

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2006 AND 2005

Report of Independent Auditor

To The Board of Directors and Shareholders of
United Overseas Bank (Thai) Public Company Limited

I have audited the accompanying consolidated balance sheets of United Overseas Bank (Thai) Public Company Limited and its subsidiaries as at 31 December 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of United Overseas Bank (Thai) 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 audits.

I conducted my audits 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 audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Overseas Bank (Thai) Public Company Limited and its subsidiaries and the separate financial position of United Overseas Bank (Thai) Public Company Limited as at 31 December 2006 and 2005, the results of its operation, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the financial statements referred to above, I draw attention to the matter discussed in Note 11.5 to the financial statements relating to provision for non-performing loans, whereby in December 2006 the Bank of Thailand has changed its guidelines in determining provisions for non-performing loans. Those new guidelines are effective in three phases in the years 2006 and 2007. The Bank has set up provisions in 2006 against those loans which fall under the 2006 criteria as required under the guidelines. The Bank will have to set up additional provision in 2007 in accordance with those guidelines but the amount cannot be determined at this stage.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok : 2 March 2007

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2006	2005	2006	2005
ASSETS					
Cash	7	3,864,803,062	4,934,239,398	3,864,644,169	4,934,193,582
Interbank and money market items	8				
Domestic items					
Interest bearing		2,066,167,983	1,066,487,146	2,013,948,880	1,001,761,124
Non-interest bearing		1,486,476,824	2,076,137,223	1,486,424,545	2,073,485,947
Foreign items					
Interest bearing		3,238,637,002	7,863,013,094	3,238,637,002	7,863,013,094
Non-interest bearing		926,320,898	1,212,872,606	926,320,898	1,212,872,606
Total interbank and money market items - net		7,717,602,707	12,218,510,069	7,665,331,325	12,151,132,771
Securities purchased under resale agreements	9	1,590,000,000	1,000,000,000	1,590,000,000	1,000,000,000
Investments	10				
Current investments - net		3,193,272,889	2,579,837,528	3,192,022,689	2,557,923,682
Long-term investments - net		7,014,861,536	6,940,496,745	7,006,160,329	6,921,667,449
Investments in subsidiaries and associated companies - net	10.6	133,806,465	126,369,327	1,161,632,160	8,409,804,679
Total investments - net		10,341,940,890	9,646,703,600	11,359,815,178	17,889,395,810
Loans and accrued interest receivables	11				
Loans		157,542,554,843	159,600,738,264	156,678,852,869	158,917,635,008
Accrued interest receivables		1,039,993,631	1,000,605,703	1,047,126,287	1,005,874,595
Total loans and accrued interest receivables		158,582,548,474	160,601,343,967	157,725,979,156	159,923,509,603
Less : Allowance for doubtful accounts	12	(11,841,552,248)	(10,692,591,488)	(11,704,495,187)	(10,558,754,427)
Less : Revaluation allowance for debt restructuring	13	(30,388,805)	(228,967,328)	(30,388,805)	(228,967,328)
Loans and accrued interest receivables - net		146,710,607,421	149,679,785,151	145,991,095,164	149,135,787,848
Properties foreclosed - net	14	12,097,415,475	13,012,144,572	12,097,415,473	13,012,144,569
Customers' liabilities under acceptances		111,086,566	426,266,427	111,086,566	426,266,427
Premises and equipment - net	15	3,995,461,038	3,978,414,873	3,849,719,588	3,679,876,955
Intangible assets - net	16	787,530,078	728,446,505	781,781,480	723,229,322
Other assets - net		1,026,434,740	1,067,055,800	959,431,865	979,240,851
TOTAL ASSETS		188,242,881,977	196,691,566,395	188,270,320,808	203,931,268,135

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2006	2005	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits	18				
Deposits in Baht		148,164,397,733	151,444,570,285	148,332,213,514	151,471,378,570
Deposits in foreign currencies		1,310,393,140	1,336,086,301	1,310,393,140	1,336,086,301
Total deposits		149,474,790,873	152,780,656,586	149,642,606,654	152,807,464,871
Interbank and money market items	19				
Domestic items					
Interest bearing		5,497,424,370	6,310,984,534	5,456,629,108	13,913,673,816
Non-interest bearing		327,209,028	400,825,048	327,214,028	403,355,229
Foreign items					
Interest bearing		3,051,103	1,817,521,596	3,051,103	1,817,521,596
Non-interest bearing		726,373,272	978,242,225	726,373,272	978,242,225
Total interbank and money market items		6,554,057,773	9,507,573,403	6,513,267,511	17,112,792,866
Liabilities payable on demand		1,816,596,138	2,210,349,658	1,816,596,138	2,210,349,658
Securities sold under repurchase agreements	20	-	100,000,000	-	100,000,000
Borrowings	21				
Short-term borrowings		1,996,797,683	3,103,210,000	2,046,797,683	2,873,210,000
Long-term borrowings		15,170,000	2,008,463,679	15,170,000	2,008,463,679
Total borrowings		2,011,967,683	5,111,673,679	2,061,967,683	4,881,673,679
Bank's liabilities under acceptances		111,086,566	426,266,427	111,086,566	426,266,427
Interest payable		717,944,634	328,004,410	718,180,635	328,124,382
Accrued expenses		1,442,225,948	1,420,797,053	1,385,767,406	1,351,785,296
Other liabilities	22	1,805,676,962	1,398,333,837	1,736,712,032	1,311,035,654
TOTAL LIABILITIES		163,934,346,577	173,283,655,053	163,986,184,625	180,529,492,833

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2006	2005	2006	2005
SHAREHOLDERS' EQUITY					
Share capital					
Registered share capital					
		82,170,621,660	82,170,621,660	82,170,621,660	82,170,621,660
Issued and fully paid-up share capital					
		82,170,621,660	82,170,621,660	82,170,621,660	82,170,621,660
Discount on share capital					
		(25,661,349,235)	(25,661,349,235)	(25,661,349,235)	(25,661,349,235)
Revaluation surplus on fixed assets					
		1,056,108,003	740,810,478	1,056,108,003	740,810,478
Revaluation surplus on investments					
	10.3	93,744,071	132,139,592	93,744,071	132,139,592
Retained earnings (Deficits)					
Appropriated					
		367,591,201	367,591,201	367,591,201	367,591,201
	23	367,591,201	367,591,201	367,591,201	367,591,201
		72,000,000	72,000,000	72,000,000	72,000,000
	24	72,000,000	72,000,000	72,000,000	72,000,000
Unappropriated (deficits)					
		(33,814,579,517)	(34,420,038,394)	(33,814,579,517)	(34,420,038,394)
Equity attributable to the Bank's shareholders					
		24,284,136,183	23,401,775,302	24,284,136,183	23,401,775,302
Minority interests					
		24,399,217	6,136,040	-	-
TOTAL SHAREHOLDERS' EQUITY					
		24,308,535,400	23,407,911,342	24,284,136,183	23,401,775,302
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
		188,242,881,977	196,691,566,395	188,270,320,808	203,931,268,135
-					
-					
-					
-					
OFF-BALANCE SHEET ITEMS					
28.1					
- CONTINGENCIES AND COMMITMENTS					
Avals to bills and guarantees of loans					
		1,052,238,507	1,187,264,446	1,052,238,507	1,187,264,446
Liabilities under unmatured import bills					
		1,158,858,246	1,420,576,526	1,158,858,246	1,420,576,526
Letters of credit					
		2,134,030,581	3,217,963,461	2,134,030,581	3,217,963,461
Other contingencies and commitments					
		123,266,106,836	123,168,041,117	123,266,106,836	123,168,041,117

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

 (Wong Kim Choong)

President & Chief Executive Officer

 (Lee Tse Tiong)

Director & Senior Executive Vice President

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2006	2005	2006	2005
Interest and dividend income					
Loans		9,245,218,179	5,228,483,511	9,316,911,119	5,265,385,702
Interbank and money market items		419,477,489	500,902,379	416,745,156	498,499,798
Hire purchase and financial lease		177,965,600	191,564,891	-	-
Investments		518,847,582	298,481,972	518,454,994	298,041,222
Total interest and dividend income		10,361,508,850	6,219,432,753	10,252,111,269	6,061,926,722
Interest expenses					
Deposits		3,639,412,969	1,300,025,692	3,641,071,753	1,300,055,203
Interbank and money market items		307,824,683	83,452,523	310,685,436	87,656,634
Shor-term borrowings		58,164,792	46,398,521	57,454,142	32,223,930
Long-term borrowings		32,410,959	130,000,000	32,410,959	130,000,000
Total interest expenses		4,037,813,403	1,559,876,736	4,041,622,290	1,549,935,767
Net interest and dividend income		6,323,695,447	4,659,556,017	6,210,488,979	4,511,990,955
Reversal of bad debts and doubtful accounts (bad debts and doubtful accounts)		(1,985,212,188)	386,812,656	(1,980,834,478)	390,946,545
Net earnings interest and dividend after bad debts and doubtful accounts		4,338,483,259	5,046,368,673	4,229,654,501	4,902,937,500
Non-interest income					
Gains on investments	26	82,690,057	207,221,683	82,639,457	207,221,683
Loss on impairment of securities		(274,915,359)	(1,741,207,353)	(274,915,359)	(1,741,207,353)
Share of profit (loss) from investments accounted					
for under equity method		12,922,328	(8,035,160)	129,895,688	107,992,338
Fees and service income					
Acceptances, avals and guarantees		11,848,914	15,480,193	11,848,914	15,480,193
Others		1,727,345,305	1,607,802,316	1,579,553,541	1,455,726,022
Gains on exchange		425,113,272	438,608,847	425,113,272	438,608,847
Gains (losses) on properties foreclosed	27	91,821,581	(144,153,991)	90,038,704	(150,324,085)
Rental income		230,210,560	243,719,834	102,825,951	90,637,531
Other income		162,404,798	109,882,726	86,810,656	54,887,469
Total non-interest income		2,469,441,456	729,319,095	2,233,810,824	479,022,645

