOME BEFORE MINORITY INTEREST		1,569,106,249	1,818,665,040	1,545,533,109	1,790,849,244
NET INCOME ATTRIBUTABLE TO MINORITY INTEREST		(23,573,140)	(27,815,796)	-	-
NET INCOME FOR THE YEAR		1,545,533,109	1,790,849,244	1,545,533,109	1,790,849,244
<b>EARNINGS PER SHARE</b>					
Basic earnings per share	3.26	1.88	2.23	1.88	2.23
Diluted earnings per share		1.87	2.21	1.87	2.21

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

CONSOLIDATED

	Issued and fully paid-up share capital		Share premium		Surplus	Translation	Statutory	Unappropriated	Minority interest-	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	from changes in the	adjustment	reserve	retained	equity attributable	
					value of investment			earnings	to minority shareholders	
<b>Balance as at 31 December 2004</b>	1,841,234,800	5,339,075,200	23,206,450	36,500,000	1,255,383,557	98,315,392	254,600,000	3,301,679,365	430,901,335	12,580,896,099
Decrease in fair value of investments	-	-	-	-	(243,602,911)	-	-	-	-	(243,602,911)
Increase in translation adjustment	-	-	-	-	-	14,244,764	-	-	-	14,244,764
Net income for the year	-	-	-	-	-	-	-	1,790,849,244	-	1,790,849,244
Dividend paid (Note 4.3)	-	-	-	-	-	-	-	(1,120,077,330)	-	(1,120,077,330)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	90,200,000	(90,200,000)	-	-
Warrants converted to preference shares	39,367,500	-	19,922,180	-	-	-	-	-	-	59,289,680
Preference shares converted to ordinary shares	(71,126,000)	71,126,000	-	-	-	-	-	-	-	-
Increase in minority interest in subsidiary company	-	-	-	-	-	-	-	-	66,691	66,691
<b>Balance as at 31 December 2005</b>	1,809,476,300	5,410,201,200	43,128,630	36,500,000	1,011,780,646	112,560,156	344,800,000	3,882,251,279	430,968,026	13,081,666,237
Decrease in fair value of investments	-	-	-	-	(348,824,510)	-	-	-	-	(348,824,510)
Decrease in translation adjustment	-	-	-	-	-	(30,413,543)	-	-	-	(30,413,543)
Net income for the year	-	-	-	-	-	-	-	1,545,533,109	-	1,545,533,109
Dividend paid (Note 4.3)	-	-	-	-	-	-	-	(1,635,404,630)	-	(1,635,404,630)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	77,300,000	(77,300,000)	-	-
Warrants converted to preference shares	44,370,000	-	30,062,320	-	-	-	-	-	-	74,432,320
Preference shares converted to ordinary shares	(2,570,000)	2,570,000	-	-	-	-	-	-	-	-
Decrease in minority interest in subsidiary company	-	-	-	-	-	-	-	-	(4,126,860)	(4,126,860)
<b>Balance as at 31 December 2006</b>	1,851,276,300	5,412,771,200	73,190,950	36,500,000	662,956,136	82,146,613	422,100,000	3,715,079,758	426,841,166	12,682,862,123

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

THE BANK ONLY

	Issued and fully paid-up share capital		Share premium		Surplus	Translation adjustment	Statutory reserve	Unappropriated retained earnings	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	from changes in the value of investment				
<b>Balance as at 31 December 2004</b>	1,841,234,800	5,339,075,200	23,206,450	36,500,000	1,255,383,557	98,315,392	254,600,000	3,301,679,365	12,149,994,764
Decrease in fair value of investments	-	-	-	-	(243,602,911)	-	-	-	(243,602,911)
Increase in translation adjustment	-	-	-	-	-	14,244,764	-	-	14,244,764
Net income for the year	-	-	-	-	-	-	-	1,790,849,244	1,790,849,244
Dividend paid (Note 4.3)	-	-	-	-	-	-	-	(1,120,077,330)	(1,120,077,330)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	90,200,000	(90,200,000)	-
Warrants converted to preference shares	39,367,500	-	19,922,180	-	-	-	-	-	59,289,680
Preference shares converted to ordinary shares	(71,126,000)	71,126,000	-	-	-	-	-	-	-
<b>Balance as at 31 December 2005</b>	1,809,476,300	5,410,201,200	43,128,630	36,500,000	1,011,780,646	112,560,156	344,800,000	3,882,251,279	12,650,698,211
Decrease in fair value of investments	-	-	-	-	(348,824,510)	-	-	-	(348,824,510)
Decrease in translation adjustment	-	-	-	-	-	(30,413,543)	-	-	(30,413,543)
Net income for the year	-	-	-	-	-	-	-	1,545,533,109	1,545,533,109
Dividend paid (Note 4.3)	-	-	-	-	-	-	-	(1,635,404,630)	(1,635,404,630)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	77,300,000	(77,300,000)	-
Warrants converted to preference shares	44,370,000	-	30,062,320	-	-	-	-	-	74,432,320
Preference shares converted to ordinary shares	(2,570,000)	2,570,000	-	-	-	-	-	-	-
<b>Balance as at 31 December 2006</b>	1,851,276,300	5,412,771,200	73,190,950	36,500,000	662,956,136	82,146,613	422,100,000	3,715,079,758	12,256,020,957

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



## TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE BANK ONLY	
	2006	2005	2006	2005
<b>Cash flows from operating activities</b>				
Net income	1,545,533,109	1,790,849,244	1,545,533,109	1,790,849,244
Adjustments to reconcile net income to net cash provided by (paid from) operating activities				
Minority interest in income of subsidiary company	23,573,140	27,815,796	-	-
Share of profit from operating results of subsidiaries	-	-	(565,628,948)	(673,014,334)
Depreciation and amortisation	210,802,077	170,020,564	150,095,963	109,448,852
Reversal of bad debt and doubtful accounts	(75,717,421)	(94,434,943)	(150,029,027)	(146,332,053)
Unrealised loss on revaluation of investment (reversal)	(5,797,556)	13,876,397	(5,797,556)	13,964,083
Allowance for impairment of property foreclosed (reversal)	(33,490,244)	(34,168,243)	(34,228,347)	(34,168,243)
Gain on disposal of investments	(449,578,736)	(347,938,920)	(442,816,883)	(115,257,723)
Gain on sales of equipment	(8,225,985)	(8,792,526)	(6,245,320)	(8,677,155)
Loss from written-off equipment	116,573	-	38,105	-
Loss (gain) on sales of property foreclosed	100,516,073	187,406,361	(66,448,665)	23,421,852
Decrease in deferred tax assets	182,799,738	176,754,079	205,839,899	210,032,600
Decrease (increase) in accrued interest and dividend receivable	(29,956,606)	8,489,950	(24,958,809)	8,841,995
Decrease (increase) in other accrued income	5,099,493	(3,484,609)	30,067,039	(20,114,610)
Increase (decrease) in accrued interest payable	215,040,869	57,170,996	214,257,554	57,793,939
Increase (decrease) in accrued expenses	8,761,107	24,822,687	4,794,397	42,361,682
Unrealised loss on exchange rate	3,819,200	-	3,819,200	-
Income from operating activities before changes in operating assets and liabilities	1,693,294,831	1,968,386,833	858,291,711	1,259,145,129
Decrease (increase) in operating assets				
Interbank and money market items	477,358,224	13,896,978	(95,906,017)	(96,723,358)
Securities purchased under resale agreements	282,000,000	105,000,000	282,000,000	105,000,000
Receivable from clearing house	(195,518,722)	97,834,412	-	-
Loans and receivable	(12,414,384,742)	(9,796,797,459)	(12,107,313,943)	(8,660,137,387)
Securities and derivative business receivables	608,019,110	(51,472,569)	-	-
Property foreclosed	1,182,745,079	832,148,188	739,202,017	533,541,200
Other assets	(244,356,916)	(111,558,588)	(247,069,424)	1,375,570,112

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

## TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## CASH FLOW STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE BANK ONLY	
	2006	2005	2006	2005
Increase (decrease) in operating liabilities				
Deposits	6,117,058,923	(4,837,001,084)	6,056,853,312	(4,694,287,092)
Interbank and money market items	(4,258,271,695)	2,107,985,901	(3,665,145,511)	2,079,231,162
Liability payable on demand	230,228,615	247,287,192	230,228,615	247,287,192
Borrowings	8,591,444,162	10,504,256,177	8,374,578,314	9,998,000,000
Payable to clearing house	(201,352,852)	435,495,884	-	-
Securities and derivative business payables	(636,643,383)	(34,965,896)	-	-
Other liabilities	(182,695,978)	(26,727,205)	(119,808,682)	41,283,511
Net cash flows from operating activities	1,048,924,656	1,453,768,764	305,910,392	2,187,910,469
<b>Cash flows from investing activities</b>				
Cash paid for purchase of investment in securities held for investment	(1,434,251,692)	(9,970,851,702)	(1,044,200,466)	(11,071,723,470)
Proceed from sales of investment in securities held for investment	2,209,231,397	10,011,616,371	2,098,733,338	9,619,900,218
Cash received from dividend of subsidiaries	-	-	388,513,209	717,598,386
Cash paid for purchase of property, plant and equipment	(208,584,734)	(237,502,454)	(187,710,952)	(206,903,348)
Proceed from sales of equipment	10,038,337	17,448,612	6,489,674	14,488,878
Net cash flows from (used in) investing activities	576,433,308	(179,289,173)	1,261,824,803	(926,639,336)
<b>Cash flows from financing activities</b>				
Dividend paid	(1,663,104,630)	(1,147,827,330)	(1,635,404,630)	(1,120,077,330)
Cash received from exchange of warrants to purchase preference shares	74,432,320	59,289,680	74,432,320	59,289,680
Net cash flows used in financing activities	(1,588,672,310)	(1,088,537,650)	(1,560,972,310)	(1,060,787,650)
<b>Translation adjustment</b>	(30,413,543)	14,244,764	-	-
Net increase in cash and cash equivalents	6,272,111	200,186,705	6,762,885	200,483,483
Cash and cash equivalents at beginning of year	203,952,651	3,765,946	202,324,961	1,841,478
Cash and cash equivalents at end of year	210,224,762	203,952,651	209,087,846	202,324,961
	-	-	-	-
<b>Supplemental cash flows information</b>				
Cash paid during the year for				
Interest	2,682,318,474	1,407,426,568	2,505,288,385	1,287,251,036
Corporate income tax	489,090,018	419,924,898	217,642,862	116,496,702
Non-cash transactions				
Conversion of preference shares to ordinary shares	2,570,000	71,126,000	2,570,000	71,126,000
Transfer of property foreclosed to land, premises and equipment	20,018,354	39,172,584	20,018,354	-

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

TISCO BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

**1. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES**

**1.1 BASIS OF PREPARATION**

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547, except for the early adoption of Accounting Standard No. 56 “Accounting for income taxes”, which is in line with International Accounting Standards (IAS) No.12 “Income Taxes” (revised 1996). These financial statements have been prepared in accordance with the Notifications of the Bank of Thailand and the Office of the Securities and Exchange Commission.

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Bank of Thailand dated 10 May 2001, “Balance Sheets and Income Statements for Commercial Bank”.

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

**1.2 BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of TISCO Bank Public Company Limited (“the Bank”) and its subsidiary companies (“its subsidiaries”) as mentioned in Note 3.1.

The financial statements of overseas subsidiary companies are translated into Thai Baht at the closing average exchange rates as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences have been shown under the caption of “Translation adjustment” in shareholders’ equity.

Material balances and transactions between the Bank and its subsidiaries have been eliminated from the consolidated financial statements.

## 1.3 SIGNIFICANT ACCOUNTING POLICIES

### 1.3.1 Income recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on principal outstanding. Hire-purchase and financial lease income are recognised over the installment period, using the effective interest rate.

For loans on which interest payments have been defaulted for more than one month, it is the policy of the Bank and its subsidiaries to cease accruing income on such loans and receivables. For hire purchase and financial lease accounts which are overdue for more than three months, the recognition of interest income is ceased. The recorded accrued interest will be reversed from the Bank and its subsidiaries' accounts and interest will be recognised as income on a cash basis.

Accrual of interest is ceased for margin loans on which interest is overdue by more than two months and interest is recognised on a cash basis.

The accounts will be reinstated to "accrual basis" when the overdue amounts are received.

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.

b) Interest and dividends on investment in securities

Interest on investment is recognised as income on an accrual basis. Dividends from securities are recognised as income when the dividends are declared.

c) Brokerage fee

Brokerage on securities and derivative trading are recognised as income on the transaction dates.

d) Gain (loss) on trading in securities

Gain (loss) on trading of investment in securities are recognised as income/expense on the transaction dates.

e) Fees and service income

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

### **1.3.2 Interest expenses**

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

### **1.3.3 Investments in securities**

- a) Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in determining income.
- b) Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, the changes are then included in determining income.
- c) Investments in debt securities, both due within one year or expected to be held to maturity, are stated at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.
- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for loss on diminution in value (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rate quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.

Losses on impairment (if any) of the investments in available-for-sale securities, debt securities due within one year or expected to be held to maturity and other investments are included in determining income.

The moving average method is used for computation of the cost of investment.

In the event the Bank and its subsidiaries reclassify their investments in securities, the investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining income or recorded as a surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

#### **1.3.4 Investments in receivable purchased or transferred in**

Investments in receivable purchased or transferred in, which are classified as other investments, are valued at acquisition cost net of allowance for impairment (if any). Losses on impairment of investments are included in determining income.

For investments in receivable purchased or transferred in, who entered into troubled debt restructuring will be transferred to loans and receivable and valued at fair value, net of allowance for doubtful debt. The fair value is based on the outstanding balance of investments in receivable purchased or transferred in, as at transferred date or as at the date of restructuring.

Allowance for doubtful debt is based on the Bank of Thailand's guideline with the same as allowance for loans and receivable.

#### **1.3.5 Investment in subsidiary companies**

Investments in subsidiary companies are accounted for under the equity method.

The Bank does not record investments by the equity method for any investments which had been transferred as the result of debt restructuring, and the Bank holds not less than 20% of the equity. The Bank is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.

#### **1.3.6 Receivable from Clearing House/ Payable to Clearing House**

Receivable from Clearing House comprises the net balance receivable from Thailand Securities Depository (TSD) in respect of securities trades settled through the Clearing House of TSD and the net balance receivable from Thailand Clearing House (TCH) including amounts pledged with TCH as security for derivatives trading.

Payable to Clearing House comprises the net balance payable to Thailand Securities Depository in relation to securities trading settlements made through the Clearing House of TSD and the net balance payable to Thailand Clearing House.

### **1.3.7 Loans and receivable**

Loans and receivable are stated at principal balances, excluding accrued interest receivables. Unrecognised deferred income/discount on loans are deducted from loans.

### **1.3.8 Allowance for doubtful accounts and losses from troubled debt restructuring**

- a) The Bank provides allowances for doubtful accounts and losses arising from troubled debt restructuring in accordance with the Notifications of the Bank of Thailand (“BOT”) 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.

#### **Year 2006**

In 2006, the Bank revised its guidelines on determining allowance for doubtful accounts and the value of collateral to be deducted against the loan balance when setting provisions for non-performing loans to follow the new guidelines of the BOT issued on 21 December 2006. The Bank will set aside provision at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal, based on the use of the discount rate and the time needed to dispose of collateral, in accordance with the BOT’s guidelines. The Bank may set up provision using a collective approach based on past loss experiences for receivables with the same credit risks, or having similar types and objectives of borrowing.