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2006	2005	2006	2005
Non-interest expenses					
Personnel expenses		2,409,988,493	1,665,355,743	2,290,090,250	1,556,274,786
Premises and equipment expenses		1,086,029,694	1,113,477,970	937,161,490	937,920,715
Taxes and duties		452,267,776	252,122,549	450,906,084	250,163,824
Fees and service expenses		754,465,728	378,093,689	740,607,301	363,577,069
Directors' remuneration	32	10,100,000	6,960,000	8,775,000	6,795,000
Payments to the Financial Institutions Development Fund		613,537,598	535,196,549	613,537,598	535,196,549
Reversal of loss on diminution assets		(631,600)	(254,515,809)	(631,600)	(257,582,489)
Integration expenses		-	384,358,111	-	384,358,111
Other expenses		868,020,946	721,063,780	821,842,618	651,735,787
Total non-interest expenses		6,193,778,635	4,802,112,582	5,862,288,741	4,428,439,352
Income before income tax and minority interests		614,146,080	973,575,186	601,176,584	953,520,793
Income tax	33	13,456,145	20,168,527	-	-
Income before minority interests		600,689,935	953,406,659	601,176,584	953,520,793
Losses in subsidiaries in respect of minority shareholders		486,649	114,134	-	-
Net income for the years		601,176,584	953,520,793	601,176,584	953,520,793
Basic earnings per share					
Net income	34	0.07	0.17	0.07	0.17

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED								
	Issued and paid-up share capital	Discount on share capital	Revaluation	Revaluation	Unrealised	Retained earnings (Deficits)		Minority interests	Total
			surplus on fixed assets	surplus (deficit) on investments	losses on cash flow hedging instruments	Appropriated	Unappropriated		
Beginning balance as of 1 January 2005	50,954,467,130	(11,145,837,378)	745,416,749	466,633,784	(6,737,609)	439,591,201	(26,218,519,995)	-	15,235,013,882
Amortisation of revaluation surplus on fixed assets	-	-	(4,606,271)	-	-	-	4,172,750	-	(433,521)
Revaluation deficits on investments	-	-	-	(334,494,192)	-	-	-	-	(334,494,192)
Unrealised gains on cash flow hedging instruments	-	-	-	-	6,737,609	-	-	-	6,737,609
Gains (losses) not yet recognised in the statements									
of income	50,954,467,130	(11,145,837,378)	740,810,478	132,139,592	-	439,591,201	(26,214,347,245)	-	14,906,823,778
Net income for the year	-	-	-	-	-	-	953,520,793	(114,134)	953,406,659
Increased in share capital	31,216,154,530	(14,515,511,857)	-	-	-	-	-	-	16,700,642,673
Merger adjustment	-	-	-	-	-	-	(9,159,211,942)	-	(9,159,211,942)
Minority interests	-	-	-	-	-	-	-	6,250,174	6,250,174
Ending balance as of 31 December 2005	82,170,621,660	(25,661,349,235)	740,810,478	132,139,592	-	439,591,201	(34,420,038,394)	6,136,040	23,407,911,342
Revaluation surplus on fixed assets	-	-	319,579,818	-	-	-	-	-	319,579,818
Amortisation of revaluation surplus on fixed assets	-	-	(4,282,293)	-	-	-	4,282,293	-	-
Revaluation deficits on investments	-	-	-	(38,395,521)	-	-	-	-	(38,395,521)
Gains (losses) not yet recognised in the statements									
of income	82,170,621,660	(25,661,349,235)	1,056,108,003	93,744,071	-	439,591,201	(34,415,756,101)	6,136,040	23,689,095,639
Minority interests	-	-	-	-	-	-	-	18,749,826	18,749,826
Net income for the year	-	-	-	-	-	-	601,176,584	(486,649)	600,689,935
Ending balance as of 31 December 2006	82,170,621,660	(25,661,349,235)	1,056,108,003	93,744,071	-	439,591,201	(33,814,579,517)	24,399,217	24,308,535,400

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

THE BANK ONLY

	Issued and paid-up share capital	Discount on share capital	Revaluation	Revaluation	Unrealised	Retained earnings (Deficits)		Total
			surplus on fixed assets	surplus (deficit) on investments	losses on cash flow hedging instruments	Appropriated	Unappropriated	
Beginning balance as of 1 January 2005	50,954,467,130	(11,145,837,378)	745,416,749	466,633,784	(6,737,609)	439,591,201	(26,218,519,995)	15,235,013,882
Amortisation of revaluation surplus on fixed assets	-	-	(4,606,271)	-	-	-	4,172,750	(433,521)
Revaluation deficits on investments	-	-	-	(334,494,192)	-	-	-	(334,494,192)
Unrealised gains on cash flow hedging instruments	-	-	-	-	6,737,609	-	-	6,737,609
Gains (losses) not yet recognised in the statements								
of income	50,954,467,130	(11,145,837,378)	740,810,478	132,139,592	-	439,591,201	(26,214,347,245)	14,906,823,778
Net income for the year	-	-	-	-	-	-	953,520,793	953,520,793
Increased in share capital	31,216,154,530	(14,515,511,857)	-	-	-	-	-	16,700,642,673
Merger adjustment	-	-	-	-	-	-	(9,159,211,942)	(9,159,211,942)
Ending balance as of 31 December 2005	82,170,621,660	(25,661,349,235)	740,810,478	132,139,592	-	439,591,201	(34,420,038,394)	23,401,775,302
Revaluation surplus on fixed assets	-	-	319,579,818	-	-	-	-	319,579,818
Amortisation of revaluation surplus on fixed assets	-	-	(4,282,293)	-	-	-	4,282,293	-
Revaluation deficits on investments	-	-	-	(38,395,521)	-	-	-	(38,395,521)
Gains (losses) not yet recognised in the statements								
of income	82,170,621,660	(25,661,349,235)	1,056,108,003	93,744,071	-	439,591,201	(34,415,756,101)	23,682,959,599
Net income for the year	-	-	-	-	-	-	601,176,584	601,176,584
Ending balance as of 31 December 2006	82,170,621,660	(25,661,349,235)	1,056,108,003	93,744,071	-	439,591,201	(33,814,579,517)	24,284,136,183

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE BANK ONLY	
	2006	2005	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the years	601,176,584	953,520,793	601,176,584	953,520,793
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Losses in subsidiaries in respect of minority shareholders	(486,649)	(114,134)	-	-
Share of (profits) losses of subsidiaries and associated companies accounted for under equity method	(12,922,328)	8,035,160	(129,895,688)	(107,992,338)
Depreciation	453,394,342	341,238,501	327,130,256	160,251,138
Amortisation and losses on assets written off	105,673,705	254,305,066	105,689,524	207,461,114
Amortisation of goodwill	1,654,767	1,654,767	-	-
Unrealised losses (gains) on revaluation of investments	2,838,353	(7,792,962)	2,838,353	(7,792,962)
Losses on impairment of investments	274,915,359	1,741,207,353	274,915,359	1,741,207,353
Bad debt and doubtful accounts (reversal) - loans and accrued interest receivables	2,459,583,411	(148,902,980)	2,456,363,411	(153,256,535)
Reversal of doubtful accounts - other assets	-	(248,676,811)	-	(251,743,492)
Reversal on impairment of assets	(75,371,791)	-	(75,371,791)	-
Interest income recognised by amortisation of revaluation allowance from debt restructuring	(3,156,936)	(5,953,427)	(3,156,936)	(5,953,427)
Losses on impairment of properties foreclosed	208,281,745	312,146,655	209,674,864	312,146,657
Gains on disposal of investments	(47,349,823)	(177,063,634)	(47,299,223)	(177,063,634)
Gains on disposal of premises and equipment	(76,614,620)	(6,961,935)	(17,256,848)	(6,961,935)
Gains on exchange	(220,655,469)	(4,068,171)	(220,655,469)	(4,068,171)
Amortisation of premium (discount) on long-term investments - net	(3,795,415)	49,808,284	(3,725,827)	49,808,284
Amortisation of prepaid interest expenses	7,569,010	506,897	7,569,010	506,897
(Decrease) increase in interest and dividend income receivables	(102,347,017)	45,251,361	(103,415,410)	43,009,139
Increase in accrued other income	(9,935,915)	(39,458,429)	(17,827,962)	(1,962,693)
Increase (decrease) in accrued interest expenses	390,008,325	(232,767,184)	390,124,354	(231,938,453)
Increase in accrued other expenses	21,428,895	179,169,555	33,982,110	174,062,234
Net cash flows from operating activities before changes in operating assets and liabilities	3,973,888,533	3,015,084,725	3,790,858,671	2,693,239,969

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE BANK ONLY	
	2006	2005	2006	2005
(Increase) decrease in operating assets				
Interbank and money market items	4,451,695,545	4,539,458,875	4,436,589,629	4,440,909,920
Securities purchased under resale agreements	(590,000,000)	7,400,000,000	(590,000,000)	7,400,000,000
Investment in securities for trading	(1,930,019,982)	889,931,577	(1,930,019,982)	889,931,577
Loans	385,835,332	(4,105,967,786)	577,553,844	(4,292,000,377)
Properties foreclosed	831,598,361	913,111,997	825,375,537	909,272,746
Other assets	398,042,880	260,983,379	383,902,731	261,415,852
Increase (decrease) in operating liabilities				
Deposits	(3,260,353,603)	(17,119,112,357)	(3,119,346,107)	(17,136,121,283)
Interbank and money market items	(2,950,436,330)	2,601,200,652	(10,596,446,055)	2,770,946,877
Liabilities payable on demand	(392,504,150)	108,802,020	(392,504,150)	108,802,020
Securities sold under repurchase agreements	(100,000,000)	(100,000,000)	(100,000,000)	(100,000,000)
Short-term borrowings	(1,106,412,317)	1,650,827,641	(826,412,317)	1,921,327,641
Other liabilities	452,759,656	(550,994,094)	468,383,825	(474,107,465)
Net cash provided by (used in) operating activities	164,093,925	(496,673,371)	(7,072,064,374)	(606,382,523)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments	5,094,663,733	9,282,227,184	5,062,597,545	9,277,176,082
Cash paid for investments in subsidiary	-	(16,700,642,673)	-	(16,700,642,673)
Cash paid for investments	(4,126,526,388)	(7,532,673,323)	(4,182,776,563)	(7,541,046,199)
Capital refunded from subsidiary	-	-	7,429,987,457	-
Dividend received from investment in associated company	11,044,518	2,644,462	11,044,518	2,644,462
Cash received from merger	-	599,085,005	-	599,085,005
Proceeds from sales of premises and equipment	117,155,158	10,350,957	21,605,022	11,429,364
Purchases of premises and equipment	(195,443,105)	(382,062,046)	(189,364,113)	(253,710,042)
Purchases of intangible assets	(152,311,314)	(254,726,280)	(149,716,216)	(254,726,280)
Net cash provided by (used in) investing activities	748,582,602	(14,975,796,714)	8,003,377,650	(14,859,790,281)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash received from minority interest for call-up share capital				
of subsidiary company	18,749,826	6,250,174	-	-
Decrease in long-term borrowings	(2,000,862,689)	(3,355,996)	(2,000,862,689)	(3,355,996)
Cash received from share capital	-	16,700,642,674	-	16,700,642,674
Net cash (used in) provided by financing activities	(1,982,112,863)	16,703,536,852	(2,000,862,689)	16,697,286,678
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,069,436,336)	1,231,066,767	(1,069,549,413)	1,231,113,874
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	4,934,239,398	3,703,172,631	4,934,193,582	3,703,079,708
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	3,864,803,062	4,934,239,398	3,864,644,169	4,934,193,582
	-	-	-	-
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION				
Cash paid during the years for				
Interest expenses	3,647,805,078	1,640,167,056	3,651,497,935	1,629,397,356
Income tax	64,462,903	34,678,390	38,791,809	11,886,188
Non-cash item				
Properties foreclosed received in settlement of debts from borrowers	105,254,564	852,225,433	94,134,770	841,242,228

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

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

1. GENERAL INFORMATION

United Overseas Bank (Thai) Public Company Limited (“the Bank”) was incorporated as a public company under Thai Law. Its registered head office is located at 191 South Sathon Road, Sathon, Bangkok. The Bank’s main business is banking. As at 31 December 2006, the Bank conducts its business through a network of 153 branches covering all parts of Thailand and 1 overseas branch (31 December 2005: 154 domestic branches and 1 overseas branch). Its major shareholder is United Overseas Bank Limited, a company registered in Singapore. As at 31 December 2006 and 2005, the combined staff of the Bank and its subsidiaries totalled 4,114 persons and 3,783 persons, respectively (The Bank only : 3,968 persons and 3,655 persons, respectively).

On 16 March 2006, a meeting of the Bank’s Board of Directors approved the delisting of the Bank’s ordinary shares from the Stock Exchange of Thailand (“SET”) because the Bank currently has no intention to raise funds via the SET for its business expansion, and with the existing small number of minority shares on the market, there is little interest in its shares from investors through the SET. This voluntary delisting was approved by the Bank’s Annual General Meeting of shareholders on 21 April 2006.

United Overseas Bank Limited (UOB) in Singapore undertook a delisting tender offer for the remaining share capital of United Overseas Bank (Thai) Public Company Limited in accordance with the prevailing regulatory requirements. Following the completion of the delisting tender offer at end July 2006, UOB held 99.58 % of United Overseas Bank (Thai) Public Company Limited. Subsequently, as at 31 December 2006, UOB holds 99.59% of United Overseas Bank (Thai) Public Company Limited (2005 : 98.52%).

The Board of Governors of the Stock Exchange of Thailand then approved the delisting of the Bank. The Bank was formally delisted from the Stock Exchange of Thailand on 12 August 2006.

On April 21, 2006, the Bank's Annual General Meeting of shareholders approved the Bank's Thai-language name was changed from Ta-na-karn-United Overseas (Thai) Jam-kad (Ma-ha-chon) to Ta-na-karn UOB Jam-kad (Ma-ha-chon) and Clause 1 of its Memorandum of Association and Articles 1, 2 and 53 of its Articles of Association were amended so as to conform to the change of the Bank's Thai name. The Bank had registered the changes with the Ministry of Commerce on May 2, 2006.

2. MERGER

The merger between Bank of Asia Public Company Limited ("BOA") and UOB Radanasin Bank Public Company Limited ("UOBR") under Section 38 quarter of the Commercial Banking Act ("CBA") was completed on 28 November 2005, with UOBR transferring all of its business, including all assets, rights, obligations and encumbrances, to the Bank. Following the merger, the Bank has changed its name to United Overseas Bank (Thai) Public Company Limited and registered this with the Ministry of Commerce on the aforementioned date.

Under the merger plan, UOBR's net asset value was transferred to UOBT in exchange of a promissory note. As at 31 December 2005, the outstanding P/N amount was Baht 7,529 million, due at call and bearing interest at a fixed rate of 0.01 percent per annum.

As part of the merger approval obtained from the Ministry of Finance on 7 September 2005, UOBR returned its banking license to the Ministry of Finance on 4 September 2006. On 20 November 2006, the Shareholders of UOBR to liquidate the company, appointed a liquidator and changed the name from UOB Radanasin Bank Public Company Limited to UOB Radanasin Public Company Limited. On 25 December 2006, UOBR called back the full amount of P/N plus interest from UOBT and on 26 December 2006, UOBR has partially returned the capital fund amounting to Baht 7,430 million to its shareholders, including UOBT.

For statutory financial reporting, the financial statements of UOBT will be presented as per the merger occurred in November 2005. However, to provide additional information on the Bank's operating results for comparison purposes, pro forma condensed statements of earnings have been prepared and presented as though the merger between the Bank and UOBR was made on 1 January 2005, as follows:

(Unit : Million Baht)

	Consolidated		The Bank only	
	For the years ended 31 December		For the years ended 31 December	
	2006	2005	2006	2005
Interest and dividend income	10,362	8,557	10,252	8,400
Interest expenses	(4,038)	(2,082)	(4,042)	(2,072)
Bad debt and doubtful accounts	(447)	(15)	(443)	(11)
Non-interest income	2,469	1,001	2,234	750
Non-interest expenses	(6,194)	(6,203)	(5,862)	(5,829)
Income tax	(13)	(20)	-	-
Net income before provision for New BOT's regulation	2,139	1,238	2,139	1,238
Provision for New BOT's regulation	(1,538)	-	(1,538)	-
Net income for the years	601	1,238	601	1,238
Pro forma earnings per share (Baht)	0.07	0.15	0.07	0.15
No. of issued shares as at 31 December (million share)	8,217	8,217	8,217	8,217

In addition, on 29 July 2004, the Bank also submitted the plan to liquidate its Bangkok International Banking Facility ("BIBF") to the Bank of Thailand. The Bank of Thailand subsequently notified the Bank, on 18 May 2005, that the Ministry of Finance had granted permission for the combination of the BIBF operation with the Bank's commercial banking operations and ordering it to return its BIBF license in due course.

On 13 October 2006, the Bank returned its BIBF license to the Bank of Thailand and the Ministry of Finance.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the requirement of the Notification of the Bank of Thailand relating to the format of the financial statements of commercial banks dated 10 May 2001.

The financial statements have been prepared on a historical cost basis except for those that have been disclosed in the accounting policy.

4. BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of United Overseas Bank (Thai) Public Company Limited and the following subsidiaries.

	Business Type	Country of registration	Percentage of share holdings		Percentage of total assets including in consolidated totals		Percentage of income including in consolidated totals for the years ended	
			As at 31 December		As at 31 December		31 December	
			2006	2005	2006	2005	2006	2005
Subsidiaries								
UOB Leasing (Thai) Co., Ltd.	Leasing	Thailand	99.99	99.99	1.51	1.63	3.24	6.19
UOB Asset Management (Thai) Co., Ltd.	Fund Management	Thailand	99.99	99.99	0.06	0.08	1.78	3.55
UOB Radanasin Public Co., Ltd. (Formerly known as "UOB Radanasin bank Public Co., Ltd.)	Liquidation	Thailand	99.99	99.99	-	-	-	-
UOB Bullion & Futures (Thai) Co., Ltd. (Formerly known as "UBF Future Co., Ltd.")	Future Index Brokerage	Thailand	75.00	74.99	-	-	-	-

Subsidiaries are entities in which the Bank has control over financial and operating policies of those entities. Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date of disposal. Significant accounting policies of subsidiaries are also consistent with the policies adopted by the Bank. The effects to the consolidated financial statements of all significant transactions between the Bank and its subsidiaries are eliminated

in the consolidated financial statements, including investment in subsidiaries and share capital of subsidiaries. Minority interest is disclosed separately in shareholders' equity.

The accompanying financial statements include the accounts of all branches and of the Bank's Bangkok International Banking Facility business after the elimination of significant inter-company transactions and balances.

However, if the Bank receives shares as a result of debt restructuring of a borrower, which causes the Bank to hold more than 50 percent of the shares of such company, the Bank will not treat that investee company as a subsidiary company, and will treat it as general investments since the Bank intends to hold such shares temporarily.

The consolidated financial statements do not include the financial statements of unit trusts in which the Bank holds more than 50 percent of their issued units since the Bank takes no control over their financial and operating policies.

5. CHANGE IN ACCOUNTING POLICIES/ADOPTION OF NEW ACCOUNTING STANDARDS

In October 2006, the Federation of Accounting Professions issued Notification No. 26/2006 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 119 million (Baht 0.01 per share) and decreasing the Bank's shareholders' equity as at 31 December 2006 by approximately Baht 399 million.

6. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted by the Bank and its subsidiaries are summarised below.