The timeline for implementing these provisioning guidelines is presented below.

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

The Bank set provision at minimum rates of 1% and 2% of the loan balances (excluding accrued interest receivable) net of collateral value for normal loans (including restructured receivables), and special-mentioned loans, respectively as required by the BOT’s guidelines.

In this regard, for the financial statements for the year ended 31 December 2006, the Bank set provision at 100% on receivables for which a court judgment has already been issued, for which a court order is being executed, and against which legal actions have been brought, in accordance with the new guidelines of the BOT. For the remaining non-performing loans which are classified as doubtful of loss, doubtful, and substandard loans, the Bank still apply provisioning rates of 100%, at least 50% and at least 20%, respectively, in accordance with the prior guidelines.

#### **Year 2005**

The Bank provided allowance for doubtful debt in accordance with the BOT's guideline dated 23 August 2004, applying provisioning rates at minimum rate of 1% for normal debt, 2% for special-mentioned debt, 20% for substandard debt, 50% for doubtful debt, and 100% for doubtful of loss debt. The Bank was able to deduct the valuation of collateral that calculated in accordance with BOT's guidelines, against the loan balance before determining the provisions.

- b) For the securities business of a subsidiary, an allowance for doubtful accounts is based on a review of debtors' ability to make repayment, taking into consideration of recovery risk and the value of the collateral. An allowance is set aside for doubtful debts that their collateral are not fully covered and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the Notification of the Office of the Securities and Exchange Commission and consideration of other relevant factors.
- c) For the hire-purchase and financial lease receivable of the subsidiaries, an allowance for doubtful accounts is based on a percentage of the outstanding balance, net of unearned interest income, for each age of receivable. The subsidiaries also estimated the allowances for doubtful accounts on the basis of historical statistical data, assessment of the risk associated with the receivable, the nature of the collateral provided, and the actual losses arising from such debtors in the past, while emphasizing the principal of conservatism. Furthermore, the adequacy of the allowance at the balance sheet date has been reviewed and evaluated in relation to the current status of the receivables. Bad debts are written off for accounts considered to be uncollectible.
- d) Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are recorded as income in the period of recovery.



- e) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the balance sheet date.

### **1.3.9 Troubled debt restructuring**

The Bank records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Accounting Standard No. 34 "Accounting for Troubled Debts Restructuring". The assets and equities was transferred to the Bank for debt settlement at lower of fair values of the assets, less estimated selling expenses (if any), and the amount of investment in receivables.

In case where the debt restructuring involves modifications of terms of receivables, the fair value of investment in receivables after restructuring represents the net present value of the expected future cash flows, using the Minimum Lending Rates prevailing at the restructuring date. The Bank recorded the difference between the fair value of investment in receivables, and the amount of investments in receivables as of restructuring date as expenses in the income statements. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in the income statement when incurred.

### **1.3.10 Recognition and amortisation of customers' deposits assets**

Cash which customers have placed with a subsidiary company for securities trading through cash accounts and derivative trading are recorded as assets of the subsidiary company for internal control purposes, but at the balance sheet date the subsidiary company writes the amounts which are unsecured off from both assets and liabilities and presents only those assets which belong to the subsidiary company.

### **1.3.11 Borrowing and lending of securities**

A subsidiary company conducts both securities borrowing and securities lending transactions through agreements made with borrowers and lenders of securities, which are the subsidiary company's customers.

A subsidiary company records its obligations to return borrowed securities which it has lent as “Securities borrowing payables” and securities lent to customers are recorded as “Securities borrowing receivables” in the balance sheet. At the end of the year, the balance of Securities borrowing payables and Securities borrowing receivables are adjusted based on the latest offer price quoted on the Stock Exchange of Thailand of the last working day of the year. Gains or losses arising from such adjustment are included in determining income. The subsidiary company records cash received as collateral for securities borrowing as “Guaranteed deposit payables”. Fees for borrowing and lending are recognised on an accrual basis over the term of the lending.

#### **1.3.12 Property foreclosed**

Property foreclosed represents assets transferred from loans, hire purchase receivable on which the debtors had defaulted on their repayment obligations under the loan contracts or restructured receivables. The value of the repossessed assets are stated at the lower of cost and net realisable value. Net realisable value is determined at the market value or the appraisal value of repossessed assets less estimated selling expenses.

Loss on impairment is recognised in the income statements. Gains or losses from disposal of property foreclosed is recognised upon disposal.

#### **1.3.13 Financial lease**

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period.

### 1.3.14 Depreciation and amortisation

- a) Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation.

Depreciation of building and equipment is calculated by reference to their cost on the straight-line basis (except for the depreciation of computer and communication equipment acquired since 2000, which is calculated using the sum-of-the-years-digits method over estimated useful lives of 3 years) over the following estimated useful lives:

Buildings and office condominium units	-	20	years
Office improvements	-	5	years
Furniture, fixtures and equipment	-	5	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

No depreciation is provided on land.

- b) Leasehold rights are amortised to expenses on a straight-line basis over the lease period of 12, 13.5 and 15 years.
- c) Software license fees are deferred and amortised over the period of the license agreements, which are for periods of 5 and 10 years (with the exception of the amortisation of software licenses acquired since 2000, which is calculated using the sum-of-the-years-digits method over estimated useful lives of 3 years).
- d) Licenses to trade securities on the Hong Kong Exchange and Clearing Limited (“HKEC”) are stated at cost less amortisation on a straight-line basis over 10 years.

### 1.3.15 Income tax

- a) Current tax

The Bank and its subsidiaries calculate corporate income tax in accordance with tax legislations.

- b) Deferred tax

Deferred tax assets/liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the balance sheet date. This will be realised in future periods when the income is realised, or the expenses provided for are actually incurred and considered deductible for income tax purposes.

Deferred tax assets are recognised for deductible temporary differences if it is highly probable that the Bank and its subsidiaries will generate sufficient taxable profits from its future operations to utilise these assets. Deferred tax liabilities are recognised for all payable temporary differences.

Deferred tax assets and liabilities are calculated based on the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax legislations) that have been enacted at the balance sheet date.

The Bank and its subsidiaries record deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

At each, balance sheet date, the Bank and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

#### **1.3.16 Impairment of assets**

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

#### **1.3.17 Sales of commercial paper**

Commercial paper, which is sold without recourse, is recorded by crediting the notes receivable account.

Commercial paper without an aval or acceptance, which is sold with recourse, is recorded as a liability under the caption of "Liabilities from sale of commercial paper". 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".

### **1.3.18 Foreign currencies**

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the average exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

### **1.3.19 Employee benefits**

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses on an accrual basis.

### **1.3.20 Provisions**

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

### **1.3.21 Derivatives - Interest rate swap contracts**

The Bank recognised the net amount of interest to be received from or paid to the counterparty under the interest rate swap contracts as income or expenses on an accrual basis.

### **1.3.22 Financial instruments**

#### **a) Financial risk management**

The Bank and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), securities purchased under resale agreement, investments, receivable from clearing house, loans and receivable and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, borrowings, payable to clearing house, and securities and derivative business payables. The financial risks associated with these financial instruments and how they are managed is described in Note 3.30.

b) Fair value of financial instruments

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The methods and assumptions used by the Bank and its subsidiaries in estimating the fair value of financial instruments are as follows.

- For financial assets and liabilities which have short-term maturity or carried interest at the rate approximate to the market rate, including cash, interbank and money market items (assets), securities purchased under resale agreement, loans and receivable and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, short-term borrowings, the carrying amounts in the balance sheet approximate their fair value.
- For debts and equity securities, their fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- For fixed rate debentures and long-term borrowings, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the borrowings with similar terms and conditions.
- For derivatives, fair value is based on the market price, or a formula which is generally accepted in cases where there is no market price.

The fair value of the other off balance sheet items cannot be reasonably determined thus it has not been disclosed.

**1.3.23 Earnings per share**

Calculation of earnings per share is summarized below.

Basic earnings per share

Basic earnings per share is calculated by dividing net income for the year, after deducting the portion of dividends which the preference shareholders receive before the ordinary shareholders, by the sum of the weighted average number of ordinary shares and preference shares in issue during the year.

### Diluted earnings per share

Diluted earnings per share is calculated by dividing net income for the year, after deducting the portion of dividends which the preference shareholders receive before the ordinary shareholders, by the sum of the weighted average number of ordinary shares and preference shares in issue during the year plus the weighted average number of ordinary shares to be issued upon conversion of warrants into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the warrants were issued.

In determining earnings per share for the year, the amount of preferential dividends as referred to above was arrived at on a time proportion basis.

#### **1.3.24 Use of accounting estimates**

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in setting up allowances for impairment of investments and property foreclosed, allowance for doubtful accounts and losses from troubled debt restructuring, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

#### **1.3.25 Reclassification**

Certain amounts in the financial statements for the year ended 31 December 2005 have been reclassified to conform to the current year's classifications, with no effect on previously reported net income or shareholders' equity.

## **2. GENERAL INFORMATION**

### **2.1 The Bank's information**

TISCO Bank Public Company Limited is a public company incorporated and domiciled in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. The Bank's registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 December 2006, the Bank has 14 branches in Thailand.

## 2.2 Share capital

The Bank has a registered capital of Baht 11,002 million which, according to the documents filed with the Ministry of Commerce in 1999, comprises 100.2 million ordinary shares and 1,000 million preference shares, both with a par value of Baht 10 each. The preference shares can be, and were from time to time, converted to ordinary shares in accordance with the Memorandum and Articles of Association.

The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that the holders of preference shares receive dividend for each of the year that the Bank pays dividend prior to the holders of ordinary shares at the rate of 1 Baht per share. Additionally, the holders of preference shares are entitled to share the leftover dividend with the holders of ordinary shares. In the year that the Bank does not declare dividend payment to the holders of ordinary shares, the Bank may declare dividend payment at the above-mentioned rate to the holders of preference shares. The holders of preference shares shall be entitled to receive dividend only in the years in which the Bank has declared dividend payment. Dividend shall not be made up in subsequent years for the years that the Bank did not declare dividend payment. Since 30 June 2009, the rights and benefits of the preference shareholders shall be equal to the holders of ordinary shares.

On 10 April 2000, the annual general meeting of the Bank's shareholders passed a resolution approving the allocation to directors and employees of the Bank and its subsidiaries a total of 30 million, 5-year, non-negotiable warrants to purchase the Bank's preference shares, exercisable in a ratio of 1 warrant to 1 preference share, and passed a resolution approving the establishment an Allotment Committee. Such committee resolved that the warrants would not be allocated to the Bank's directors, except for those directors who were qualified by virtue of being the Bank employees. The exercise price of the warrants was stipulated at 75 percent of the ten-trading-day average closing price of the Bank's preference shares prior to the effective date of the filing, subject to a minimum price of par value. The warrants are to be offered subsequent to the receipt of approval from the Office of the Securities and Exchange Commission. In addition, the annual general meeting passed a resolution approving the un-allocation of 400 million preference shares (including 300 million preference shares which were to be reserved for the conversion of convertible debentures). Thirty million preference shares with a par value of Baht 10 each are to be reserved for the exercise of the warrants to be issued and offered to directors and employees of the Bank and its subsidiaries to purchase the Bank's preference shares, leaving 370 million unallocated preference shares.



On 24 April 2002, the annual general meeting of the Bank's shareholders passed a resolution approving the exercise price of warrants at 75 percent of the ten-trading-day average closing price of the Bank's preference shares prior to the date of warrant allocation, subject to a minimum price of par value.

### **2.3 Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Bank is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until such reserve reaches 10 percent of its registered share capital. The statutory reserve is not available for dividend distribution.

### **2.4 Directors' remuneration**

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

### **2.5 Provident fund**

The Bank, its seven subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank, the subsidiaries and the employees contributed to the fund monthly at the rates of 5 - 10 percent of the employees' salaries depending on the number of years of service. The fund, which is managed by Bangkok Bank Public Company Limited, will be paid to the employees upon termination in accordance with the fund rules.

### **2.6 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Bank, whether directly or indirectly, or which are under common control with the Bank. They also include associated companies and individuals which directly or indirectly own a voting interest in the Bank that gives them significant influence over the Bank, key management personnel, directors and officers with authority in the planning and direction of the Bank's operations.

The Bank has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Bank and those companies, which are reference to the terms and price as charged to other customers.

The Bank and its subsidiaries have neither granted credit, nor made any commitments to management - level employees (departmental managers upward), and have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Bank, the Bank's directors or management - level employees, with the exception of loans to employees under the employee welfare scheme, as mentioned in Note 3.27 to the financial statements.

The Bank has neither provided any credit nor made any commitments to companies which have directors in common with the Bank in cases where such credit is unsecured or not fully collateralised and therefore would require an approval from the Bank of Thailand.

The Bank and its subsidiaries have no investments in related companies which are related by way of members of the management of the Bank or of its subsidiaries being shareholders and/or authorised directors.

### 3. DETAILS OF FINANCIAL STATEMENTS

#### 3.1 Consolidated financial statements

List of subsidiaries included in the consolidated financial statements is presented below.

Company	Country of incorporation	Percentage of shares held by the Bank as at 31 December		Subsidiaries' total assets as a percentage to the consolidated total as at 31 December		Subsidiaries' total revenues as a percentage to the consolidated total for the year ended 31 December		Subsidiaries' net income (loss) as a percentage to the consolidated total for the year ended 31 December	
		2006	2005	2006	2005	2006	2005	2006	2005
		(Unit : Percentage)							
<b>Subsidiaries directly owned by the Bank</b>									
TISCO Securities Hong Kong Limited	China-Hong Kong	100.00	100.00	0.33	1.43	0.95	1.10	(1.28)	(0.82)
TISCO Securities Co., Ltd.	Thailand	99.99	99.99	1.92	1.91	15.04	13.66	21.53	14.94
TISCO Asset Management Co., Ltd.	Thailand	99.99	99.99	0.31	0.24	5.71	5.13	7.44	5.28
TISCO Leasing Co., Ltd.	Thailand	99.99	99.99	2.27	2.68	1.81	2.35	1.70	2.56
Hi-Way Co., Ltd.	Thailand	99.99	99.99	3.54	3.63	14.32	13.12	8.21	7.20
TISCO Information Technology Co., Ltd.	Thailand	99.99	99.99	0.03	0.03	0.12	0.06	(6.63)	(5.12)
Thai Commercial Auto Co., Ltd.	Thailand	50.00	50.00	1.57	2.68	1.79	2.22	2.77	3.13
TISCO Group Co., Ltd.	Thailand	99.99	99.99	-	-	-	-	-	(0.10)
TISCO Corporation Public Co., Ltd.	Thailand	95.00	95.00	-	-	-	-	(0.04)	-
<b>Subsidiaries indirectly owned by the Bank</b>									
TISCO Global Securities Limited (Formerly known as "TISCO Global Investment Holding Limited")	China-Hong Kong	100.00	100.00	0.03	-	0.03	0.03	0.05	0.08
TISCO Securities UK Limited (Liquidation in 2005)	United Kingdom	-	-	-	-	-	-	-	-
TISCO Securities Singapore Pte. Ltd. (Liquidation in 2006)	Singapore	-	100.00	-	-	-	-	-	(0.01)
VLT Leasing Co., Ltd.	Thailand	50.00	50.00	-	0.02	0.03	0.21	(0.16)	0.25