6.1 Revenue recognition

(a) Interest and discount on loans

The Bank recognises interest on loans as income on an accrual basis. In accordance with the Bank of Thailand's regulation, interest in arrears for more than three months from the due date, regardless of whether the loans are covered by collateral, is not accrued as interest income but is instead recognised as income when received. In addition, interest accrued in arrears for three months is reversed against interest income.

Interest income from loans under litigation is recognised on a cash basis.

(b) Revenue recognition of subsidiaries

Revenues from hire-purchase and finance lease contracts are recognised on an accrual basis using the sum-of-the-year-digits method except for installments overdue more than six months, which are recognised on a cash basis.

Rental income from operating lease contracts and car rent are recognised based on the term of lease except for receivables overdue more than six months, which are recognised on a cash basis.

Revenues from factoring are recognised on an accrual basis except for overdue receivables more than six months, which are recognised on a cash basis.

Interest income from loans under legal/litigation process is recognised on a cash basis.

Management fees and registrar fees are calculated as a percentage of the net asset value of the funds managed by a subsidiary or fixed amount as mentioned in prospectus and recognised as income on an accrual basis.

6.2 Expenses recognition

The Bank and its subsidiaries recognise expenses on an accrual basis.

6.3 Cash and cash equivalents

Cash and cash equivalents are those amounts included in the balance sheet under the caption of cash, and consist of cash on hand and cheques in transit.

6.4 Investments

The Bank and its subsidiaries classify investments in all types of debt securities and marketable equity securities as either trading securities, available-for-sale securities, or held-to-maturity securities, and classify non-marketable equity securities as general investment or investments in subsidiaries and associated companies.

Investments classified as trading securities are stated at fair value. Unrealised gains or losses arising on the revaluation of trading securities are reflected in the statement of income.

Investments classified as available-for-sale securities are stated at fair value. Unrealised gains or losses arising on the revaluation of available-for-sale securities are shown as a separate component of shareholders' equity. Loss on impairment is charged to the statement of income.

Investments in debt securities held to maturity are separated into current or long-term investments based on residual maturity and are stated at amortised cost net of allowance for impairment. Premiums and discounts arising on the acquisition of securities held to maturity are amortised or accreted to interest income in the statement of income based on effective yield rate over the term of the securities. Any loss from impairment is charged to the statement of income.

General investments, other than investments in subsidiaries and associated companies, are stated at cost net of allowance for impairment. Loss on impairment is charged to the statement of income.

Investments in subsidiaries and associated companies are recorded using the equity method. Goodwill is amortised by the straight-line method over a period of 10 years. In the event that the Bank's equity interest in a subsidiary or associated company represents a share of the net liabilities of that company, the resulting amount is recorded under the heading "other liabilities" in the balance sheet. However, if the Bank received shares as a result of debt restructuring of a borrower, which cause the Bank to hold more than 20 percent or 50 percent of the shares of these companies, the Bank will not treat that these companies as associated company or subsidiaries company respectively, and will not accounted for them using equity accounting method. These equities will be classified as general investments since the Bank intends to hold these shares temporarily.

Purchases and sales of investments are recognised on trade date except for investments in debt securities, which are recognised on settlement date.

Realised gains or losses resulting from the disposal of securities are recognised in the statement of income by using the weighted average cost calculation method.

Interest income from debt securities is recognised on an accrual basis by using effective interest rate.

Dividend income is recognised in the statement of income on the date that the dividend is declared to the Bank.

Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues.

Fair values of securities are calculated on the following bases:

- (i) For Government securities and state enterprises securities, fair values are calculated by using the Bank of Thailand formula, based on the average latest bidding price posted on the Thai Bond Market Association.

- (ii) For listed equity securities, fair value is the last bid price quoted in The Stock Exchange of Thailand on the last business day of the year.
- (iii) For unit trust, fair value is the Net Assets Value (NAV) as at the end of the year.
- (iv) For private enterprises debt securities, the last closing prices of the Thai Bond Market Association are used as fair values. In the absence of such prices, fair values are determined by applying the aforementioned Bank of Thailand's yield curve adjusted for risk in accordance with the criteria established by the Bank of Thailand.

6.5 Securities purchased (sold) under resale (repurchase) agreements

The Bank enters into purchases (sales) of securities under agreements to resell (repurchase) securities at certain dates in the future at a fixed price. Amounts paid for securities purchased subject to a commitment to be resold at a future date are presented as securities purchased under resale agreements in the balance sheet. These receivables are shown as collateralised by the underlying security.

Securities sold under repurchase agreements presented as liabilities in the balance sheet are stated at amounts received from the sale of those securities and the underlying securities are treated as collaterals.

The difference between the sale and purchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest income or expense.

6.6 Loans

Loans include overdrafts, term-loans, trade bills, hire purchase and financial lease receivables and other loans. All items categorised under loans (except for overdrafts) are disclosed as principal amount outstanding net off unearned discounts received in advance, with accrued interest income added as a single line item for all the instruments together.

Overdrafts are stated at the drawn amounts together with any accrued interest.

Discounts received in advance in respect of bills purchased and other unearned interest income are recognised on an accrual basis over the period to maturity of the bills.

6.7 Allowance for doubtful accounts

- a) For loans of banking business

The Bank provides allowance for doubtful accounts for debtors in accordance with the Notification of the Bank of Thailand. The Bank of Thailand has guidelines for establishing a minimum level of allowance for doubtful accounts, which is primarily determined by applying specified percentages to the different classifications of loans in conjunction with the consideration of collateral valuation. Loan classifications are based principally on the period that a loan is past due and the repayment ability of debtors.

The Bank's policy is to classify its loans at a customer level in recognition of the common credit risk attached to all facilities associated with a particular borrower. The Bank then conservatively determines an appropriate allowance for doubtful accounts for each customer to hedge against its risk of default.

Year 2006

In December 2006, the BOT announced new regulations to loan provisions. The following paragraph describes the policies.

On 21 December 2006, BOT 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. Under the new guidelines, commercial banks have to make 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 stipulated 7% discount rate and the time needed to dispose of collateral, in accordance with the BOT's guideline. The timeline for implementing these provisioning guidelines is presented below.

- i) From the second half-year period of 2006 provisions are to be made for receivables for which a court judgment has already been issued, for which a court order is being executed, and against which legal actions have been brought.

- ii) From the half-year period ending 30 June 2007 provisions are to be made for receivables that are classified as doubtful of loss and doubtful.
- iii) From the year ending 31 December 2007 provisions are to be made for receivables that are classified as substandard.

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

As at 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 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 of 1% for normal debt, 2% for special mention debt, 20% for substandard debt, 50% for doubtful debt and 100% for doubtful of loss debt. The Bank deducts the valuation of collateral against the loan balance before determining provisions as allowed under BOT guidelines.

- b) Bad debts are written off during the period that the Bank considers they are uncollectible as approved by the Executive Committee and are deducted from the allowance for doubtful accounts. All bad debt recovered are recognized as income on cash basis.

In addition, the Bank also writes off unsecured consumer loans overdue more than 180 days. Those unsecured consumer loans comprise of credit card receivable and other unsecured personal loans.

- c) For subsidiaries' receivables

Allowance for doubtful accounts of a subsidiary is calculated at the determined percentage of the outstanding receivables and is an estimate of those amount which may prove to be uncollectible based on historical collection experience and a review of the current status of the existing receivables.

6.8 Troubled debt restructuring

The Bank restructures loans by means of transferring assets, transferring equity or modifying the terms of the loan.

Loans which have been restructured through a modification of terms (“modified loans”) are stated at the present value of estimated future receivable cash flows using discount rates equivalent to the market interest rates applicable at the time of the restructuring. The difference between the fair value of the loan as at the restructuring date and the previous book value is accounted for as revaluation allowance for debt restructuring and amortised to the statement of income as interest income based on the amount received over the remaining period of the restructuring agreement.

6.9 Properties foreclosed

Properties foreclosed of the Bank and a subsidiary are stated at the lower of cost or net realisable value. Net realisable value is determined by using the latest appraisal value. Properties foreclosed which have been received as a result of an asset swap are recorded at the lower of the legally claimable value of the loan or the net realisable value of the foreclosed property.

Losses on impairment are charged to the statement of income. Gains or losses on the sale of properties foreclosed are recognised only when such properties are sold.

6.10 Premises and equipment and depreciation

Land is stated at cost or revaluation. Premises is stated at cost or revaluation less accumulated depreciation and allowance for impairment (if any). Equipment is stated at cost less accumulated depreciation.

Depreciation is calculated by reference to their cost or revaluation on a straight-line basis over the following estimated useful life :

Premises	-	50 years
Equipment	-	5 or 10 years

No depreciation is determined for land and assets under installation.

Depreciation is included in determining earnings.

Land and buildings were appraised by independent appraisers. The Bank's policy is to revalue these assets every 5 years in order that the book value of these assets on the balance sheet dates does not differ materially from their fair value. Differences arising from revaluation are dealt with in the financial statements as follows: -

- When an asset's carrying amount is increased as a result of a revaluation of the Bank's assets, the increase is credited directly to equity under the heading of "Revaluation surplus on assets". However, a revaluation increase will be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Bank's assets, the decrease is recognised as an expense in the statements of income. However, a revaluation decrease is to be charged directly against the related "Revaluation surplus of assets" to the extent that the decrease does not exceed the amount held in the "Revaluation surplus of assets" in respect of those same assets. Any excess amount is to be recognised as an expense in the income statement.

Amortisation of the revaluation surplus on assets is transferred directly to retained earnings (deficit).

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

6.11 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation. Amortisation is included as an expense in the statement of income and is calculated using the straight-line basis over the estimated useful lives of the assets as follows:

Leasehold rights	Over the lease period
Application softwares	5 or 10 years
Others	5 years

6.12 Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. In the event that no independent market value can be obtained, then an estimate is assessed.

6.13 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.

6.14 Employee benefits

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

The Bank and its employees established the provident funds under the Provident Fund Act B.E. 2530. According to the Fund's regulations, every employee, after the probation period, is entitled to apply for membership. The employees contribute to the fund at the rate of 2% or 5% of basic salary and the Bank contributes to the fund at the rate of 5% of basic salary. The employees are entitled to the benefits upon termination of employment status except when the terminated employee has violated the rules of the Bank.

The Bank's subsidiaries and their employees also established their provident funds under the Provident Fund Act B.E. 2530. The Bank's subsidiaries and their employees contribute to the fund at the same rate of between 3 - 10 percent of basic salary depending upon the number of years of services of each employee. The funds will be paid to employees upon termination in accordance with the rules of the funds.

The funds set up by the Bank and its subsidiaries are managed independently by UOB Asset Management (Thai) Co., Ltd. and therefore do not appear in the consolidated or individual balance sheets of the Bank and the relevant subsidiaries.

The Bank has a gratuities scheme for employees with at least 5-years' continuous employment period and do not contribute to the Provident Fund, the benefit being based on percent of monthly salary plus interest and pays out every 5 years. The Bank also has a severance payment scheme for employees who have employment period of not less than 15 years only for the Bank of Asia's employees who joined the Bank before 16 May 2005, the benefit being based on the latest month's salary and the years of services. Employees will receive half of this severance payment when they resign or will receive it in full when they retire. The provisions for both schemes are recorded as expenses in statements of income.

6.15 Contributions to the Financial Institutions Development Fund

Contributions to the Financial Institutions Development Fund are recorded as expenses for the period on an accrual basis.

6.16 Income tax

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

6.17 Translation of foreign currency

Transactions in foreign currencies are translated into Baht at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies and off-balance sheet items, which related to forward exchange contracts and currency swap contracts, outstanding on the balance sheet date, have been translated into Baht at the exchange rate ruling on the balance sheet date announced by the Bank of Thailand.

All foreign exchange gains or losses are recognised in the statement of income.

6.18 Financial derivatives

Financial derivative contracts are regarded as off-balance sheet items and the changes in fair value are recorded in the statements of income.

Outstanding financial derivative contracts are valued at fair value. At the balance sheet date, the unrealised gains or losses on outstanding financial derivative contracts, are included in other assets or other liabilities in the balance sheet.

6.19 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank and its subsidiaries have a legally enforceable right to set off the recognised amount and the transactions are intended to be settled on a net basis.

6.20 Use of accounting estimates

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

7. CASH

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at 31 December		As at 31 December	
	2006	2005	2006	2005
Cash	3,674	4,171	3,674	4,171
Cheques in transit	191	763	191	763
Total	3,865	4,934	3,865	4,934

8. INTERBANK AND MONEY MARKET ITEMS (ASSETS)

(Unit : Million Baht)

	CONSOLIDATED					
	As at 31 December 2006			As at 31 December 2005		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
The Bank of Thailand and Financial Institutions						
Development Fund	1,474	-	1,474	2,023	-	2,023
Commercial banks	28	1,052	1,080	65	11	76
Other banks	1	-	1	1	-	1
Finance companies, finance and securities companies, securities companies and credit foncier companies	-	400	400	18	428	446
Other financial institutions	-	598	598	-	598	598
Total domestic items	1,503	2,050	3,553	2,107	1,037	3,144
<u>Add</u> : Accrued interest receivables	-	5	5	-	3	3
<u>Less</u> : Allowance for doubtful accounts	-	(5)	(5)	-	(4)	(4)
Domestic items - net	1,503	2,050	3,553	2,107	1,036	3,143
Foreign items						
US Dollar	487	3,239	3,726	474	7,863	8,337
Yen	65	-	65	114	-	114
EURO	180	-	180	141	-	141
Pound sterling	70	-	70	106	-	106
Other currencies	124	-	124	378	-	378
Total foreign items	926	3,239	4,165	1,213	7,863	9,076

Domestic and foreign items - net	2,429	5,289	7,718	3,320	8,899	12,219
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(Unit : Million Baht)

THE BANK ONLY

	As at 31 December 2006			As at 31 December 2005		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
The Bank of Thailand and Financial Institutions						
Development Fund	1,474	-	1,474	2,023	-	2,023
Commercial banks	13	1,014	1,027	54	1	55
Other banks	1	-	1	1	-	1
Financial companies, finance and securities companies, securities companies and credit foncier companies	-	400	400	-	400	400
Other financial institutions	-	598	598	-	598	598
Total domestic items	1,488	2,012	3,500	2,078	999	3,077
<u>Add</u> : Accrued interest receivables	-	5	5	-	2	2
<u>Less</u> : Allowance for doubtful accounts	-	(5)	(5)	-	(4)	(4)
Domestic items - net	1,488	2,012	3,500	2,078	997	3,075
Foreign items						
US Dollar	487	3,239	3,726	474	7,863	8,337
Yen	65	-	65	114	-	114
EURO	180	-	180	141	-	141
Pound sterling	70	-	70	106	-	106
Other currencies	124	-	124	378	-	378
Total foreign items	926	3,239	4,165	1,213	7,863	9,076
Domestic and foreign items-net	2,414	5,251	7,665	3,291	8,860	12,151

9. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(Unit : Million Baht)

CONSOLIDATED AND THE BANK ONLY

	As at 31 December	
	2006	2005
Government and Bank of Thailand bonds	1,590	200
Financial Institutions Development Fund bonds	-	800

Total	<u>1,590</u>	<u>1,000</u>
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10. INVESTMENTS

10.1 Classified by types of investment

(Unit : Million Baht)

	CONSOLIDATED			
	As at 31 December 2006		As at 31 December 2005	
	Cost/ amortised		Cost/ amortised	
	cost	Fair value	cost	Fair value
Current investments				
Securities for trading				
Government and state enterprises securities	2,555	2,558	625	631
Add : Allowance for revaluation	3	-	6	-
Total	<u>2,558</u>	<u>2,558</u>	<u>631</u>	<u>631</u>
Available-for-sale securities				
Government and state enterprises securities	514	514	1,458	1,452
Private enterprises debt securities	124	121	496	497
Total	638	635	1,954	1,949
Add (less) : Allowance for revaluation	5	-	(5)	-
Less : Allowance for impairment of securities	(8)	-	-	-
Total	<u>635</u>	<u>635</u>	<u>1,949</u>	<u>1,949</u>
Total current investments - net	<u>3,193</u>		<u>2,580</u>	
Long - term investments				
Available-for-sale securities				
Government and state enterprises securities	2,544	2,558	2,177	2,099
Private enterprises debt securities	53	4	376	300
Marketable domestic equity securities	357	398	460	448
Unit trusts	2,006	1,755	1,265	1,124
Total	4,960	4,715	4,278	3,971
Add (less) : Allowance for revaluation	81	-	(3)	-
Less : Allowance for impairment of securities	(326)	-	(304)	-

Total	4,715	4,715	3,971	3,971
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(Unit : Million Baht)

CONSOLIDATED

	As at 31 December 2006		As at 31 December 2005	
	Cost/ amortised cost	Fair value	Cost/ amortised cost	Fair value
Held-to-maturity debt instruments				
Thai Asset Management Corporation promissory notes	4,116		4,507	
Less : Allowance for impairment of securities	(2,014)		(1,770)	
Total	2,102		2,737	
General investment				
Non-marketable domestic equity securities	172		177	
Non-marketable foreign equity securities	15		15	
Unit trusts	151		181	
Total	338		373	
Less : Allowance for impairment of securities	(140)		(141)	
Total	198		232	
Total long - term investments - net	7,015		6,940	

(Unit : Million Baht)

THE BANK ONLY

	As at 31 December 2006		As at 31 December 2005	
	Cost/ amortised cost	Fair value	Cost/ amortised cost	Fair value
Current investments				
Securities for trading				
Government and state enterprises securities	2,555	2,558	625	631
Add : Allowance for revaluation	3	-	6	-
Total	2,558	2,558	631	631
Available-for-sale securities				
Government and state enterprises securities	514	514	1,436	1,430
Private sector debt securities	123	120	496	497
Total	637	634	1,932	1,927
Add (less) : Allowance for revaluation	5	-	(5)	-
Less : Allowance for impairment of securities	(8)	-	-	-
Total	634	634	1,927	1,927
Total current investments - net	3,192		2,558	
Long - term investments				
Available-for-sale securities				
Government and state enterprises securities	2,544	2,558	2,177	2,099
Private sector debt securities	49	-	366	291
Marketable domestic equity securities	357	397	460	448
Unit trusts	1,997	1,751	1,252	1,116
Total	4,947	4,706	4,255	3,954
Add : Allowance for revaluation	85	-	3	-
Less : Allowance for impairment of securities	(326)	-	(304)	-
Total	4,706	4,706	3,954	3,954

(Unit : Million Baht)

	THE BANK ONLY			
	As at 31 December 2006		As at 31 December 2005	
	Cost/ amortised		Cost/ amortised	
	cost	Fair value	cost	Fair value
Held-to-maturity debt instruments				
Thai Asset Management Corporation				
promissory notes	4,116		4,507	
Less : Allowance for impairment of securities	(2,014)		(1,770)	
Total	2,102		2,737	
General investment				
Non-marketable domestic equity securities	157		161	
Non-marketable foreign equity securities	15		15	
Unit trusts	151		181	
Total	323		357	
Less : Allowance for impairment of securities	(125)		(126)	
Total	198		231	
Total long - term investments - net	7,006		6,922	

Since the Bank's accounting policy is to record sales and purchases of investments in debt securities on settlement date, therefore as at 31 December 2006, the Bank has commitments to purchase debt securities of Baht 8,659 million (2005 : Baht 2,328 million) and commitments to sell debt securities of Baht 5,870 million (2005 : Baht 1,473 million), which have not been recorded in the book of accounts.