### 3.2 Interbank and money market items (assets)

(Unit : Baht)

	Consolidated as at					
	31 December 2006			31 December 2005		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institutions						
Development Fund	422,699,150	-	422,699,150	452,351,484	-	452,351,484
Commercial banks	270,233,819	10,497,558	280,731,377	467,304,414	10,600,184	477,904,598
Other banks and financial institutions	-	-	-	27,193,623	-	27,193,623
Total domestic	692,932,969	10,497,558	703,430,527	946,849,521	10,600,184	957,449,705
Add : Accrued interest	664,084	375,340	1,039,424	-	-	-
Total	693,597,053	10,872,898	704,469,951	946,849,521	10,600,184	957,449,705
<b>Foreign</b>						
Dollar Hong Kong	143,706,608	-	143,706,608	309,204,593	26,487,000	335,691,593
Dollar USA	148,101,241	-	148,101,241	90,074,785	25,202,825	115,277,610
Ringgit	24,923,945	-	24,923,945	27,613,286	22,703,709	50,316,995
Yen	28,519	-	28,519	19,283,245	-	19,283,245
Dollar Singapore	160,718	-	160,718	6,780,085	-	6,780,085
Others	2,844,374	-	2,844,374	16,239,186	4,374,361	20,613,547
Total foreign	319,765,405	-	319,765,405	469,195,180	78,767,895	547,963,075
Add : Accrued interest	-	-	-	-	-	-
Total	319,765,405	-	319,765,405	469,195,180	78,767,895	547,963,075
Total domestic and foreign	1,013,362,458	10,872,898	1,024,235,356	1,416,044,701	89,368,079	1,505,412,780

(Unit : Baht)

	The Bank Only as at					
	31 December 2006			31 December 2005		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and						
Financial Institutions						
Development Fund	422,613,658	-	422,613,658	452,351,484	-	452,351,484
Commercial banks	57,452,608	-	57,452,608	37,657,316	125,449	37,782,765
Total domestic	480,066,266	-	480,066,266	490,008,800	125,449	490,134,249
Add : Accrued interest	-	-	-	-	-	-
Total	480,066,266	-	480,066,266	490,008,800	125,449	490,134,249
<u>Foreign</u>						
Dollar Hong Kong	102,154,800	-	102,154,800	-	-	-
Total foreign	102,154,800	-	102,154,800	-	-	-
Add : Accrued interest	-	-	-	-	-	-
Total	102,154,800	-	102,154,800	-	-	-
Total domestic and foreign	582,221,066	-	582,221,066	490,008,800	125,449	490,134,249

(Unit : Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated		The Bank Only		Type of pledged
	As at		As at		
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	
Cash at banks of its local subsidiary	10	10	-	-	To secure facilities provided for bank overdraft
Promissory notes deposited in name of subsidiary for securities borrowing and lending	-	12	-	-	As collateral for borrowing securities, which a subsidiary received from a client under a securities borrowing and lending agreement.

### 3.3 Securities purchased under resale agreements

(Unit : Million Baht)

	Consolidated/The Bank Only as at	
	31 December 2006	31 December 2005
Bank of Thailand Bond	1,718	2,000

### 3.4 Investments

(Unit : Baht)

	Consolidated as at			
	31 December 2006		31 December 2005	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b>Current investment</b>				
<b>Trading securities</b>				
Equity securities :				
Domestic marketable equity securities	647	605	712	1,000
Add (less) : Allowance for changes in value	(42)		288	
Net equity securities	605		1,000	
Total trading securities	605		1,000	
<b>Available-for-sales securities</b>				
Debt securities :				
Government and state enterprise securities	460,230,153	460,111,647	407,956,994	407,906,038
Debt securities of private sector	237,568,301	178,608,804	285,452,079	221,803,717
Total	697,798,454	638,720,451	693,409,073	629,709,755
Add (less) : Allowance for changes in value	1,335,997		(3,285,318)	
Less : Allowance for impairment	(60,414,000)		(60,414,000)	
Debt securities - net	638,720,451		629,709,755	
Equity securities :				
Domestic marketable equity securities	129,506,440	85,163,447	124,491,790	86,108,412
Add (less): Allowance for changes in value	(44,342,993)		(38,383,378)	
Net equity securities	85,163,447		86,108,412	
Total available-for-sales securities	723,883,898		715,818,167	
<b>Held-to-maturity debt securities-due within 1 year</b>				
Government and state enterprise securities	772,165		1,570,129	
Debt securities of private sector	4,000		-	
Foreign debt securities	-		109,203,835	
Total held-to-maturity debt securities-due within 1 year	776,165		110,773,964	
<b>Other Investment</b>				
Equity securities :				
Unit trusts	50,000,000		-	
Total other investment	50,000,000		-	
Total net current investments	774,660,668		826,593,131	

(Unit : Baht)

	Consolidated as at			
	31 December 2006		31 December 2005	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b>Long-term investment</b>				
<b>Available-for-sales securities</b>				
Debt securities :				
Debt securities of private sector	100,000,000	101,819,890	100,000,000	100,523,500
Add (less) : Allowance for changes in value	1,819,890		523,500	
Debt securities – net	101,819,890		100,523,500	
Equity securities :				
Domestic marketable equity securities	2,502,412,020	2,335,941,187	2,620,256,702	2,928,773,993
Other securities – unit trusts	103,158,046	122,931,002	188,945,143	209,833,092
Total	2,605,570,066	2,458,872,189	2,809,201,845	3,138,607,085
Add (less) : Allowance for changes in value	(146,697,877)		329,405,240	
Net equity securities	2,458,872,189		3,138,607,085	
Total available-for-sales securities	2,560,692,079		3,239,130,585	
<b>Held-to-maturity debt securities</b>				
Debt securities :				
Government and state enterprise securities	337,173,113		337,210,727	
Debt securities of private sector	-		4,000	
Total held-to-maturity debt securities	337,173,113		337,214,727	
<b>Other investment</b>				
Equity securities :				
Domestic non-marketable equity securities	956,701,623		1,042,888,354	
Investment in receivables	6,256,324		7,626,324	
Less : Allowance for impairment	(242,282,590)		(248,080,148)	
Total other investment	720,675,357		802,434,530	
Net long-term investments	3,618,540,549		4,378,779,842	
Net investments	4,393,201,217		5,205,372,973	

(Unit : Baht)

## The Bank Only as at

	31 December 2006		31 December 2005	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b><u>Current investment</u></b>				
<b>Available-for-sales securities</b>				
Debt securities :				
Government and state enterprise securities	459,637,516	459,519,824	406,626,435	406,576,628
Debt securities of private sector	237,568,301	178,608,804	285,452,078	223,094,316
Total	697,205,817	638,128,628	692,078,513	629,670,944
Add (less) : Allowance for changes in value	1,336,811		(1,993,569)	
Less : Allowance for impairment	(60,414,000)		(60,414,000)	
Debt securities – net	638,128,628		629,670,944	
Equity securities :				
Domestic marketable equity securities	129,506,441	85,163,448	124,491,790	86,108,412
Add (less) : Allowance for changes in value	(44,342,993)		(38,383,378)	
Net equity securities	85,163,448		86,108,412	
Total available-for-sales securities	723,292,076		715,779,356	
Net current investments	723,292,076		715,779,356	
<b><u>Long-term investment</u></b>				
<b>Available-for-sales securities</b>				
Debt securities :				
Debt securities of private sector	100,000,000	101,819,890	100,000,000	100,523,500
Add (less) : Allowance for changes in value	1,819,890		523,500	
Debt securities – net	101,819,890		100,523,500	
Equity securities :				
Domestic marketable equity securities	2,072,455,233	1,857,613,060	2,604,165,076	2,909,412,865
Other securities – unit trusts	-	-	5,948,876	5,977,197
Total	2,072,455,233	1,857,613,060	2,610,113,952	2,915,390,062
Add (less) : Allowance for changes in value	(214,842,173)		305,276,110	
Net equity securities	1,857,613,060		2,915,390,062	
Total available-for-sales securities	1,959,432,950		3,015,913,562	

(Unit : Baht)

	The Bank Only as at			
	31 December 2006		31 December 2005	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b>Held-to-maturity debt securities</b>				
Debt securities :				
Government and state enterprise securities	335,000,000		335,000,000	
Total held-to-maturity debt securities	335,000,000		335,000,000	
<b>Other investment</b>				
Equity securities :				
Domestic non-marketable equity securities	946,588,430		1,032,775,160	
Investment in receivables	8,883,246		10,253,247	
Less : Allowance for impairment	(242,282,590)		(248,080,148)	
Total other investment	713,189,086		794,948,259	
Net long-term investments	3,007,622,036		4,145,861,821	
<b>Investment in subsidiaries</b>				
Investment in subsidiaries	3,986,406,393		3,566,055,931	
Net investments	7,717,320,505		8,427,697,108	

### 3.4.1 Held-to-maturity debt securities with the Ministry of Finance under the Tier I and Tier II capital support scheme

(Unit : Million Baht)

	Consolidated/the Bank Only		Remark
	As at		
	31 December 2006	31 December 2005	
Government bonds	335	335	These bonds are redeemable within a 10-year period, maturing in 2009 and carry interest at rates of 4% and 5% per annum.



### 3.4.2 Investments subject to restriction

(Unit : Million Baht)

Type of investment	Consolidated		The Bank Only		Type of restriction
	As at		As at		
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	
Domestic marketable equity securities	21	35	21	35	Have a specific terms for being sold in accordance with a condition of troubled debt restructuring agreements made with restructured receivables
Domestic non-marketable equity securities	13	13	13	13	Pledged as security for short-term loan from a company
Government debt securities	5	5	3	3	Pledged for electricity usage
Government debt securities	63	63	63	63	Pledged under agreement to swap a floating interest rate for a fixed interest rate, described in Note 3.30.2
Foreign debt securities	-	109	-	-	Pledged to secure credit facility

### 3.4.3 Investment in debt securities classified by remaining periods of contracts

(Unit : Baht)

	Consolidated as at 31 December 2006			
	Maturity			Total
	1 year	Over 1 - 5 years	Over 5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	460,230,153	-	-	460,230,153
Debt securities of private sector	95,927,925	241,640,376	-	337,568,301
Total	556,158,078	241,640,376	-	797,798,454
Add (less) : Allowance for changes in value	74,512	3,081,375	-	3,155,887
Less : Allowance for impairment	(60,414,000)	-	-	(60,414,000)
Total	495,818,590	244,721,751	-	740,540,341
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	772,165	337,173,113	-	337,945,278
Debt securities of private sector	4,000	-	-	4,000
Total	776,165	337,173,113	-	337,949,278
<b>Total debt securities</b>	<b>496,594,755</b>	<b>581,894,864</b>	<b>-</b>	<b>1,078,489,619</b>

(Unit : Baht)

Consolidated as at 31 December 2005

	Maturity			Total
	Over		Over	
	1 year	1 - 5 years	5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	407,956,994	-	-	407,956,994
Debt securities of private sector	80,254,236	107,500,500	197,697,343	385,452,079
Total	488,211,230	107,500,500	197,697,343	793,409,073
Add (less) : Allowance for changes in value	(1,475,444)	(2,323,991)	1,037,617	(2,761,818)
Less : Allowance for impairment	(60,414,000)	-	-	(60,414,000)
Total	426,321,786	105,176,509	198,734,960	730,233,255
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	1,570,129	337,210,727	-	338,780,856
Debt securities of private sector	-	4,000	-	4,000
Foreign debt securities	109,203,835	-	-	109,203,835
Total	110,773,964	337,214,727	-	447,988,691
<b>Total debt securities</b>	<b>537,095,750</b>	<b>442,391,236</b>	<b>198,734,960</b>	<b>1,178,221,946</b>

(Unit : Baht)

The Bank Only as at 31 December 2006

	Maturity			Total
	Over		Over	
	1 year	1 - 5 years	5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	459,637,516	-	-	459,637,516
Debt securities of private sector	95,927,925	241,640,376	-	337,568,301
Total	555,565,441	241,640,376	-	797,205,817
Add (less) : Allowance for changes in value	75,326	3,081,375	-	3,156,701
Less : Allowance for impairment	(60,414,000)	-	-	(60,414,000)
Total	495,226,767	244,721,751	-	739,948,518
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	-	335,000,000	-	335,000,000
Total	-	335,000,000	-	335,000,000
<b>Total debt securities</b>	<b>495,226,767</b>	<b>579,721,751</b>	<b>-</b>	<b>1,074,948,518</b>

(Unit : Baht)

## The Bank Only as at 31 December 2005

	Maturity			Total
	1 year	Over 1 - 5 years	Over 5 years	
	<b>Available-for-sale securities</b>			
Government and state enterprise securities	406,626,435	-	-	406,626,435
Debt securities of private sector	80,254,236	107,500,500	197,697,342	385,452,078
Total	486,880,671	107,500,500	197,697,342	792,078,513
Add (less) : Allowance for changes in value	(183,695)	(2,323,991)	1,037,617	(1,470,069)
Less : Allowance for impairment	(60,414,000)	-	-	(60,414,000)
Total	426,282,976	105,176,509	198,734,959	730,194,444
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	-	335,000,000	-	335,000,000
Total	-	335,000,000	-	335,000,000
<b>Total debt securities</b>	426,282,976	440,176,509	198,734,959	1,065,194,444

## 3.4.4 Investment in companies with weak financial position and poor operating results

(Unit : Baht)

## Consolidated / The Bank Only

As at 31 December 2006

	Allowance for changes in Value <sup>(1)</sup>		
	Cost	Fair value	
Companies having problems with debt repayment or in default	67,873,030	-	67,873,030

<sup>(1)</sup> Allowance for changes in value of investment is calculated at cost less collateral value.