The Bank has commitments in relation to an investment agreement to purchase investment units denominated in US Dollar currency. As at 31 December 2006, the Bank was committed to pay Baht 17 million, (2005 : Baht 30 million) converted using, the exchange rate ruling on the balance sheet date, for such investment.

10.2 Classified by the remaining period to maturity of the debt securities

Investments in debt instruments, excluding trading debt instruments, classified by remaining maturities are as follows:

(Unit : Million Baht)

	CONSOLIDATED			
	As at 31 December 2006			
	remaining within			
	1 year	1 – 5 years	Over 5 years	Total
Available-for-sale securities				
Government and state enterprises securities	514	2,461	83	3,058
Private sector debt securities	173	4	-	177
Unit trusts	5	1,574	-	1,579
Total	692	4,039	83	4,814
Add (less) : Allowance for revaluation	5	53	(5)	53
Less : Allowance for impairment of securities	(63)	(3)	-	(66)
Total	634	4,089	78	4,801
Held-to-maturity debt instruments				
Thai Asset Management Corporation promissory notes	-	4,033	83	4,116
Less : Allowance for impairment of securities	-	(1,973)	(41)	(2,014)
Total	-	2,060	42	2,102

(Unit : Million Baht)

	CONSOLIDATED			
	As at 31 December 2005			
	remaining within			
	1 year	1 – 5 years	Over 5 years	Total
Available-for-sale securities				
Government and state enterprises securities	1,458	2,086	91	3,635
Private sector debt securities	553	319	-	872
Unit trusts	5	829	-	834
Total	2,016	3,234	91	5,341
Add (less) : Allowance for revaluation	(6)	54	(6)	42
Less : Allowance for impairment of securities	(63)	(11)	-	(74)
Total	1,947	3,277	85	5,309
Held-to-maturity debt instruments				
Thai Asset Management Corporation promissory notes	-	-	4,507	4,507
Less : Allowance for impairment of securities	-	-	(1,770)	(1,770)
Total	-	-	2,737	2,737

(Unit : Million Baht)

THE BANK ONLY				
As at 31 December 2006				
remaining within				
	1 year	1 – 5 years	Over 5 years	Total
Available-for-sale securities				
Government and state enterprises securities	514	2,461	83	3,058
Private sector debt securities	172	-	-	172
Unit trusts	5	1,574	-	1,579
Total	691	4,035	83	4,809
Add (less) : Allowance for revaluation	5	53	(5)	53
Less : Allowance for impairment of securities	(63)	(3)	-	(66)
Total	633	4,085	78	4,796
Held-to-maturity debt instruments				
Thai Asset Management Corporation				
promissory notes	-	4,033	83	4,116
Less : Allowance for impairment of securities	-	(1,973)	(41)	(2,014)
Total	-	2,060	42	2,102

(Unit : Million Baht)

THE BANK ONLY				
As at 31 December 2005				
remaining within				
	1 year	1 – 5 years	Over 5 years	Total
Available-for-sale securities				
Government and state enterprises securities	1,436	2,086	91	3,613
Private sector debt securities	553	309	-	862
Unit trusts	5	829	-	834
Total	1,994	3,224	91	5,309
Add (less) : Allowance for revaluation	(6)	54	(6)	42
Less : Allowance for impairment of securities	(63)	(11)	-	(74)
Total	1,925	3,267	85	5,277
Held-to-maturity debt instruments				
Thai Asset Management Corporation				
promissory notes	-	-	4,507	4,507
Less : Allowance for impairment of securities	-	-	(1,770)	(1,770)

Total - - 2,737 2,737

As at 31 December 2006 and 2005, investments in unit trusts as recorded in the consolidated financial statements and the financial statements of the Bank only included totals of Baht 1,475 million and Baht 729 million respectively which were purchased from mutual funds managed by a subsidiary company. This is to improve the liquidity of these funds managed by the subsidiary in accordance with guidelines approved by BOT. The subsidiary has plans to liquidate these mutual funds.

10.3 Revaluation surplus on investments

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY	
	As at 31 December	
	2006	2005
Revaluation surplus on investments		
Debt securities	154	274
Equity securities	89	39
Total	243	313
Revaluation deficit on investments		
Debt securities	(101)	(93)
Equity securities	(48)	(88)
Total	(149)	(181)
Total	94	132

10.4 Investments in equity securities in which the Bank and its subsidiaries holds over 10 percent of the paid-up capital, excluding investments in subsidiaries and associated companies, are as follows:

Company's name	Business	Type of securities	CONSOLIDATED			
			As at 31 December 2006			
			Paid-up share capital (Million Baht)	% of investment	Carrying value* (Million Baht)	Dividend for the year (Million Baht)
Related companies						
1. Wing Fat Co., Ltd.	Leather manufacturer	Common stock	70	14.29	-	-
2. Piyalai Holdings Co., Ltd.	Real estate	Common stock	600	10.00	-	-
3. JAT Leasing Co., Ltd.	Hire-purchase	Common stock	90	14.96	-	-

* Carrying value represents the cost less the allowance for impairment (if any).

CONSOLIDATED						
As at 31 December 2005						
Company's name	Business	Type of securities	Paid-up share capital (Million Baht)	% of investment	Carrying value* (Million Baht)	Dividend for the year (Million Baht)
Related companies						
1. Wing Fat Co., Ltd.	Leather manufacturer	Common stock	70	14.29	-	-
2. Asia Dhanavadh Warehouse Co., Ltd.	Warehouse services	Common stock	30	13.33	4	-
3. Piyalai Holdings Co., Ltd.	Real estate	Common stock	600	10.00	-	-
4. JAT Leasing Co., Ltd.	Hire-purchase	Common stock	90	10.00	-	-
Investments from trouble debt restructuring						
1. N.Y. Sugar Co., Ltd.	Sugar manufacturer	Common stock	900	30.00	-	-

* Carrying value represents the cost less the allowance for impairment (if any).

THE BANK ONLY						
As at 31 December 2006						
Company's name	Business	Type of securities	Paid-up share capital (Million Baht)	% of investment	Carrying value* (Million Baht)	Dividend for the year (Million Baht)
Related companies						
1. Wing Fat Co., Ltd.	Leather manufacturer	Common stock	70	14.29	-	-
2. Piyalai Holdings Co., Ltd.	Real estate	Common stock	600	10.00	-	-

* Carrying value represents the cost less the allowance for impairment (if any).

THE BANK ONLY						
As at 31 December 2005						
Company's name	Business	Type of securities	Paid-up share capital (Million Baht)	% of investment	Carrying value* (Million Baht)	Dividend for the year (Million Baht)
Related companies						
1. Wing Fat Co., Ltd.	Leather manufacturer	Common stock	70	14.29	-	-
2. Asia Dhanavadh Warehouse Co., Ltd.	Warehouse services	Common stock	30	13.33	4	-
3. Piyalai Holdings Co., Ltd.	Real estate	Common stock	600	10.00	-	-
Investments from trouble debt restructuring						
1. N.Y. Sugar Co., Ltd.	Sugar manufacturer	Common stock	900	30.00	-	-

* Carrying value represents the cost less the allowance for impairment (if any).

As at 31 December 2005, the Bank has 30 percent shareholding in N.Y. Sugar Co., Ltd. as a result of debt restructuring. The Bank intends to hold such investment on a temporary basis and does not have significant involvement in management of this company. Therefore, the Bank does not treat such company as its associated company and has not accounted for it using the equity accounting method. The Bank has disposed the whole of securities on November 15, 2006.

10.5 Investments in unit trusts in which the Bank and its subsidiaries hold more than 10 percent of total fund, classified by type of fund, are as follows:

	(Unit : Million Baht)			
	CONSOLIDATED		THE BANK ONLY	
	As at 31 December		As at 31 December	
	2006	2005	2006	2005
Investment in equity fund	150	158	146	154
Investment in fixed income fund	784	100	784	100
Investment in flexible fund	821	861	821	861

Total

1,755

1,119

1,751

1,115

10.6 Investments in subsidiaries and associated companies

Company's name	Nature of business	Paid-up share capital		Percentage of Holding		Investment value				Dividend received	
		31 December		31 December		Cost method		Equity method		For the year ended	
		2006	2005	2006	2005	31 December		31 December		31 December	
		Million Baht	Million Baht	%	%	2006	2005	2006	2005	2006	2005
Consolidated											
Associated company											
AXA Insurance Public Co., Ltd.	Non-life insurance	353	353	22.06	22.06	121	121	134	126	11	3
Investments in associated company – net						121	121	134	126	11	3
The Bank Only											
Subsidiaries											
UOB Leasing (Thai) Co., Ltd.	Leasing	320	320	99.99	99.99	320	320	657	556	-	-
UOB Asset Management (Thai) Co., Ltd.	Fund management	100	100	99.99	99.99	136	136	188	168	-	-
UOB Radanasin Plc.	Liquidation	5,417	12,847	99.99	99.99	111	7,541 *	110	7,542	-	-
UOB Bullion & Futures (Thai) Co., Ltd.	Future Index brokerage	100	25	75.00	74.99	75	19	73	18	-	-
Associated company											
AXA Insurance Public Co., Ltd.	Non-life insurance	353	353	22.06	22.06	121	121	134	126	11	3
Investments in subsidiaries and associated companies - net						763	8,137	1,162	8,410	11	3

* The amount has been changed from Baht 16,700 million due to net off merger deficit of Baht 9,159 million.