3.4.5 Investments whereby the Bank and its subsidiaries hold not less than 10 percent of the equity of the investees

(Unit : Baht)

Name	Consolidated as at					
	31 December 2006			31 December 2005		
	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid amounts	Percentage of holding
			%			%
<b>Insurance :</b>						
GITC Co., Ltd.	13,200,000	-	40	13,200,000	-	40
AXA Insurance Plc.	58,887,016	-	11	58,887,016	-	11
<b>Services :</b>						
Jiji Press (Thailand) Co., Ltd.	813,823	300,000	10	1,627,646	600,000	20
K. Line (Thailand) Co., Ltd.	37,334,990	-	10	37,334,990	-	10
<b>Leasing and hire purchase :</b>						
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	-	21	1,849,050	-	21
<b>Trading import and export :</b>						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	13,904,710	-	15	13,904,710	-	15
Wattana Inter - Trade Co., Ltd.	3,527,400	-	10	3,654,300	-	10
<b>Real estate :</b>						
Prosperity Industrial Estate Co., Ltd.	45,342,186	-	10	45,342,186	-	10
UMI Property Co., Ltd.	10,029,000	-	10	10,422,000	-	10
<b>Industrial :</b>						
Siam Art Ceramic Co., Ltd.	15,697,000	-	10	14,762,000	-	10

(Unit : Baht)

Name	The Bank Only as at					
	31 December 2006			31 December 2005		
	Book value	Unpaid amounts	Percentage of holding %	Book value	Unpaid amounts	Percentage of holding %
<b>Insurance :</b>						
GITC Co., Ltd.	13,200,000	-	40	13,200,000	-	40
AXA Insurance Plc.	58,887,016	-	11	58,887,016	-	11
<b>Services :</b>						
TISCO Securities Hong Kong Limited	91,964,825	-	100	243,097,170	-	100
TISCO Securities Co., Ltd.	1,875,538,490	-	99.99	1,581,799,090	-	99.99
TISCO Asset Management Co., Ltd.	214,123,391	-	99.99	118,057,131	-	99.99
TISCO Information Technology Co., Ltd.	14,571,823	-	99.99	7,669,227	-	99.99
Jiji Press (Thailand) Co., Ltd.	813,823	300,000	10	1,627,646	600,000	20
K. Line (Thailand) Co., Ltd.	37,334,990	-	10	37,334,990	-	10
<b>Leasing and hire purchase :</b>						
Thai Commercial Auto Co., Ltd.	426,717,020	100,000,000	50	430,843,955	100,000,000	50
Hi-Way Co., Ltd.						
(ordinary shares and preference shares)	233,665,334	-	99.99	114,575,472	-	99.99
TISCO Leasing Co., Ltd.	1,057,727,860	-	99.99	998,653,779	-	99.99
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	-	21	1,849,050	-	21
<b>Trading import and export :</b>						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	13,904,710	-	15	13,904,710	-	15
Wattana Inter - Trade Co., Ltd.	3,527,400	-	10	3,654,300	-	10
<b>Real estate :</b>						
Prosperity Industrial Estate Co., Ltd.	45,342,186	-	10	45,342,186	-	10
UMI Property Co., Ltd.	10,029,000	-	10	10,422,000	-	10
<b>Industrial :</b>						
Siam Art Ceramic Co., Ltd.	15,697,000	-	10	14,762,000	-	10
<b>Holding :</b>						
TISCO Group Co., Ltd.	73,920,892	-	99.99	71,428,607	-	99.99
TISCO Corporation Plc.	(1,822,839)	-	95	(68,500)	-	95

3.4.6 The Bank does not record investments by the equity method for any investments which had been transferred as the result of debt restructuring, and the Bank holds not less than 20% of the equity. The Bank is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.

Name	Consolidated/The Bank Only	
	As at 31 December 2006	
	Book value	Percentage of holding
	Baht	%
GITC Co., Ltd.	13,200,000	40
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	21

### 3.5 Investment in subsidiary companies

Company's name	Nature of Business	Paid-up share capital		Cost method		Equity method <sup>(1)</sup>		(Unit : Million Baht) Dividend received <sup>(2)</sup>	
		As at		As at		As at		for the year ended	
		31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
		2006	2005	2006	2005	2006	2005	2006	2005
<b>Subsidiary companies directly held by the Bank :</b>									
TISCO Securities Hong Kong Limited	Services	HKD 20 million	HKD 20 million	66	66	92	243	106	-
TISCO Securities Co., Ltd.	Services	1,500	1,500	1,500	1,500	1,875	1,582	-	395
TISCO Asset Management Co., Ltd.	Services	100	100	220	220	214	118	-	200
TISCO Leasing Co., Ltd.	Leasing	890	890	864	864	1,058	999	-	351
Hi-Way Co., Ltd.	Hire purchase	100	100	273	273	234	114	-	590
TISCO Information Technology Co., Ltd.	Services	20	20	44	44	14	8	-	-
Thai Commercial Auto Co., Ltd.	Hire purchase	800	800	434	434	427	431	38	28
TISCO Group Co., Ltd.	Holdings	150	150	150	150	74	71	-	-
TISCO Corporation Plc.	Holdings	-	-	-	-	(2)	-	-	-
						3,986	3,566	144	1,564

<sup>(1)</sup> Calculated by including share of profit in subsidiaries in which the Bank has indirect holdings.

<sup>(2)</sup> Including dividend received from subsidiary companies which indirectly held by the Bank.

On 28 November 2003, the Bank received approval from the Bank of Thailand to accept the transfer of business from Tru-Way Company Limited (which is a subsidiary company), in accordance with the resolutions of the annual general meeting of the Bank's shareholders held on 24 April 2003. Tru-Way Company Limited was deregistered with the Ministry of Commerce on 29 December 2003 and is currently in the process of liquidation.

### 3.6 Loans, receivable and accrued interest receivable

#### 3.6.1 Classified by type of loan and receivable

(Unit : Baht)

	Consolidated		The Bank Only	
	As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
<b><u>Loans and receivable</u></b>				
Loans	15,149,089,266	13,892,440,686	15,132,494,034	13,833,778,155
Hire - purchase and financial lease receivable	59,492,141,835	50,055,971,159	53,748,173,438	43,965,539,275
Total loans and receivable	74,641,231,101	63,948,411,845	68,880,667,472	57,799,317,430
Add : Accrued interest receivable	143,399,168	113,987,295	98,862,425	77,532,932
Less : Allowance for doubtful accounts	(2,767,471,240)	(3,122,949,106)	(2,463,410,866)	(2,865,571,288)
Less : Allowance for loss on debt restructuring	(22,403,970)	(303,731,217)	(22,403,970)	(303,731,217)
Net loans, receivable and accrued interest receivable	71,994,755,059	60,635,718,817	66,493,715,061	54,707,547,857
<b><u>Securities and derivative business receivable</u></b>				
<b><u>Securities business receivable</u></b>				
Customer's cash accounts	664,599,739	1,207,205,796	-	-
Customer's securities borrowings and lending accounts	-	10,560,000	-	-
Other receivable				
Overdue customers' accounts	34,012	123,421	-	-
Receivables under litigation	110,671	-	-	-
Installment receivable	2,505,803	57,380,118	-	-
Total securities business receivable	667,250,225	1,275,269,335	-	-
Less : Allowance for doubtful accounts	(3,752,236)	(58,052,235)	-	-
Net securities business receivable	663,497,989	1,217,217,100	-	-
Net loans, receivable and accrued interest receivable	72,658,253,048	61,852,935,917	66,493,715,061	54,707,547,857

### 3.6.2 Classified by remaining periods of contracts

(Unit : Baht)

	Consolidated		The Bank Only	
	As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Loans and receivable				
Not over 1 year (included contract which are due)	10,114,758,619	9,167,098,100	8,890,792,947	7,860,977,349
Over 1 year	64,526,472,482	54,781,313,745	59,989,874,525	49,938,340,081
Total loans and receivable	74,641,231,101	63,948,411,845	68,880,667,472	57,799,317,430
Add : Accrued interest receivable	143,399,168	113,987,295	98,862,425	77,532,932
Total loans, receivable and accrued interest receivable	74,784,630,269	64,062,399,140	68,979,529,897	57,876,850,362

### 3.6.3 Classified by type of business

(Unit : Baht)

	Consolidated as at 31 December 2006						Subsidiaries	Total
	The Bank Only							
	Pass	Special-mentioned	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining	95,216,539	1,835,259	862,229	-	-	97,914,027	-	97,914,027
Manufacturing and commerce	6,834,202,845	56,314,221	21,343,787	10,016,933	392,094,372	7,313,972,158	15,482,400	7,329,454,558
Real estate and construction	3,951,390,490	44,345,620	4,919,291	4,293,824	803,845,135	4,808,794,360	-	4,808,794,360
Public utilities and services	2,315,842,763	9,016,899	1,572,746	5,601,011	5,446,106	2,337,479,525	-	2,337,479,525
Personal use								
Hire - purchase	45,265,266,228	2,737,629,683	331,432,252	80,220,276	86,130,847	48,500,679,286	5,743,968,397	54,244,647,683
Housing loans	1,701,840,025	39,731,252	23,261,418	27,912,828	212,134,513	2,004,880,036	-	2,004,880,036
Securities	-	-	-	-	-	-	667,250,225	667,250,225
Others	2,836,481,158	46,008,510	22,955,600	3,260,659	908,242,153	3,816,948,080	1,112,832	3,818,060,912
Total loans, receivable and securities business receivable	63,000,240,048	2,934,881,444	406,347,323	131,305,531	2,407,893,126	68,880,667,472	6,427,813,854	75,308,481,326
Add : Accrued interest receivable	58,208,466	40,653,959	-	-	-	98,862,425	44,536,743	143,399,168
Total loans, receivable and securities business receivable and accrued interest receivable	63,058,448,514	2,975,535,403	406,347,323	131,305,531	2,407,893,126	68,979,529,897	6,472,350,597	75,451,880,494

(Unit : Baht)

	The Bank Only as at 31 December 2006					
	Pass	Special-mentioned	Sub-standard	Doubtful	Doubtful of loss	Total
	Agricultural and mining	95,216,539	1,835,259	862,229	-	-
Manufacturing and commerce	6,834,202,845	56,314,221	21,343,787	10,016,933	392,094,372	7,313,972,158
Real estate and construction	3,951,390,490	44,345,620	4,919,291	4,293,824	803,845,135	4,808,794,360
Public utilities and services	2,315,842,763	9,016,899	1,572,746	5,601,011	5,446,106	2,337,479,525
Personal use						
Hire - purchase	45,265,266,228	2,737,629,683	331,432,252	80,220,276	86,130,847	48,500,679,286
Housing loans	1,701,840,025	39,731,252	23,261,418	27,912,828	212,134,513	2,004,880,036
Others	2,836,481,158	46,008,510	22,955,600	3,260,659	908,242,153	3,816,948,080
Total loans and receivable	63,000,240,048	2,934,881,444	406,347,323	131,305,531	2,407,893,126	68,880,667,472
Add : Accrued interest receivable	58,208,466	40,653,959	-	-	-	98,862,425
Total loans, receivable and accrued interest receivable	63,058,448,514	2,975,535,403	406,347,323	131,305,531	2,407,893,126	68,979,529,897



(Unit : Baht)

Consolidated as at 31 December 2005								
	The Bank Only					Subsidiaries	Total	
	Pass	Special-mentioned	Sub-standard	Doubtful	Doubtful of loss			Total
Agricultural and mining	113,355,635	5,976,712	820,700	706,416	-	120,859,463	-	120,859,463
Manufacturing and commerce	6,253,538,280	89,443,787	35,559,494	32,225,147	311,436,943	6,722,203,651	57,182,642	6,779,386,293
Real estate and construction	3,485,656,094	61,787,700	6,806,840	5,083,530	589,489,581	4,148,823,745	-	4,148,823,745
Public utilities and services	1,626,220,139	15,359,737	4,743,668	3,869,538	5,426,503	1,655,619,585	-	1,655,619,585
Personal use								
Hire - purchase	36,537,560,414	1,932,716,890	268,879,049	143,132,988	101,347,000	38,983,636,341	6,090,431,883	45,074,068,224
Housing loans	1,826,070,709	35,253,718	13,565,038	14,515,558	285,412,455	2,174,817,478	-	2,174,817,478
Securities	-	-	-	-	-	-	1,275,269,335	1,275,269,335
Others	3,289,606,159	33,677,168	15,915,379	31,357,066	622,801,395	3,993,357,167	1,479,890	3,994,837,057
Total loans, receivable and securities business receivable	53,132,007,430	2,174,215,712	346,290,168	230,890,243	1,915,913,877	57,799,317,430	7,424,363,750	65,223,681,180
Add : Accrued interest receivable	48,962,617	28,570,315	-	-	-	77,532,932	36,454,363	113,987,295
Total loans, receivable and securities business receivable and accrued interest receivable	53,180,970,047	2,202,786,027	346,290,168	230,890,243	1,915,913,877	57,876,850,362	7,460,818,113	65,337,668,475

(Unit : Baht)

The Bank Only as at 31 December 2005						
	Pass	Special-mentioned	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	113,355,635	5,976,712	820,700	706,416	-	120,859,463
Manufacturing and commerce	6,253,538,280	89,443,787	35,559,494	32,225,147	311,436,943	6,722,203,651
Real estate and construction	3,485,656,094	61,787,700	6,806,840	5,083,530	589,489,581	4,148,823,745
Public utilities and services	1,626,220,139	15,359,737	4,743,668	3,869,538	5,426,503	1,655,619,585
Personal use						
Hire - purchase	36,537,560,414	1,932,716,890	268,879,049	143,132,988	101,347,000	38,983,636,341
Housing loans	1,826,070,709	35,253,718	13,565,038	14,515,558	285,412,455	2,174,817,478
Others	3,289,606,159	33,677,168	15,915,379	31,357,066	622,801,395	3,993,357,167
Total loans and receivable	53,132,007,430	2,174,215,712	346,290,168	230,890,243	1,915,913,877	57,799,317,430
Add : Accrued interest receivable	48,962,617	28,570,315	-	-	-	77,532,932
Total loans, receivable and accrued interest receivable	53,180,970,047	2,202,786,027	346,290,168	230,890,243	1,915,913,877	57,876,850,362

### 3.6.4 Loans and receivable for which the recognition of interest income has ceased

(Unit : Million Baht)

The Bank	Amounts calculated under BOT's guideline <sup>(2)</sup>		Amounts calculated under the Bank's policy	
	The Bank Only		The Bank Only	
	As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Loans and receivable for which the recognition of interest income has ceased <sup>(1)</sup>	2,340	2,229	3,114 <sup>(3)</sup>	4,534 <sup>(3)</sup>

<sup>(1)</sup> These amounts are calculated on an account by account basis.<sup>(2)</sup> Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.<sup>(3)</sup> Loans and receivables totaling Baht 2,602 million (2005 : Baht 3,842 million), for which a 100 percent allowance for doubtful debts has been provided against the unsecured portion. The above amounts are calculated on an account by account basis.

Subsidiaries	(Unit : Million Baht)	
	As at	
	31 December 2006	31 December 2005
Securities business loans and receivables, hire-purchase receivables, financial lease receivables and other loans and receivables for which the recognition of interest income has ceased	504 <sup>(1)</sup>	446 <sup>(1)</sup>

<sup>(1)</sup> Baht 129 million of such amount being loans and receivables (2005 : Baht 108 million), for which a 100 percent allowance for doubtful debts has been provided.

### 3.6.5 Unearned interest income which is presented as a deduction against loans and receivable

	(Unit : Million Baht)			
	Consolidated		The Bank Only	
	As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Unearned interest income	8,774	6,308	7,307	4,986

### 3.6.6 Outstanding balances (net of collateral) of restructured loans and receivables and receivables which are being restructured

	(Unit : Million Baht)
	The Bank Only
	As at 31 December 2006
Restructured loans and receivable <sup>(1)</sup>	628
Loans and receivable which are being restructured <sup>(2)</sup>	52

<sup>(1)</sup> As a result of restructuring, the due date for the first repayment of these restructured loans and receivable has been rescheduled.

<sup>(2)</sup> The Bank sets up an allowance for the possible loan loss of approximately Baht 26 million.

### 3.6.7 Troubled debt restructuring

#### - Debt restructuring during the year

	The Bank Only	
	For the year ended 31 December	
	2006	2005
Number of debtors (number)	28	63
Loan balances before restructuring (Million Baht)	1,150	1,196
Interest income on restructured receivables (Million Baht)	81	44
Receipt of principal and interest (Million Baht)	990	991
Loss on troubled debt restructuring (Million Baht)	-	-

- Debtors which were subjected to debt restructuring

The Bank Only as at 31 December 2006				
Type of restructuring	Number of receivables	Outstanding loan	Type of assets transferred	Fair value
		balance before restructuring		of transferred assets
		(Million Baht)	(Million Baht)	
Transfer of assets	23	2,600	Land	20
			Land and premises	2,468
Transfer of equity securities	5	789	Equity securities	414
Transfer of assets and equity securities and modification of terms	3	898	Land	198
			Equity securities	14
			Machinery	22
Transfer of equity securities and modification of terms	45	4,071	Equity securities	1,237
			Debt securities	21
Transfer of assets and modification of terms	12	2,191	Land and premises	465
			Equity securities	190
			Air conditioners	2
Modification of terms	1,113	23,120		
Total	1,201	33,669		5,051

- The balance of the restructured debts

(Unit : Million Baht)

The Bank Only		
As at		
	31 December 2006	31 December 2005
The balance of the restructured debts	2,389	3,135

### 3.7 Allowance for doubtful accounts / allowance for loss on debt restructuring

(Unit : Million Baht)

Allowance for doubtful accounts / allowance for loss on debt restructuring	The Bank Only	
	As at	
	31 December 2006	31 December 2005
Amounts to be provided under BOT's guidelines	2,142	2,276
Amounts already set up by the Bank	2,486 <sup>(1)</sup>	3,169 <sup>(1)</sup>
Amounts in excess of the required amount	344	893

<sup>(1)</sup> The allowance for doubtful debts consists of allowance for doubtful debts of Baht 1,644 million (2005 : Baht 2,293 million) set aside for the unsecured portion of loans amounting Baht 2,602 million (2005 : Baht 3,842 million) at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 842 million (2005 : Baht 876 million) set up for the other loans and receivables.

#### 3.7.1 Allowance for doubtful accounts

(Unit : Baht)

	Consolidated as at 31 December 2006						Total
	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	General reserve	
Balance - beginning of year	694,345,871	62,207,792	114,009,817	200,804,431	1,557,135,712	552,497,718	3,181,001,341
Increase (decrease) in allowance for doubtful accounts during the year	(41,750,714)	9,936,547	8,857,169	21,541,000	574,255,322	(445,362,590)	127,476,734
Bad debt written - off	(27,143,075)	(123,374)	(3,207,347)	(82,209,600)	(411,666,697)	(12,904,506)	(537,254,599)
Balance - end of year	625,452,082	72,020,965	119,659,639	140,135,831	1,719,724,337	94,230,622	2,771,223,476

(Unit : Baht)

	Consolidated as at 31 December 2005						Total
	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	General reserve	
Balance - beginning of year	763,477,090	38,367,951	104,331,637	295,255,259	1,830,234,568	897,205,431	3,928,871,936
Increase (decrease) in allowance for doubtful accounts during the year	(69,131,219)	23,839,841	9,941,617	(88,783,272)	357,154,466	(344,707,713)	(111,686,280)
Bad debt written - off	-	-	(263,437)	(5,667,556)	(630,253,322)	-	(636,184,315)
Balance - end of year	694,345,871	62,207,792	114,009,817	200,804,431	1,557,135,712	552,497,718	3,181,001,341

(Unit : Baht)

## The Bank Only as at 31 December 2006

	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of year	641,958,818	51,792,603	79,230,554	145,897,725	1,449,193,869	497,497,719	2,865,571,288
Increase (decrease) in allowance for doubtful accounts during the year	(35,527,017)	7,524,911	(3,095,198)	2,182,297	480,868,485	(391,597,964)	60,355,514
Bad debt written - off	(27,143,076)	(123,374)	(2,900,475)	(78,386,417)	(341,058,087)	(12,904,507)	(462,515,936)
Balance - end of year	579,288,725	59,194,140	73,234,881	69,693,605	1,589,004,267	92,995,248	2,463,410,866

(Unit : Baht)

## The Bank Only as at 31 December 2005

	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	General reserve	Total
Balance - beginning of year	704,169,329	29,826,615	80,183,486	271,006,463	1,321,584,128	824,278,635	3,231,048,656
Increase (decrease) in allowance for doubtful accounts during the year	(62,210,511)	21,965,988	(689,495)	(119,535,412)	324,257,019	(326,780,916)	(162,993,327)
Bad debt written - off	-	-	(263,437)	(5,573,326)	(196,647,278)	-	(202,484,041)
Balance - end of year	641,958,818	51,792,603	79,230,554	145,897,725	1,449,193,869	497,497,719	2,865,571,288

## 3.7.2 Allowance for loss on debt restructuring

(Unit : Baht)

## Consolidated/The Bank Only

As at

	31 December 2006	31 December 2005
Balance - beginning of year	303,731,217	359,502,073
Increase during the year	3,020,768	14,634,083
Written - off	(284,348,015)	(70,404,939)
Balance - end of year	22,403,970	303,731,217

## 3.7.3 Non - performing loans and receivables

(Unit : Million Baht)

## The Bank Only

As at

	31 December 2006	31 December 2005
Non - performing loans and receivables	2,946	2,493
Allowance for doubtful accounts	1,732	1,660

### 3.8 Classification of assets

#### 3.8.1 Investment in companies with weak financial position and poor operating results

(Unit : Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts <sup>(1)</sup>	
	As at		As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Debt instruments - debentures <sup>(2)</sup>	60	60	-	-	60	60
Equity instruments - ordinary shares <sup>(3)</sup>	6	6	-	-	6	6
Equity instruments - preference shares <sup>(3)</sup>	2	2	-	-	2	2

(1) Allowance for possible losses is determined based on the investment cost less collateral value.

(2) Investment in subordinated debentures issued by a financial institution which the Bank of Thailand ordered closed on 8 December 1997.

(3) Investments in securities of the companies which are vulnerable to delisting, of the companies of which the auditors have expressed their opinions with the going concern issue, or of the companies which have defaulted on their interest payments.

#### 3.8.2 Classification of assets under the Bank of Thailand's guidelines

(Unit : Million Baht)

	Debt balance		Debt balance after net off collateral		Amounts to be provided under BOT's guidelines		Amounts already set up by the Bank	
	As at		As at		As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
<b>Loans and receivable<sup>(1)(2)(3)</sup></b>								
Pass	63,000	53,132	52,019	43,060	520	421	580	642
Special mentioned	2,935	2,174	2,883	2,120	58	42	59	51
Substandard	407	346	361	326	73	74	73	79
Doubtful	131	231	107	209	70	136	70	146
Doubtful of loss	2,408	1,916	1,399	1,299	1,399	1,299	1,589	1,449
Total	68,881	57,799	56,769	47,014	2,120	1,972	2,371	2,367
Loss on receivable under troubled debt restructuring	-	-	-	-	22	304	22	304
Total	68,881	57,799	56,769	47,014	2,142	2,276	2,393	2,671
General reserve							93	498
Total							2,486	3,169
<b>Investment in securities</b>								
Doubtful of loss								
Debt instruments	61	62	61	62	61	62	61	62
Equity instruments	717	510	717	510	717	510	717	510
Total	778	572	778	572	778	572	778	572

(Unit : Million Baht)

	Allowance for doubtful accounts							
	Debt balance		Debt balance after		Amounts to be provided under		Amounts already set up	
	As at		net off collateral		BOT's guidelines		by the Bank	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
2006	2005	2006	2005	2006	2005	2006	2005	
<b>Investment in receivables</b>								
Pass	-	4	-	4	-	-	-	-
Doubtful	2	-	1	-	1	-	1	-
Doubtful of loss	7	7	-	-	-	-	-	-
Total	9	11	1	4	1	-	1	-
<b>Properties foreclosed</b>								
Doubtful of loss								
Land	16	51	16	51	16	51	16	51
Total classified assets	69,684	58,433	57,564	47,641	2,937	2,899	3,281	3,792

<sup>(1)</sup> Allowance for doubtful accounts for loans and receivable is determined based on debt balance less collateral value in accordance with the BOT's guidelines.

<sup>(2)</sup> Interest receivable are not included in pass and special mentioned debt balance.

<sup>(3)</sup> Loans and receivable include loan to financial institution (which presented as part of interbank and money market items in the balance sheet).

For the financial statements for the year ended 31 December 2006, the Bank set provision at 100% on receivables for which a court judgment has already been issued, for which a court order is being executed, and against which legal actions have been brought, in accordance with the new guidelines of the BOT (as described in Note 1.3.8). For the remaining non-performing loans which are classified as doubtful of loss, doubtful and substandard loans, the Bank still apply provisioning rate of 100%, at least 50% and at least 20%, respectively, in accordance with the prior guidelines. The Bank believes that the provision the Bank is required to make for doubtful of loss, doubtful and substandard loans in accordance with the new guidelines of the BOT will not have any significant impact on the 2007 financial statements.

### 3.8.3 Loans and receivable includes debts due from companies with weak financial position and operating results

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	As at		As at		As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
				Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET	-	-	-	-	-	-	-	-
2. Non - listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	15	13	627	868	72	313	531	552
3. Listed companies of which shares have been suspended for trading	1	1	15	15	-	-	15	15
4. Listed companies under rehabilitation	4	11	58	561	5	353	46	359
5. Companies which have loan settlement problems or have defaulted on payment of debts	25	24	1,330	1,003	706	383	808	666
6. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
<b>Total</b>	<b>45</b>	<b>49</b>	<b>2,030</b>	<b>2,447</b>	<b>783</b>	<b>1,049</b>	<b>1,400</b>	<b>1,592</b>

### 3.8.4 Classification of assets of securities business of a local subsidiary in accordance with the Notification of the Office of the Securities and Exchange Commission

(Unit : Million Baht)

	Securities business receivable and accrued interest		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	As at		As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Substandard	-	55	-	-	-	-
Doubtful	3	3	3	3	3	3
<b>Total</b>	<b>3</b>	<b>58</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
General reserve					1	55
<b>Total</b>					<b>4</b>	<b>58</b>

Substandard debts represent the receivable balances with a value equivalent to that of their collateral.



3.8.5 Hire - purchase receivable/financial lease receivable and other loan receivable of the subsidiaries  
classified by the due date of the contracts

(Unit : Million Baht)

	Debt balances		Percentage of allowance for doubtful accounts set up	Allowance for doubtful account		Debt balances - net	
	As at			As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005	
Current	3,907	4,588	1	39	46	3,868	4,542
Overdue							
1 month	711	652	1	7	7	704	645
2 - 3 months	642	521	2	13	10	629	511
4 - 6 months	232	174	20	46	35	186	139
7 - 12 months	141	110	50	71	55	70	55
Over 12 months	89	62	100	89	62	-	-
Debtors under litigation	39	42	100	39	42	-	-
Total	5,761	6,149		304	257	5,457	5,892

3.9 Property foreclosed

(Unit : Baht)

	Consolidated		The Bank Only	
	As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Foreclosed assets				
Immovable assets				
Balance - beginning of year	1,249,079,279	1,311,210,578	1,260,889,279	1,323,020,578
Additions	47,106	-	47,106	-
Disposals	(209,305,035)	(62,131,299)	(209,305,035)	(62,131,299)
Transfer to land, premises and equipment	(20,018,354)	-	(20,018,354)	-
Balance - end of year	1,019,802,996	1,249,079,279	1,031,612,996	1,260,889,279
Movable assets				
Balance - beginning of year	12,315,885	6,263,944	891,453	819,060
Additions	1,096,591,280	941,134,509	463,969,171	427,886,329
Disposals	(1,064,696,709)	(935,082,568)	(435,239,335)	(427,813,936)
Balance - end of year	44,210,456	12,315,885	29,621,289	891,453
Allowance for impairment				
Balance - beginning of year	54,700,401	87,116,467	50,521,892	85,819,839
Increase	25,228,486	7,046,968	6,669,166	1,096,012
Decrease	(58,718,730)	(39,463,034)	(40,897,512)	(36,393,959)
Balance - end of year	21,210,157	54,700,401	16,293,546	50,521,892
Property foreclosed - net	1,042,803,295	1,206,694,763	1,044,940,739	1,211,258,840

### 3.10 Land, premises and equipment

(Unit : Baht)

	Consolidated					Total
	Land	Building and office condominium unit	Furniture, fixtures and equipment	Office improvement	Motor vehicles	
<b>Cost :</b>						
31 December 2005	491,717,671	988,420,329	500,482,924	386,879,508	104,584,037	2,472,084,469
Additions	23,103,853	51,121,256	90,479,484	28,979,151	14,900,990	208,584,734
Transfer from property foreclosed	7,218,423	12,799,931	-	-	-	20,018,354
Disposals	-	-	(38,125,875)	(2,722,223)	(5,883,897)	(46,731,995)
Translation adjustment	-	-	(2,798,199)	-	-	(2,798,199)
31 December 2006	522,039,947	1,052,341,516	550,038,334	413,136,436	113,601,130	2,651,157,363
<b>Accumulated depreciation :</b>						
31 December 2005	-	273,527,575	406,434,421	189,616,625	43,009,778	912,588,399
Depreciation for the year	-	59,342,338	72,444,190	31,595,067	19,864,887	183,246,482
Depreciation on disposals	-	-	(37,124,637)	(2,647,716)	(5,883,897)	(45,656,250)
Translation adjustment	-	-	(1,821,415)	-	-	(1,821,415)
31 December 2006	-	332,869,913	439,932,559	218,563,976	56,990,768	1,048,357,216
<b>Net book value :</b>						
31 December 2005	491,717,671	714,892,754	94,048,503	197,262,883	61,574,259	1,559,496,070
31 December 2006	522,039,947	719,471,603	110,105,775	194,572,460	56,610,362	1,602,800,147
<b>Depreciation for the year :</b>						
2005						151,472,764
2006						183,246,482

(Unit : Baht)

	The Bank Only					Total
	Land	Building and office condominium unit	Furniture, fixtures and equipment	Office improvement	Motor vehicles	
	<b>Cost :</b>					
31 December 2005	314,682,491	634,618,749	249,846,227	290,542,999	65,020,549	1,554,711,015
Additions	23,103,853	51,121,256	81,485,668	24,667,185	7,332,990	187,710,952
Transfer from property foreclosed	7,218,423	12,799,931	-	-	-	20,018,354
Disposals	-	-	(6,686,264)	-	(1,038,240)	(7,724,504)
31 December 2006	345,004,767	698,539,936	324,645,631	315,210,184	71,315,299	1,754,715,817
<b>Accumulated depreciation :</b>						
31 December 2005	-	220,932,054	198,378,994	107,645,462	23,506,302	550,462,812
Depreciation for the year	-	36,005,209	55,120,963	26,719,266	12,998,970	130,844,408
Depreciation on disposals	-	-	(6,403,805)	-	(1,038,240)	(7,442,045)
31 December 2006	-	256,937,263	247,096,152	134,364,728	35,467,032	673,865,175
<b>Net book value :</b>						
31 December 2005	314,682,491	413,686,695	51,467,233	182,897,537	41,514,247	1,004,248,203
31 December 2006	345,004,767	441,602,673	77,549,479	180,845,456	35,848,267	1,080,850,642
<b>Depreciation for the year :</b>						
2005						96,827,337
2006						130,844,408

### 3.11 Other assets

(Unit : Baht)

	Consolidated		The Bank Only	
	As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Value added tax - net	523,590,252	450,470,841	519,857,462	442,981,610
Accrued interest receivable	22,512,661	16,569,309	22,499,042	15,871,270
Fee and charges receivable	176,480,838	207,662,041	101,021,971	153,852,931
Prepaid income tax	13,125,164	35,848,015	-	26,846,233
Deferred computer system development cost - net	88,760,196	61,513,787	73,344,558	44,487,005
Deposits	15,091,391	17,881,435	8,083,060	7,447,554
Other receivables	220,096,165	92,135,621	225,819,905	78,296,522
Other assets	159,765,211	122,769,505	84,760,755	64,096,230
Total other assets	1,219,421,878	1,004,850,554	1,035,386,753	833,879,355