11. LOANS AND ACCRUED INTEREST RECEIVABLE

11.1 Classified by loan type

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at 31 December		As at 31 December	
	2006	2005	2006	2005
Overdrafts	16,349	16,463	16,349	16,463
Loans	93,039	91,367	92,950	91,278
Trade bills	44,764	48,171	46,671	50,452
Hire-purchase receivables	166	231	-	-
Financial lease receivables	2,109	2,228	-	-
Others	1,116	1,141	709	725
Total	157,543	159,601	156,679	158,918
Add : accrued interest receivables	1,040	1,001	1,047	1,006
Less : allowance for doubtful accounts	(11,842)	(10,693)	(11,705)	(10,559)
Less : revaluation allowance for debt restructuring	(30)	(229)	(30)	(229)
Total	146,711	149,680	145,991	149,136

11.2 Classified by the remaining periods of contracts

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at 31 December		As at 31 December	
	2006	2005	2006	2005
Not over 1 year*	91,821	99,764	90,647	100,075
Over 1 year	65,722	59,837	66,032	58,843
Total	157,543	159,601	156,679	158,918
Add : accrued interest receivables	1,040	1,001	1,047	1,006
Total loans and accrued interest receivables	158,583	160,602	157,726	159,924

* Including contracts without maturity date and expired contracts

11.3 Classified by currencies and residential status of debtors

(Unit : Million Baht)

	CONSOLIDATED					
	As at 31 December 2006			As at 31 December 2005		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	153,764	-	153,764	152,916	-	152,916
US Dollar	3,581	-	3,581	6,377	-	6,377
Other currencies	198	-	198	308	-	308
Total	157,543	-	157,543	159,601	-	159,601
Add: accrued interest						
receivables	1,040	-	1,040	1,001	-	1,001
Total loans and accrued						
interest receivables	158,583	-	158,583	160,602	-	160,602

(Unit : Million Baht)

	THE BANK ONLY					
	As at 31 December 2006			As at 31 December 2005		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	152,900	-	152,900	152,233	-	152,233
US Dollar	3,581	-	3,581	6,377	-	6,377
Other currencies	198	-	198	308	-	308
Total	156,679	-	156,679	158,918	-	158,918
Add: accrued interest						
receivables	1,047	-	1,047	1,006	-	1,006
Total loans and accrued						
interest receivables	157,726	-	157,726	159,924	-	159,924

11.4 Classified by types of business and classified loans

(Unit : Million Baht)

THE BANK ONLY						
As at 31 December 2006						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Agriculture and mining	1,288	19	10	53	751	2,121
Manufacturing and commerce	50,277	379	960	221	9,642	61,479
Real estate and construction	7,171	43	92	83	2,639	10,028
Public utilities and services	13,471	521	323	365	1,047	15,727
Housing loans	44,365	585	223	235	639	46,047
Others	19,922	360	344	72	579	21,277
Total	136,494	1,907	1,952	1,029	15,297	156,679
Add: accrued interest receivables	460	9	8	3	567	1,047
Total loans and accrued interest receivables	136,954	1,916	1,960	1,032	15,864	157,726

(Unit : Million Baht)

THE BANK ONLY						
As at 31 December 2005						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Agriculture and mining	1,139	3	13	105	625	1,885
Manufacturing and commerce	52,481	1,393	653	610	8,822	63,959
Real estate and construction	8,718	70	3	13	2,795	11,599
Public utilities and services	14,372	2,746	259	35	825	18,237
Housing loans	38,897	485	208	214	537	40,341
Others	21,218	614	419	50	596	22,897
Total	136,825	5,311	1,555	1,027	14,200	158,918
Add: accrued interest receivables	474	31	3	32	466	1,006
Total loans and accrued interest receivables	137,299	5,342	1,558	1,059	14,666	159,924

As at 31 December 2006 and 2005, loan of a subsidiary classified by aging as follows:

(Unit : Million Baht)

	As at 31 December	
	2006	2005
Current	2,363	2,545
1 – 3 months	232	204
4 – 6 months	17	42
7 – 12 months	25	37
Over 12 months	133	137
Total	2,770	2,965

11.5 Classified by loan classification in accordance with the Notification of the Bank of Thailand

(Unit : Million Baht)

	THE BANK ONLY				
	As at 31 December 2006				
	Loans and accrued interest receivables	Other claims	Total	Outstanding balance (after deduction of collateral value)	Provision amount
Pass *	136,954	8	136,962	50,302	503
Special mention *	1,916	1	1,917	1,515	30
Substandard	1,960	-	1,960	1,166	233
Doubtful	1,032	1	1,033	521	261
Doubtful of loss	15,864	18	15,882	10,225	10,225
Provision in addition to the minimum requirement of the BOT	-	-	-	-	453
Total	157,726	28	157,754	63,729	11,705

Notes :

- * Debt balance/book value of normal and special mention loans using in calculating provision is excluding accrued interest receivable

(Unit : Million Baht)

THE BANK ONLY					
As at 31 December 2005					
				Outstanding balance (after deduction of collateral value)	Provision amount
	Loans and accrued interest receivables	Other claims	Total		
Pass *	137,299	13	137,312	47,902	479
Special mention *	5,342	1	5,343	2,802	56
Substandard	1,558	1	1,559	968	194
Doubtful	1,059	3	1,062	319	160
Doubtful of loss	14,666	88	14,754	7,389	7,389
Provision in addition to the minimum requirement of the BOT	-	-	-	-	2,281
Total	159,924	106	160,030	59,380	10,559

Notes :

* Debt balance/book value of normal and special mention loans using in calculating provision is excluding accrued interest receivable

As at 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, which are based on the balance of debt remaining after deducting the present value of expected future cash flows from debt collection or from collateral disposal. For 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. Determination of the effect to the financial statements for the year 2007 of the remaining additional provisions required under the new BOT guidelines cannot be finalized at this stage.

As at 31 December 2006 and 2005, provision of loans includes provision of other claims amounting to Baht 19 million and Baht 90 million, respectively.

As at 31 December 2006 and 2005, a subsidiary company has the allowance for doubtful accounts amounting to Baht 137 million and Baht 134 million, respectively.

As at 31 December 2006 and 2005, the amounts of deferred interest attributable to bills purchased at a discount, hire purchase contracts and financial lease receivables, which have been set off against amount recorded as receivables in the balance sheets of the Bank and a subsidiary, are Baht 218 million and Baht 236 million, respectively and for the Bank only are Baht 17 million and Baht 13 million, respectively.

11.6 Non-performing loans

The Bank had the non-performing loans, according to the criteria set up by the BOT as follows:

(Unit : Million Baht)

	THE BANK ONLY	
	As at 31 December	
	2006	2005
Non-performing loans (principal only)	18,277	16,781
Percentage of total loans*	11.55	10.49

* Including interbank and money market loans.

Non-performing loans as at 31 December 2006 and 2005, according to the BOT's criteria, as mentioned above were presented in accordance with the Notification of the BOT dated 16 January 2003, defining the non-performing loans to be the debts classified as substandard, doubtful and doubtful of loss and excluded outstanding loans for which debt restructuring agreements have been made and conditions to upgrade to 'pass' class or 'special mention' class in accordance with the BOT's criteria have already been fulfilled.

As at 31 December 2006 and 2005, a subsidiary had the non-accrued loans, which has ceased recognizing revenues in accordance with its accounting policy as detailed in note 6.1 amounting to Baht 159 million and Baht 157 million, respectively, which represented 4.97% and 5.30% of total loans, respectively.

11.7 Troubled debt restructuring

During the years ended 31 December 2006 and 2005, the Bank entered into troubled debt restructuring agreements with debtors. The number of debtors and their debt balances (including recorded accrued interest receivables) before restructuring can be summarised below.

(Unit : Million Baht)

	THE BANK ONLY	
	For the years ended 31 December	
	2006	2005
Debt balances before restructuring	3,795	6,306
Total number of customers	1,055	4,341

Detail of the restructured debtors for the years ended 31 December 2006 and 2005 referred to above can be classified by method of troubled debt restructuring as follows :-

(Unit : Million Baht)

Type of restructuring	THE BANK ONLY				
	For the year ended 31 December 2006				
	Number of customers subject to restructuring	Debt balances before restructuring	Type of assets/ equity acquired	Fair value of assets/ equity acquired	Debt balances as at the end of year
Asset swap for settlement	69	2,538	Cash	2,538	-
Modification of terms	332	351	Cash	5	346
Transfer of assets and modification of terms	654	906	Cash	188	717
Total	1,055	3,795		2,731	1,063

(Unit : Million Baht)

THE BANK ONLY					
For the year ended 31 December 2005					
Type of restructuring	Number of customers subject to restructuring	Debt balances before restructuring	Type of assets/ equity acquired	Fair value of assets/ equity acquired	Debt balances at the end of year
Asset swap for settlement	550	1,415	Cash	1,415	-
Modification of terms	1,507	2,024		-	2,024
Transfer of assets and modification of terms	2,284	2,867	Cash Land	1,094 148	1,625
Total	4,341	6,306		2,657	3,649

The Bank recorded losses on restructuring in relation to certain particular customers as utilisation of allowance for doubtful accounts rather than charging to in the statements of income for the year since the Bank had already fully provided allowance for those loans.

The debts restructured by means of modification of the term of repayment and combination of methods referred to above during the years ended 31 December 2006 and 2005 can be classified by the term of repayment under the restructuring agreement as follows :

THE BANK ONLY			
For the year ended 31 December 2006			
Term of repayment according to the restructuring agreements	Number of debtors	Debt Balances (Million Baht)	
		Before restructuring	After restructuring
Not more than 5 years	660	672	503
5 – 10 years	108	229	214
10 – 15 years	97	135	128
More than 15 years	121	221	218
Total	986	1,257	1,063

	THE BANK ONLY		
	For the year ended 31 December 2005		
	Number of debtors	Debt Balances (Million Baht)	
		Before restructuring	After restructuring
Term of repayment according to the restructuring agreements			
Not more than 5 years	3,376	3,591	3,067
5 – 10 years	172	937	232
10 – 15 years	124	149	145
More than 15 years	119	214	205
Total	3,791	4,891	3,649

As at 31 December 2006 and 2005, the troubled debtors for which the Bank completed the restructuring can be summarised as follows:

	(Unit : Million Baht)	
	THE BANK ONLY	
	Number of debtors	Debt balances after restructuring
Balance of restructured debtors up to 31 December 2006	5,696	4,559
Balance of restructured debtors up to 31 December 2005	8,456	7,184

For the year ended 31 December 2006 the Bank has committed of additional funds to restructured debtors amounting to Baht 94 million.