### 3.12 Deposits

#### 3.12.1 Classified by type of deposits

(Unit : Baht)

	Consolidated		The Bank Only	
	As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Promissory notes	4,972,402,081	13,327,892,554	4,972,402,081	13,327,892,554
Deposits				
Current accounts	1,389,973,194	1,133,873,942	1,490,229,310	1,294,335,669
Saving accounts	1,464,161,529	259,871,948	1,464,161,529	259,871,948
Fixed accounts				
- not over 6 months	33,232,365	554,311,076	33,232,365	554,311,076
- over 6 months and less than 1 year	103,974,469	263,257,956	103,974,469	263,257,956
- over 1 year	217,059,533	110,058,551	217,059,533	110,058,551
Negotiated certificate deposit	32,387,056,987	18,801,535,208	32,387,056,987	18,801,535,208
Total	40,567,860,158	34,450,801,235	40,668,116,274	34,611,262,962

#### 3.12.2 Classified by the remaining period of contract

(Unit : Baht)

	Consolidated		The Bank Only	
	As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Not over 1 year	35,222,632,063	28,862,182,333	35,322,888,179	29,022,644,060
Over 1 year	5,345,228,095	5,588,618,902	5,345,228,095	5,588,618,902
Total deposits	40,567,860,158	34,450,801,235	40,668,116,274	34,611,262,962

### 3.13 Interbank and money market items (liabilities)

(Unit : Baht)

	Consolidated as at					
	31 December 2006			31 December 2005		
	At call	Term	Total	At call	Term	Total
Commercial banks	441,354,517	785,925,917	1,227,280,434	512,908,225	3,283,379,666	3,796,287,891
Other banks and financial institutions	159,700,692	770,000,000	929,700,692	1,048,964,930	1,570,000,000	2,618,964,930
Total	601,055,209	1,555,925,917	2,156,981,126	1,561,873,155	4,853,379,666	6,415,252,821

(Unit : Baht)

	The Bank Only as at					
	31 December 2006			31 December 2005		
	At call	Term	Total	At call	Term	Total
Commercial banks	269,589,351	150,000,000	419,589,351	347,393,970	1,800,000,000	2,147,393,970
Other banks and financial institutions	1,376,489,108	770,000,000	2,146,489,108	2,513,830,000	1,570,000,000	4,083,830,000
Total	1,646,078,459	920,000,000	2,566,078,459	2,861,223,970	3,370,000,000	6,231,223,970

### 3.14 Borrowings

(Unit : Baht)

	Consolidated		The Bank Only	
	As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
<u>Domestic borrowings</u>				
Subordinated debentures	331,000,000	331,000,000	331,000,000	331,000,000
Unsubordinated unsecured debentures	7,884,000,000	15,608,000,000	7,884,000,000	14,798,000,000
Bill of exchange - fixed rate	17,853,783,810	1,538,339,648	15,288,578,314	-
Others	13,200,000	13,200,000	13,200,000	13,200,000
	26,081,983,810	17,490,539,648	23,516,778,314	15,142,200,000

#### 3.14.1 Subordinated debentures

During 1999 the Bank issued Baht 331 million of unsecured subordinated debentures (331 units with a par value of Baht 1,000,000 each) which were sold to the Ministry of Finance under the Tier II capital support scheme. The Ministry of Finance assisted the Bank by purchasing the Bank's newly issued subordinated debentures in order to increase its Tier II capital fund to a level in accordance with the regulations of the Bank of Thailand. The debentures bear interest at rates of 5% and 6% per annum and mature in 2009. The Bank immediately used the money from the sale of these debentures to invest in government bonds issued by the Ministry of Finance, in accordance with the conditions of the Tier II capital support scheme.

### 3.14.2 Unsubordinated and unsecured debentures

Year	Issuer	Type of debenture	Units	Face value per unit (Baht)	Balance as at (Million Baht)		Maturity in the year	Interest rate	Remark
					31 December 2006	31 December 2005			
2002	The Bank	Unsubordinated and unsecured	2 million	1,000	2,000	2,000	2007	At a rate of 4.25 percent per annum.	-
2002	The Bank	Unsubordinated and unsecured	1 million	1,000	1,000	1,000	2007	At a rate of 3.5 percent per annum in the first and second years and thereafter at a floating rate equivalent to the reference rate plus 0.5 percent per annum, which rate shall not be less than 3.75 percent per annum and shall not exceed 5 percent, 5.5 percent and 6 percent per annum in the third, fourth and fifth years, respectively.	The Bank entered into interest rate swap agreements to swap the floating interest rate to a fixed interest rate. The agreement expires in 2007.
2002	The Bank	Unsubordinated and unsecured	1.8 million	1,000	1,800	1,800	2007	At a floating rate equivalent to a rate of 6 percent minus the reference rate per annum in the first, second and third years and thereafter at a rate of 3.8 percent per annum.	The Bank entered into interest rate swap agreements to swap the floating interest rate to a fixed interest rate. The agreement expires in 2007.
2003	Subsidiary	Unsubordinated and unsecured	0.4 million	1,000	-	400	2006	At a rate of 3.25 percent per annum.	The subsidiary company is required to comply with debenture issuance conditions and maintain certain financial ratio. In addition, an another subsidiary company has invested a total of Baht 90 million in these debentures (During 2006, the subsidiary repaid full amount of these debenture).
2003	Subsidiary	Unsubordinated and unsecured installment debenture	0.5 million	1,000	-	500	2006	At a rate of 3.2 percent per annum.	The issuer will repay the principal of the debentures in four periods, the first of which will start on 6 January 2006 and interest will be paid quarterly beginning 6 January 2004. Such subsidiary company is required to comply with debenture issuance conditions and maintain certain financial ratio. (During 2006, the subsidiary repaid full amount of these debentures).
2005	The Bank	Unsubordinated and unsecured short term debenture	9.9 million	1,000	-	9,998	2006	At a rate between 2.5 to 4.0 percent per annum.	-
2006	The Bank	Unsubordinated and unsecured short term debenture	3.1 million	1,000	3,084	-	2007	At a rate between 5.00 to 5.25 percent per annum	-

### 3.14.3 Bills of exchange - fixed rate

As of 31 December 2006, the Bank had outstanding bills of exchange amounting to Baht 15,289 million (2005 : Nil), bearing interest at fixed rates of 4.00 to 5.25 percent per annum and maturing between 2007 to 2008.

As of 31 December 2006, two subsidiary companies had outstanding bills of exchange amounting to Baht 2,565 million (2005 : Baht 1,538 million), bearing interest at fixed rates of 4.50 to 6.25 percent per annum and maturing in 2007.

### 3.15 Other liabilities

(Unit : Baht)

	Consolidated		The Bank Only	
	As at		As at	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Liabilities under commercial papers sold	145,000,000	545,000,000	145,000,000	545,000,000
Corporate income tax payable	146,340,036	180,931,729	33,277,202	70,463,591
Withholding income tax and other tax payable	157,773,034	142,360,334	101,929,455	83,416,835
Accrued insurance premium	574,554,389	355,076,136	553,569,838	292,243,404
Other liabilities	252,588,501	212,928,303	153,222,311	110,889,261
Total other liabilities	<u>1,276,255,960</u>	<u>1,436,296,502</u>	<u>986,998,806</u>	<u>1,102,013,091</u>

### 3.16 Preference shares converted to ordinary shares

Up to 31 December 2006, 441,077,120 preference shares had been converted into ordinary shares, and such conversion registered with the Ministry of Commerce.

As at 31 December 2006, there are 185,127,630 preference shares which are convertible to ordinary shares.

### 3.17 Warrants

	The Bank Only as at					
	31 December 2006			31 December 2005		
	No. of shares	Exercised		No. of shares	Exercised	
		price	Total		price	Total
shares	Baht per share	Baht	shares	Baht per share	Baht	
Exercised warrants						
Allocation in year 2000	8,820,000	10.00	88,200,000	8,820,000	10.00	88,200,000
Allocation in year 2001	4,763,000	11.31	53,869,530	4,678,000	11.31	52,908,180
Allocation in year 2002	5,454,000	13.20	71,992,800	4,594,000	13.20	60,640,800
Allocation in year 2003	5,137,500	14.94	76,754,250	3,079,000	14.94	46,000,260
Allocation in year 2004	2,030,250	21.88	44,421,870	596,750	21.88	13,056,890
	26,204,750		335,238,450	21,767,750		260,806,130
Unexercised warrants	2,751,750			7,249,750		
Warrants received from resigned employees	930,000			872,500		
Expired warrants	113,500			110,000		
Allocated warrants	30,000,000			30,000,000		

The Bank registered the preference shares which were converted from the above exercised warrants with the Ministry of Commerce.

### 3.18 Capital fund

	(Unit : Thousand Baht)	
	The Bank Only	
	As at	
	31 December 2006	31 December 2005
<u>Tier I</u>		
Issued and fully paid up share capital	7,264,048	7,219,677
Premium on share capital	109,691	79,629
Statutory reserve	344,800	344,800
Retained earnings - unappropriated	1,873,334	1,512,051
Total Tier I	9,591,873	9,156,157
<u>Tier II</u>		
Subordinated debentures	198,600	264,800
Reserve for loans classified as pass	579,289	641,959
Surplus for revaluation of equity securities - available for sales	-	120,177
Total Tier II	777,889	1,026,936
Less : Deficit for revaluation of equity securities - available for sales	(262,528)	-
Total capital fund	10,107,234	10,183,093



The capital ratios	The Bank Only as at			
	31 December 2006		31 December 2005	
	The Bank	Requirement	The Bank	Requirement
Tier I capital to risk assets	12.73%	4.25%	14.25%	4.25%
Total capital to risk assets	13.42%	8.50%	15.85%	8.50%
Total capital to issued and paid-up share capital	139.14%	75.00%	141.05%	75.00%

### 3.19 Surplus on changes in the value of investments

(Unit : Baht)

	Consolidated/The Bank Only	
	As at	
	31 December 2006	31 December 2005
Balance - beginning of year	1,100,980,635	1,365,419,480
Decrease in changes in the value of securities during the year	(492,721,094)	(264,438,845)
	608,259,541	1,100,980,635
Add (less) : The effect of deferred tax liabilities	54,696,595	(89,199,989)
Balance - end of year	662,956,136	1,011,780,646

### 3.20 Gain on investments

(Unit : Baht)

	Consolidated		The Bank Only	
	For the year ended		For the year ended	
	31 December		31 December	
	2006	2005	2006	2005
Unrealised gain (loss) on investments	5,797,226	(13,876,397)	5,797,556	(13,964,083)
Realised gain on investments	449,578,737	347,938,920	442,816,883	115,257,723
Total	455,375,963	334,062,523	448,614,439	101,293,640

### 3.21 Other income

(Unit : Baht)

	Consolidated		The Bank Only	
	For the year ended		For the year ended	
	31 December		31 December	
	2006	2005	2006	2005
Penalty fee income from loans	100,408,686	70,618,702	78,801,178	55,624,113
Reversal of allowance for impairment of property foreclosed	34,228,347	34,168,243	34,228,347	34,168,243
Gains on disposal of property foreclosed	-	-	66,448,665	-
Rental income	13,934,993	25,264,298	17,361,179	31,907,751
Others	77,950,538	91,850,825	37,575,757	48,156,095
<b>Total</b>	<b>226,522,564</b>	<b>221,902,068</b>	<b>234,415,126</b>	<b>169,856,202</b>

### 3.22 Other expenses

(Unit : Baht)

	Consolidated		The Bank Only	
	For the year ended		For the year ended	
	31 December		31 December	
	2006	2005	2006	2005
Contributions to the Financial Institutions				
Development Fund	137,102,716	128,656,618	137,102,716	128,656,618
Losses on disposal of property foreclosed	100,516,073	187,406,361	-	23,421,852
Mailing expenses	28,712,260	39,858,346	17,576,405	26,650,510
Loan losses from court - ordered execution	28,893,004	25,987,677	12,964,977	13,643,598
Transportation expenses	50,811,754	44,794,100	35,173,635	29,414,438
Advertising and promotion expenses	9,524,968	21,095,538	7,442,413	17,024,046
Others	186,528,176	154,837,232	76,176,189	35,317,680
<b>Total</b>	<b>542,088,951</b>	<b>602,635,872</b>	<b>286,436,335</b>	<b>274,128,742</b>

### 3.23 Corporate income tax

(Unit : Baht)

	Consolidated		The Bank Only	
	For the year ended		For the year ended	
	31 December		31 December	
	2006	2005	2006	2005
Income tax payable on taxable profit for year	450,620,429	458,256,104	180,456,473	186,960,293
Add (less) : Net decrease (increased) in deferred tax on temporary differences	182,799,738	176,754,079	205,839,899	210,032,600
Income tax expenses - net	<u>633,420,167</u>	<u>635,010,183</u>	<u>386,296,372</u>	<u>396,992,893</u>

The temporary differences of deferred tax assets and deferred tax liabilities arose from the following.

(Unit : Thousand Baht)

	Consolidated		The Bank Only	
	As at		As at	
	31 December	31 December	31 December	31 December
	2006	2005	2006	2005
Allowance for doubtful accounts (general reserve)	397,056	754,876	92,995	497,497
Allowance for doubtful accounts for VAT receivables	61,110	42,288	-	-
Allowance for impairment of investments	350,228	357,584	350,177	357,534
Allowance for impairment of property foreclosed	21,210	54,720	16,294	50,522
Non - accrual of interest income	835,699	1,045,296	745,151	981,402
Depreciation of assets	61,389	47,332	42,023	34,821
Financial leases	201,170	230,243	-	-
Revaluation deficit (surplus) on changes in the value of investment	259,372	(265,590)	259,372	(265,590)
Others	(1,328)	9,432	(1,602)	9,395
	<u>2,185,906</u>	<u>2,276,181</u>	<u>1,504,410</u>	<u>1,665,581</u>
<b>Deferred tax assets (30%)</b>	<u>655,772</u>	<u>682,854</u>	<u>451,323</u>	<u>499,674</u>
Non - accrual of interest income	(31)	(1,942)	-	-
Depreciation of assets	(9,960)	(7,744)	-	-
Revaluation surplus on changes in the value of investment	77,050	31,744	-	-
Others	(2,236)	3,364	-	-
	<u>64,823</u>	<u>25,422</u>	<u>-</u>	<u>-</u>
<b>Deferred tax liabilities (30%)</b>	<u>19,447</u>	<u>7,627</u>	<u>-</u>	<u>-</u>

### 3.24 Provident fund

(Unit : Million Baht)

	Consolidated		The Bank Only	
	For the year ended		For the year ended	
	31 December		31 December	
	2006	2005	2006	2005
Amounts contributed to the provident fund	49	44	25	23

### 3.25 Number of employees and related expenses

	Consolidated		The Bank Only	
	For the year ended		For the year ended	
	31 December		31 December	
	2006	2005	2006	2005
Number of employees at end of year (persons)	1,680	1,525	935	802
Employee expenses for the year (Million Baht)	1,216	1,205	672	647

### 3.26 Reconciliation of diluted earnings per share

	For the year ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2006	2005	2006	2005	2006	2005
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<b>Basic earnings per share</b>						
Net income	1,545,533	1,790,849				
Less: Dividend paid to preference shares in preference to the ordinary shares for the year	(183,901)	(182,621)				
	1,361,632	1,608,228	725,113	720,269	1.88	2.23
<b>Effect of dilutive potential ordinary shares</b>						
Warrants to purchase preferences shares	-	-	4,044	8,949*		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming the conversion to ordinary shares	1,361,632	1,608,228	729,157	729,218	1.87	2.21

\* The Bank has recalculated diluted earnings per share for 2005 since it has recalculated the number of warrants to purchase preferences shares in 2005 by deducting the number of warrants which expired and received from resigned employees during the year.

### 3.27 Related party transactions

(Unit : Thousand Baht)

	The Bank Only			Balance - end of year
	Balance - beginning of year	Increase	Decrease	
<b>Outstanding balance as at 31 December 2006</b>				
<b>Subsidiary companies</b>				
Dividend receivables from subsidiaries :				
Hi-Way Co., Ltd.	490,000	-	-	490,000
TISCO Securities Co., Ltd.	225,000	-	(225,000)	-
TISCO Leasing Co., Ltd.	71,022	-	-	71,022
TISCO Asset Management Co., Ltd.	60,000	-	(30,000)	30,000
Other assets :				
TISCO Leasing Co., Ltd.	-	6,903	-	6,903
Thai Commercial Auto Co., Ltd.	-	13,477	-	13,477
TISCO Information Technology Co., Ltd.	8,000	83,643	(81,643)	10,000
TISCO Securities Co., Ltd.	-	19,370	(19,370)	-
Deposits in Baht :				
TISCO Securities Co., Ltd.	1,442,248	-	(238,367)	1,203,881
TISCO Group Co., Ltd.	83,481	2,326	-	85,807
Hi-Way Co., Ltd.	35,827	-	(34,275)	1,552
Other subsidiary companies	63,753	6,082	(44,030)	25,805
Borrowings :				
TISCO Group Co., Ltd.	-	80,000	(80,000)	-
Other liabilities :				
TISCO Securities Co., Ltd.	3,728	-	(3,728)	-
TISCO Leasing Co., Ltd.	-	1,143	-	1,143
Thai Commercial Auto Co., Ltd.	-	1,906	-	1,906

	The Bank Only		(Unit : Thousand Baht)
			Terms and pricing policy
	2006	2005	(For the year 2006)
<b><u>Transactions occurred during the year ended 31 December</u></b>			
<b>Subsidiaries</b>			
Risk and financial management fee income and human resources management fee income	28,446	31,029	In accordance with the centralized policy for supporting activities of the Bank and subsidiary companies, which is in accordance with the Bank of Thailand's announcement
Accounts receivable management fee income and office administration fee income	41,436	52,980	Reference to the terms and price as charged to other customers
Other income	4,139	8,313	Reference to the terms and price as charged to other customers
Computer system advisory services expenses and office administration expenses	82,056	47,400	In accordance with the centralized policy for supporting activities of the Bank and subsidiary companies, which is in accordance with the Bank of Thailand's announcement
Insurance service expenses	14,710	-	Reference to the terms and price as charged to other customers
Interest expenses	12,253	8,411	Reference to the terms and rate as charged to other customers

Loans to management - level employees (departmental managers upward)

	(Unit : Thousand Baht)	
	Consolidated	The Bank Only
	As at 31 December 2006	As at 31 December 2006
Loans	4,758	4,758

Besides the above transactions, the Bank has additional related party transactions with its subsidiaries, which presented in Note 4.4 to the financial statements.

**Directors and management's remuneration**

In 2006, the Bank paid monthly remuneration, meeting allowances, salaries, provident fund contributions and bonuses to their directors and key management totaling Baht 146 million (2005 : Baht 184 million).

### 3.28 Financial information by segment

#### 3.28.1 Financial information by business segment

(Unit : Million Baht)

For the year ended 31 December										
	Bank business/financial		Securities business		Other business		Elimination		Total	
	service business									
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Net interest and dividend income after bad debt and doubtful accounts	3,024	4,748	154	104	3	1	(153)	(1,564)	3,028	3,289
Non - interest income	1,337	995	982	1,002	129	81	(226)	(21)	2,222	2,057
Non - interest expenses	(2,517)	(2,309)	(659)	(682)	(123)	(108)	251	206	(3,048)	(2,893)
Corporate income tax	(484)	(503)	(149)	(132)	-	-	-	-	(633)	(635)
Minority interest in net income	-	-	-	-	-	-	(23)	(27)	(23)	(27)
Net income	1,360	2,931	328	292	9	(26)	(151)	(1,406)	1,546	1,791

(Unit : Million Baht)

As at 31 December										
	Bank business/financial		Securities business		Other business		Elimination		Total	
	service business									
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Investments	7,351	8,481	670	498	69	2	(3,697)	(3,776)	4,393	5,205
Loans, receivable and accrued interest receivable - net	72,055	60,846	709	1,217	-	-	(106)	(210)	72,658	61,853
Other assets	7,400	7,937	2,141	2,656	119	104	(1,930)	(2,472)	7,730	8,225
Total assets	86,806	77,264	3,520	4,371	188	106	(5,733)	(6,458)	84,781	75,283

### 3.28.2 Significant financial positions and operating results by domestic and foreign activities

#### 3.28.2.1 Financial positions by activities

(Unit : Million Baht)

	As at							
	31 December 2006				31 December 2005			
	Domestics	Foreign	Elimination	Total	Domestics	Foreign	Elimination	Total
Total assets	90,175	339	(5,733)	84,781	80,607	1,134	(6,458)	75,283
Interbank and money market items (assets)	2,094	247	(1,317)	1,024	2,369	762	(1,626)	1,505
Loans, receivable and accrued interest receivable - net	72,697	67	(106)	72,658	61,951	112	(210)	61,853
Investments	8,090	-	(3,697)	4,393	8,860	121	(3,776)	5,205
Deposits in Baht	40,668	-	(100)	40,568	34,611	-	(160)	34,451
Interbank and money market items (liabilities)	3,374	-	(1,217)	2,157	7,880	-	(1,465)	6,415
Borrowings	26,142	-	(60)	26,082	17,791	-	(300)	17,491
Commitments	6,194	-	-	6,194	5,646	-	-	5,646

#### 3.28.2.2 Operating results by activities

(Unit : Million Baht)

	For the year ended							
	31 December 2006				31 December 2005			
	Domestics	Foreign	Elimination	Total	Domestics	Foreign	Elimination	Total
Net interest and dividend income after bad debt and doubtful accounts	3,174	7	(153)	3,028	4,847	6	(1,564)	3,289
Non - interest income	2,405	43	(226)	2,222	2,024	54	(21)	2,057
Non - interest expenses	(3,229)	(70)	251	(3,048)	(3,025)	(74)	206	(2,893)
Corporate income tax	(633)	-	-	(633)	(635)	-	-	(635)
Minority interest in net income	-	-	(23)	(23)	-	-	(27)	(27)
Net income	1,717	(20)	(151)	1,546	3,211	(14)	(1,406)	1,791



### 3.29 Commitments and contingent liabilities

#### 3.29.1 Avals, guarantees and commitments

(Unit : Thousand Baht)

Consolidated/The Bank Only

As at

	31 December 2006	31 December 2005
Avals	326,625	361,000
Guarantees of loans	200,000	200,000
Other guarantees	617,693	135,318
Obligations covering principal under interest rate swap agreement (as mentioned in Note 3.30.2)	5,050,000	4,950,000
	<u>6,194,318</u>	<u>5,646,318</u>

#### 3.29.2 Litigation

As at 31 December 2006, the Bank and its subsidiaries have been sued for compensation totaling approximately Baht 151 million. A final judgment has not yet been reached in respect of these cases.

In December 2005, a foreign subsidiary received a letter from the solicitor of one of its clients, requesting payment of damages amounting to HKD 46.6 million (equivalent to Baht 216 million as at 31 December 2006). However, the suit has not been filed with a court in respect of this claim.

The management of the Bank and its subsidiaries believe that neither the Bank nor the subsidiaries will suffer material loss as a result of the above mentioned lawsuits and request for damages.

#### 3.29.3 Capital commitment

As at 31 December 2006, a subsidiary company had outstanding commitments of approximately Baht 100 million in respect of the uncalled portion of an investment in another subsidiary.

#### 3.29.4 Other commitments

- a) The Bank is obliged to make contributions to the Financial Institutions Development Fund, at the 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 previous six-month period. Contributions are to be made every 30 June and 31 December.
- b) A subsidiary company is required to pay a membership fee to the Stock Exchange of Thailand on a monthly basis, at a rate of 0.005 percent of the trading volume of its stock.
- c) The Bank has commitments in relation to computer service agreement, whereby it is to pay both fixed fee and service fees which vary according to the quantity and type of service, as stipulated in the agreements.

### **3.30 Financial instruments**

As at 31 December 2006, the Bank and its subsidiaries have no policy to speculate or trade in any derivative financial instruments.

#### 3.30.1 Credit risk

The Bank and its subsidiaries are exposed to credit risk primarily with respect to loans and receivables and guarantees of loans and others.

The Bank and its subsidiaries manage credit risk by adopting appropriate credit control policies and procedures from the credit approval process, and the analysis of the risk factors and the ability of customers to service debt. For hire purchase receivables, the Bank and its subsidiaries have implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. They have also adopted a credit review process that examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future. The Bank and its subsidiaries therefore do not expect to incur material financial losses from loans and guarantees of loans. In addition, the Bank and its subsidiaries are not exposed to concentrations of credit risk because they have a varied customer base and large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans and receivables as stated in the balance sheet.

### 3.30.2 Interest rate risk

The Bank and its subsidiaries have the following significant exposure to interest rate risk, relating to financial instruments.

(Unit : Million Baht)

		Consolidated			
		As at 31 December 2006			
		Outstanding balances of financial instruments			
<u>Transactions</u>	Floating interest rate	Fixed interest rate	Without interest	Total	
<b><u>Financial assets</u></b>					
Cash	-	-	210	210	
Interbank and money market items	357	32	635	1,024	
Securities purchased under resale agreements	-	1,718	-	1,718	
Investments - net	258	820	3,315	4,393	
Receivable from clearing house	-	-	257	257	
Loans and receivable	9,403	64,358	1,691	75,452	
	<u>10,018</u>	<u>66,928</u>	<u>6,108</u>	<u>83,054</u>	
<b><u>Financial liabilities</u></b>					
Deposits	2,784	37,713	71	40,568	
Interbank and money market items	60	2,097	-	2,157	
Liabilities payable on demand	-	-	478	478	
Borrowings	-	26,069	13	26,082	
Payable to clearing house	-	-	365	365	
Securities and derivative business payables	121	-	590	711	
	<u>2,965</u>	<u>65,879</u>	<u>1,517</u>	<u>70,361</u>	

(Unit : Million Baht)

Consolidated

As at 31 December 2005

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
<b>Financial assets</b>				
Cash	-	-	204	204
Interbank and money market items	90	797	618	1,505
Securities purchased under resale agreements	-	2,000	-	2,000
Investments - net	199	979	4,027	5,205
Receivable from clearing house	-	-	61	61
Loans and receivable	3,681	58,570	3,087	65,338
	<u>3,970</u>	<u>62,346</u>	<u>7,997</u>	<u>74,313</u>
<b>Financial liabilities</b>				
Deposits	1,338	33,057	56	34,451
Interbank and money market items	98	6,317	-	6,415
Liabilities payable on demand	-	-	247	247
Borrowings	-	17,478	13	17,491
Payable to clearing house	-	-	566	566
Securities and derivative business payables	618	-	729	1,347
	<u>2,054</u>	<u>56,852</u>	<u>1,611</u>	<u>60,517</u>

(Unit : Million Baht)

## The Bank Only

As at 31 December 2006

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
<b>Financial assets</b>				
Cash	-	-	209	209
Interbank and money market items	-	-	582	582
Securities purchased under resale agreements	-	1,718	-	1,718
Investments - net	258	817	6,642	7,717
Loans and receivable	9,387	58,567	1,026	68,980
	<u>9,645</u>	<u>61,102</u>	<u>8,459</u>	<u>79,206</u>
<b>Financial liabilities</b>				
Deposits	2,884	37,713	71	40,668
Interbank and money market items	23	2,543	-	2,566
Liabilities payable on demand	-	-	478	478
Borrowings	-	23,504	13	23,517
	<u>2,907</u>	<u>63,760</u>	<u>562</u>	<u>67,229</u>

(Unit : Million Baht)

## The Bank Only

As at 31 December 2005

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
<b>Financial assets</b>				
Cash	-	-	202	202
Interbank and money market items	-	-	490	490
Securities purchased under resale agreements	-	2,000	-	2,000
Investments - net	199	866	7,363	8,428
Loans and receivable	3,567	52,441	1,869	57,877
	<u>3,766</u>	<u>55,307</u>	<u>9,924</u>	<u>68,997</u>
<b>Financial liabilities</b>				
Deposits	1,498	33,057	56	34,611
Interbank and money market items	47	6,184	-	6,231
Liabilities payable on demand	-	-	247	247
Borrowings	-	15,129	13	15,142
	<u>1,545</u>	<u>54,370</u>	<u>316</u>	<u>56,231</u>

Financial instruments which bear interest rate at fixed rates are classified below by the period from the balance sheet date to the maturity date, or the repricing date if this occurs before the maturity date.

(Unit : Million Baht)

		Consolidated							
		As at 31 December 2006							
		Repricing or maturity date							
		0 - 3	3 - 12	1 - 5	Over 5			Interest	
Transactions	At call	months	months	years	years	Unspecified	Total	Rates (%)	
<b>Financial assets</b>									
Interbank and money market items	21	11	-	-	-	-	32	4.5858	
Securities purchased under resale agreements	-	1,718	-	-	-	-	1,718	4.8829	
Investments - net	-	160	323	337	-	-	820	5.1418	
Loans and receivable	1,161	9,966	18,528	34,616	86	1	64,358	8.6271	
	1,182	11,855	18,851	34,953	86	1	66,928		
<b>Financial liabilities</b>									
Deposits	218	16,030	16,120	5,345	-	-	37,713	4.7018	
Interbank and money market items	542	1,180	350	25	-	-	2,097	4.3204	
Borrowings	1,710	14,232	9,778	349	-	-	26,069	4.9360	
	2,470	31,442	26,248	5,719	-	-	65,879		

(Unit : Million Baht)

		Consolidated							
		As at 31 December 2005							
		Repricing or maturity date							
		0 - 3	3 - 12	1 - 5	Over 5			Interest	
Transactions	At call	months	months	years	years	Unspecified	Total	Rates (%)	
<b>Financial assets</b>									
Interbank and money market items	708	79	10	-	-	-	797	0.0837	
Securities purchased under resale agreements	-	2,000	-	-	-	-	2,000	3.1875	
Investments - net	-	5	532	442	-	-	979	4.2461	
Loans and receivable	1,904	8,534	16,311	29,804	2,016	1	58,570	8.0855	
	2,612	10,618	16,853	30,246	2,016	1	62,346		
<b>Financial liabilities</b>									
Deposits	11	20,136	7,321	5,589	-	-	33,057	2.9308	
Interbank and money market items	1,464	2,943	1,140	770	-	-	6,317	3.8490	
Borrowings	-	10,612	1,711	5,155	-	-	17,478	4.0418	
	1,475	33,691	10,172	11,514	-	-	56,852		

(Unit : Million Baht)

		The Bank Only						
		As at 31 December 2006						
		Repricing or maturity date						
Transactions	At call	0 - 3	3 - 12	1 - 5	Over 5	Unspecified	Total	Interest Rates (%)
		months	months	years	years			
<b>Financial assets</b>								
Securities purchased under resale agreements	-	1,718	-	-	-	-	1,718	4.8829
Investments - net	-	160	322	335	-	-	817	5.1492
Loans and receivable	1,077	8,759	16,283	32,362	86	-	58,567	6.9975
	1,077	10,637	16,605	32,697	86	-	61,102	
<b>Financial liabilities</b>								
Deposits	218	16,030	16,120	5,345	-	-	37,713	4.7018
Interbank and money market items	1,623	895	-	25	-	-	2,543	4.3962
Borrowings	1,710	13,441	8,004	349	-	-	23,504	4.7454
	3,551	30,366	24,124	5,719	-	-	63,760	

(Unit : Million Baht)

		The Bank Only						
		As at 31 December 2005						
		Repricing or maturity date						
Transactions	At call	0 - 3	3 - 12	1 - 5	Over 5	Unspecified	Total	Interest Rates (%)
		months	months	years	years			
<b>Financial assets</b>								
Securities purchased under resale agreements	-	2,000	-	-	-	-	2,000	3.1875
Investments - net	-	4	422	440	-	-	866	4.2382
Loans and receivable	1,825	7,469	13,941	27,190	2,016	-	52,441	6.4028
	1,825	9,473	14,363	27,630	2,016	-	55,307	
<b>Financial liabilities</b>								
Deposits	11	20,136	7,321	5,589	-	-	33,057	2.9308
Interbank and money market items	2,814	1,800	800	770	-	-	6,184	3.6548
Borrowings	-	9,998	-	5,131	-	-	15,129	3.9523
	2,825	31,934	8,121	11,490	-	-	54,370	

The balances of loans and receivable (include those on which interest recognition has been ceased) shown in the above table are presented before deducting allowance for doubtful accounts.

The Bank entered into interest rate swap agreements to manage risk associated with the financial liabilities carrying interest. The details of the interest rate swap agreements outstanding as at 31 December 2006 are as follows:

- The Bank has entered into interest rate swap agreements expiring in 2008 to swap a fixed rate interest for a floating interest rate for nominal principal of Baht 500 million, and to swap a floating interest rate for a fixed interest rate for nominal principal of Baht 500 million.
- The Bank has entered into interest rate swap agreement expiring in 2012 to swap a floating interest rate for a fixed interest rate for nominal principal Baht 300 million.
- The Bank has entered into interest rate swap agreements expiring in 2007 to swap the floating interest rate on Baht 2,800 million of debentures for a fixed interest rate, and agreements expiring in 2008 to swap the floating interest rates on borrowings and deposits amounting to Baht 950 million for fixed interest rate.

### 3.30.3 Liquidity risk

Counting from the balance sheet date, as at 31 December 2006 and 2005, the periods to maturity dates of financial instruments are as follows:

(Unit : Million Baht)

Transactions	Consolidated							Total
	As at 31 December 2006							
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non performing loans	
<b>Financial assets</b>								
Cash	210	-	-	-	-	-	-	210
Interbank and money market items	1,013	11	-	-	-	-	-	1,024
Securities purchased under resale agreements	-	1,718	-	-	-	-	-	1,718
Investments - net	791	210	336	585	-	2,471	-	4,393
Receivable from clearing house	-	257	-	-	-	-	-	257
Loans and receivable	1,187	10,784	19,871	38,398	2,368	-	2,844	75,452
	<u>3,201</u>	<u>12,980</u>	<u>20,207</u>	<u>38,983</u>	<u>2,368</u>	<u>2,471</u>	<u>2,844</u>	<u>83,054</u>
<b>Financial liabilities</b>								
Deposits	3,073	16,030	16,120	5,345	-	-	-	40,568
Interbank and money market items	601	1,180	351	25	-	-	-	2,157
Liabilities payable on demand	478	-	-	-	-	-	-	478
Borrowings	1,710	14,232	9,778	349	-	13	-	26,082
Payable to clearing house	-	365	-	-	-	-	-	365
Securities and derivative business payables	148	563	-	-	-	-	-	711
	<u>6,010</u>	<u>32,370</u>	<u>26,249</u>	<u>5,719</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>70,361</u>
<b>Off - balance sheet items</b>								
Aval to bills and guarantees of loans	200	316	10	-	-	-	-	526
Other commitments	15	1	3,230	1,950	300	172	-	5,668



(Unit : Million Baht)

Consolidated  
As at 31 December 2005

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non performing		Total
						Unspecified	loans	
<b>Financial assets</b>								
Cash	204	-	-	-	-	-	-	204
Interbank and money market items	1,416	79	10	-	-	-	-	1,505
Securities purchased under resale agreements	-	2,000	-	-	-	-	-	2,000
Investments - net	3,002	5	532	445	209	1,012	-	5,205
Receivable from clearing house	-	61	-	-	-	-	-	61
Loans and receivable	2,147	9,811	17,354	31,049	2,302	-	2,675	65,338
	<u>6,769</u>	<u>11,956</u>	<u>17,896</u>	<u>31,494</u>	<u>2,511</u>	<u>1,012</u>	<u>2,675</u>	<u>74,313</u>
<b>Financial liabilities</b>								
Deposits	1,405	20,136	7,321	5,589	-	-	-	34,451
Interbank and money market items	1,562	2,943	1,140	770	-	-	-	6,415
Liabilities payable on demand	247	-	-	-	-	-	-	247
Borrowings	-	10,612	1,711	5,155	-	13	-	17,491
Payable to clearing house	-	566	-	-	-	-	-	566
Securities and derivative business payables	576	771	-	-	-	-	-	1,347
	<u>3,790</u>	<u>35,028</u>	<u>10,172</u>	<u>11,514</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>60,517</u>
<b>Off - balance sheet items</b>								
Aval to bills and guarantees of loans	200	311	50	-	-	-	-	561
Other commitments	-	-	215	4,751	-	119	-	5,085

(Unit : Million Baht)

The Bank Only  
As at 31 December 2006

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non performing		Total
						Unspecified	Loans*	
<b>Financial assets</b>								
Cash	209	-	-	-	-	-	-	209
Interbank and money market items	582	-	-	-	-	-	-	582
Securities purchased under resale agreements	-	1,718	-	-	-	-	-	1,718
Investments - net	791	160	335	580	-	5,851	-	7,717
Loans and receivable	1,142	8,897	17,626	36,607	2,368	-	2,340	68,980
	<u>2,724</u>	<u>10,775</u>	<u>17,961</u>	<u>37,187</u>	<u>2,368</u>	<u>5,851</u>	<u>2,340</u>	<u>79,206</u>
<i>* Non performing loans according to the BOT's guidelines</i>								
<b>Financial liabilities</b>								
Deposits	3,173	16,030	16,120	5,345	-	-	-	40,668
Interbank and money market items	1,646	895	-	25	-	-	-	2,566
Liabilities payable on demand	478	-	-	-	-	-	-	478
Borrowings	1,710	13,441	8,004	349	-	13	-	23,517
	<u>7,007</u>	<u>30,366</u>	<u>24,124</u>	<u>5,719</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>67,229</u>
<b>Off - balance sheet items</b>								
Aval to bills and guarantees of loans	200	316	10	-	-	-	-	526
Other commitments	15	1	3,230	1,950	300	172	-	5,668

(Unit : Million Baht)

The Bank Only  
As at 31 December 2005

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non performing		Total
						Unspecified	Loans*	
<b>Financial assets</b>								
Cash	202	-	-	-	-	-	-	202
Interbank and money market items	490	-	-	-	-	-	-	490
Securities purchased under resale agreemer	-	2,000	-	-	-	-	-	2,000
Investments - net	3,002	4	422	440	209	4,351	-	8,428
Loans and receivable	2,110	7,482	14,974	28,780	2,302	-	2,229	57,877
	<u>5,804</u>	<u>9,486</u>	<u>15,396</u>	<u>29,220</u>	<u>2,511</u>	<u>4,351</u>	<u>2,229</u>	<u>68,997</u>
<i>* Non performing loans according to the BOT's guidelines</i>								
<b>Financial liabilities</b>								
Deposits	1,565	20,136	7,321	5,589	-	-	-	34,611
Interbank and money market items	2,861	1,800	800	770	-	-	-	6,231
Liabilities payable on demand	247	-	-	-	-	-	-	247
Borrowings	-	9,998	-	5,131	-	13	-	15,142
	<u>4,673</u>	<u>31,934</u>	<u>8,121</u>	<u>11,490</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>56,231</u>
<b>Off - balance sheet items</b>								
Aval to bills and guarantees of loans	200	311	50	-	-	-	-	561
Other commitments	-	-	215	4,751	-	119	-	5,085

### 3.30.4 Foreign exchange risk

As at 31 December 2006, the Bank did not have any financial instruments in foreign currencies except for its deposits at bank amounting to HKD 22 million (equivalent to Baht 102 million) and its investment in a subsidiary company amounting to HKD 20 million (under the equity method equivalent to Baht 92 million).

### 3.30.5 Fair value of financial instruments

As at 31 December 2006, fair value of significant financial instruments approximate their carrying amounts, with no material differences. Gains or losses on determining the fair value of interest rate swaps are immaterial.

## **4. SIGNIFICANT EVENTS DURING THE YEARS AND OTHER INFORMATION**

### **4.1 Plan to upgrade status to commercial bank**

On 22 October 2004, the Ministry of Finance gave consent for the Bank to upgrade its status to commercial bank. The Bank was informed by the letter from the Bank of Thailand dated 29 June 2005 that the Ministry of Finance issued the Commercial Banking business license dated 23 June 2005 for the Bank to operate banking business in the name of “TISCO Bank Public Company Limited”. The Bank can operate commercial banking business and foreign exchange business and have to comply with the conditions under the letter from the Bank of Thailand and the attached conditions of license. The significant conditions are related to the return of finance business licenses of TISCO Finance Public Company Limited and Thai Permsap Finance Company Limited (a subsidiary) to the Ministry of Finance and the minimum requirement of total Tier 1 capital of Baht 5,000 million, as of the commenced date of banking operations.

The Bank and Thai Permsap Finance Company Limited (a subsidiary) returned their finance business licenses to the Ministry of Finance, effective on 1 July 2005.

The Bank registered the change of its name from “TISCO Finance Public Company Limited” to “TISCO Bank Public Company Limited” with the Ministry of Commerce on 1 July 2005, and commenced its banking operations on 4 July 2005.

### **4.2 Holding restructuring**

On 14 November 2005, the Bank submitted a formal request to restructure its shareholding by setting up TISCO Corporation Public Company Limited as a holding company. TISCO Corporation Public Company Limited would thus become the parent company of the group, acquiring all shares of the Bank and other subsidiary companies. The Bank of Thailand subsequently granted consent for the Bank, and on 7 February 2006, the Bank of Thailand forwarded the plan to the Ministry of Finance for approval.

#### Subsequent events

On 18 January 2007, the Bank received a letter from the Bank of Thailand informing it that the Ministry of Finance had declined to approve the restructuring plan and that the Bank of Thailand would therefore subsequently discontinue consideration of the plan. The BOT also requested the Bank to reduce its shareholding in TISCO Corporation Public Company Limited. The Bank is either to restore the former structure whereby it is the parent company of the group, or to re-submit the plan for setting up TISCO Financial Group under a Consolidated Supervision to the Bank of Thailand.

On 1 February 2007, the Bank reduced its shareholding in TISCO Corporation Public Company Limited in accordance with BOT conditions discussed in that letter.

#### 4.3 Dividend payment

	Approved by	Dividend per share		Amounts of	Dividend
		Preference share	Ordinary share	dividend paid	Payment Period
		Baht per share	Baht per share	Million Baht	
Dividend for the year 2005	The 2005 Annual General Meeting of the Shareholders on 26 April 2005	2.30	1.30	1,120	May 2005
Dividend for the year 2006	The 2006 Annual General Meeting of the Shareholders on 28 April 2006	3.00	2.00	1,635	May 2006

#### 4.4 Related party transactions

Besides the related party transactions as described in Note 3.27 to the financial statements, the Bank had additional related party transactions with its subsidiaries which presented below.

##### For the year ended 31 December 2005 :

The Bank acquired investments in listed securities amounting to Baht 1,156 million from a subsidiary company. This subsidiary company recorded gain from this sales of investments amounting to Baht 28 million.

The Bank sold property foreclosed, which are office condominium units (net book value amounting to Baht 39 million), to a subsidiary company at a price of Baht 43 million. The Bank recorded a gain from disposal of such office condominium units amounting to Baht 4 million.

The Bank acquired receivables (net book value amounting to Baht 1 million) from a subsidiary company at a price of Baht 4 million. The subsidiary company recorded a gain from sale of such receivables amounting to Baht 3 million.

Gains or losses from the above mentioned related party transactions between the Bank and its subsidiaries have been eliminated in consolidated financial statements and the separate financial statements of the Bank under equity method.

#### **4.5 Share capital increase of a subsidiary**

A special resolution passed by the Extraordinary General Meeting of the shareholders of Hi-Way Co., Ltd. No. 2/2006 on 22 February 2006, approved the increase in the company's registered share capital from Baht 100 million to Baht 500 million, through the issuance of 4,000,000 new ordinary shares with a par value of Baht 100 each, to be fully paid. The shareholders also delegated authority to the Board of Directors to determine the timing of the issue and the number of additional shares to be additionally issued each time, as they deem appropriate for the business in the future.

#### **5. ADOPTION OF NEW ACCOUNTING STANDARD**

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

In this regard, the Bank has elected to adopt the change in 2007. Adoption of the change in 2007 will necessitate the restatement of the Bank's 2006 separate financial statements to be presented for comparative purposes along with the financial statements for 2007. The restatement will have the effect of decreasing net income in the separate income statement for 2006 by approximately Baht 432 million (Baht 0.60 per share) and decreasing net worth in the balance sheet at 31 December 2006 by approximately Baht 518 million.

#### **6. SUBSEQUENT EVENTS**

##### Thai Commercial Auto Company Limited

The Board of Directors of Thai Commercial Auto Company Limited No.1/2007 on 1 February 2007 passed resolutions to determine the date of the Ordinary General Meeting of the shareholders of the company of the year 2007 on 16 February 2007, and the Extraordinary General Meeting of the company No.1/2007 on 6 March 2007 to approve the following:

- The cancellation of the reduction of the company's registered share capital from Baht 1,000 million (10 million ordinary shares of Baht 100 each) to Baht 500 million (10 million ordinary shares of Baht 50 each), which was approved by a special resolution of the Extraordinary General Meeting of the company No.2/2005 on 2 November 2005
- The dissolution of the company

VLT Leasing Company Limited

The Board of Directors of VLT Leasing Company Limited No.1/2007 on 23 January 2007 passed resolution to determine the date of the Ordinary General Meeting of the shareholders of VLT Leasing Company Limited of the year 2007 on 16 February 2007, and the Extraordinary General Meeting of the shareholders of the company No.1/2007 on 6 March 2007, to approve the dissolution of the company.

TISCO Group Company Limited

The Board of Directors of TISCO Group Company Limited No.1/2007 on 16 February 2007 passed resolution to determine the date of the Ordinary General Meeting of the shareholders of TISCO Group Company Limited of the year 2007 on 8 March 2007, and the Extraordinary General Meeting of the shareholders of the company No.2/2007 on 26 March 2007 to approve the dissolution of the company.

**7. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Bank's Audit Committee on 16 February 2007.