11.8 Transfer of Assets to the Thai Asset Management Corporation (TAMC)

On 12 October 2001, the Bank entered into an agreement with the Thai Asset Management Corporation (TAMC) to transfer non-performing loans in accordance with the Emergency Decree on the Thai Asset Management Corporation B.E. 2544. Under the agreement, the Bank will receive a ten-year non-transferable promissory note availed by the Financial Institutions Development Fund, which bore interest at a rate based on the quarterly average deposit rate of the 5 major Thai commercial banks payable annually on the last working day of the year. The face value of the promissory note will be determined based on the lower of (a) the collateral value or (b) the net book value of the loans including three months accrued interest receivable as determined by the TAMC.

In accordance with the Emergency Decree on the Thai Asset Management Corporation B.E. 2544, the TAMC and the Bank will jointly be responsible for any profits or losses arising from managing the impaired assets in accordance with the conditions specified in the agreement at the end of the fifth year and at the end of the tenth year commencing 1 July 2001. The calculation of such profits or losses shall take into consideration the cost of transfer and all operating expenses of the TAMC, including interest on the promissory note. In the event that the TAMC incurs losses on the impaired assets transferred to it by the Bank, the Bank will be responsible for the first portion of losses, not exceeding 20% of the transfer price. The second portion of losses, not exceeding 20% of the transfer price, will be equally shared between the TAMC and the Bank. The remaining losses will be absorbed by the TAMC. In the event that the TAMC makes profits on the impaired assets transferred to it by the Bank, the first portion of profits, not exceeding 20% of the transfer price, will be equally shared between the TAMC and the Bank. Should there be any profits remaining, the Bank is entitled to the remaining profits up to an amount not exceeding the sum of the book value of the assets transferred less the transfer price and the Bank's share of the first portion of the profits.

On 20 May 2004, the TAMC issued a letter to the Bank informing that it was reviewing whether to reduce the value of machinery and inventory which had been pledged as collateral relating to a major debtor. The receivable relating to this debtor was one of the assets transferred to the TAMC in October 2001. The letter argues that, as the pledged machinery and inventory was never moved to the location of the pledgee, the pledge agreement had been made with no intention of actual obligation and, as such, was invalid.

Based on legal advice received from independent legal counsel, the Bank's management assessed as remote, the possibility that the Bank will have to accept a reduction in the value of the promissory note from the TAMC because of the TAMC's contention that the above pledge of assets was invalid. As such, the Bank expected no loss, as a result of that mentioned matter.

On 30 June 2006, the Bank received a letter from TAMC informing that TAMC will not give value to such machinery, given that those assets were not valid collateral and asks the Bank to make adjustment to the original list of assets transferred by reducing the value of the pledged collateral and hence the transfer value of such debtor totaling Baht 1,660 million. However, the Bank's Management does not agree with TAMC's position. The Bank has written to the TAMC on 31 July 2006 to confirm that the original transfer value is correct.

In addition, the Bank also received TAMC's letter dated 10 July 2006 and 7 December 2006 requesting the Bank to review the value of collateral of the transferred non-performing loans which are leasehold rights and whether the Bank's right over the leasehold rights are valid. If the Bank's legal right over the leasehold rights are invalid, the Bank is requested to adjust the collateral value and its transferred price amounting to Baht 5.4 million. The Bank's Management has confirmed the Bank's right over such collateral at the transfer date and therefore maintained the transfer price as previously reported as correct.

On 28 November 2006, the Bank received a TAMC loss sharing report for the end of the first 5 - year period, which the Bank was required to inform TAMC if any disputes arose from such report. The Bank has responded to the TAMC on the loss sharing report to TAMC on 15 January 2007, which included the confirmation of original transfer value as mentioned in the two preceding paragraphs.

The gross book value (before deduction of allowance for doubtful accounts) of receivable to TAMC was Baht 10,582 million, with the total transfer price based on the lower of collateral value or net book value of loans and accrued interest receivable totaling of Baht 6,399 million, of which included the value of collaterals as detailed in the three mentioned paragraphs. Against this, the Bank has provided a provision for contingent loss from the gain/loss sharing from managing the impaired assets totaling of Baht 2,014 million.

As at 31 December 2006 and 2005, the outstanding of TAMC's promissory note (before the price adjustment as informed according to TAMC's letter as mentioned above) was Baht 4,116 million and Baht 4,507 million, respectively as described in Note 10.1. During the year ended 31 December 2006, the Bank received a payment from TAMC for a principal and interest amounting to Baht 388 million and Baht 47 million, respectively (2005 : principal of Baht 1,214 million and interest of Baht 61 million, respectively).

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

(Unit : Million Baht)

	THE BANK ONLY						
	For the year ended 31 December 2006						
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Additional provision	Total
Beginning balance	479	56	194	160	7,389	2,281	10,559
Doubtful accounts (reversal)	25	(26)	39	100	4,126	(1,808)	2,456
Transferred from merger company	-	-	-	-	-	-	-
Reversal due to debt restructuring	-	-	-	-	(490)	-	(490)
Reversal due to contingent liabilities	-	-	-	-	-	-	-
Reversal due to loan to interbank and money market	(1)	-	-	-	-	-	(1)
Bad debts written off	-	-	-	-	(938)	-	(938)
Reversal due to allowance for debt restructuring	-	-	-	-	196	-	196
Additional loss from loan transfer to TAMC	-	-	-	-	-	-	-
Others	-	-	-	-	(77)	-	(77)
Ending balance	<u>503</u>	<u>30</u>	<u>233</u>	<u>260</u>	<u>10,206</u>	<u>473</u>	<u>11,705</u>

(Unit : Million Baht)

	THE BANK ONLY						
	For the year ended 31 December 2005						
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Additional provision	Total
Beginning balance	382	37	189	119	9,099	3,832	13,658
Doubtful accounts (reversal)	(7)	10	(33)	(4)	1,432	(1,551)	(153)
Transferred from merger company	105	9	38	45	250	-	447
Reversal due to debt restructuring	-	-	-	-	(1,055)	-	(1,055)
Reversal due to contingent liabilities	-	-	-	-	(110)	-	(110)
Reversal due to loan to interbank and money market	(1)	-	-	-	-	-	(1)
Bad debts written off	-	-	-	-	(2,217)	-	(2,217)
Reversal due to allowance for debt restructuring	-	-	-	-	-	-	-
Additional loss from loan transfer to TAMC	-	-	-	-	(21)	-	(21)
Others	-	-	-	-	11	-	11
Ending balance	<u>479</u>	<u>56</u>	<u>194</u>	<u>160</u>	<u>7,389</u>	<u>2,281</u>	<u>10,559</u>

As at 31 December 2006 and 2005, the allowance for doubtful accounts of a subsidiary is as follows:

(Unit : Million Baht)

	As at 31 December	
	2006	2005
Beginning balance	134	130
Doubtful accounts	3	19
Bad debt recovery	-	(12)
Others	-	(3)
Ending balance	<u>137</u>	<u>134</u>

13. REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY	
	For the years ended 31 December	
	2006	2005
Beginning balance	229	228
Increase (from merger)	-	7
Reversal due to allowance for doubtful account	(196)	-
Amortisation	(3)	(6)
Ending balance	<u>30</u>	<u>229</u>

14. PROPERTIES FORECLOSED

Properties foreclosed represent properties from debtors as a result of debt restructuring or properties obtained as a result of a successful bid for the mortgaged assets of debtors at auction.

Under the debt restructuring agreements, in cases where the debtors restructure their debts by means of a debt/asset swap, the Bank grants buyback options or first refusal rights to certain debtors for a certain period, at prices as agreed in the debt restructuring agreements. The buyback prices are normally agreed to be the transfer prices of the properties on the restructuring dates or plus interest.

Under BOT rules, the commercial banks are also required to treat owned closed branch premises as “Properties foreclosed”.

As at 31 December 2006 and 2005, the details of properties foreclosed are as follows:

(Unit : Million Baht)

CONSOLIDATED					
For the year ended 31 December 2006					
Type of properties foreclosed	Beginning balance	Addition	Disposal	Ending balance	Obligations with regard to buy back options or first refusal rights
Immovable	13,586	466	(1,165)	12,887	803
Movable	2	16	(17)	1	-
Total	13,588	482	(1,182)	12,888	803
Others	103	1	(7)	97	-
Total properties foreclosed	13,691	483	(1,189)	12,985	803
Less : Allowance for impairment	(679)	(210)	1	(888)	(47)
Properties foreclosed - net	13,012	273	(1,188)	12,097	756

(Unit : Million Baht)

CONSOLIDATED					
For the year ended 31 December 2005					
Type of properties foreclosed	Beginning balance	Addition *	Disposal	Ending balance	Obligations with regard to buy back options or first refusal rights
Immovable	13,289	1,755	(1,458)	13,586	1,188
Movable	10	16	(24)	2	-
Total	13,299	1,771	(1,482)	13,588	1,188
Others	77	29	(3)	103	10
Total properties foreclosed	13,376	1,800	(1,485)	13,691	1,198
Less : Allowance for impairment	(364)	(322)	7	(679)	(25)
Properties foreclosed - net	13,012	1,478	(1,478)	13,012	1,173

* Including properties foreclosed received from merger amounting to Baht 366 million.

(Unit : Million Baht)

THE BANK ONLY

For the year ended 31 December 2006

Type of properties foreclosed	Beginning			Ending		Obligations with regard to buy back options or first refusal rights
	balance	Addition	Disposal	balance		
Immovable	13,586	466	(1,165)	12,887	803	
Movable	-	5	(5)	-	-	
Total	13,586	471	(1,170)	12,887	803	
Others	103	1	(7)	97	-	
Total properties foreclosed	13,689	472	(1,177)	12,984	803	
Less : Allowance for impairment	(677)	(210)	-	(887)	(47)	
Properties foreclosed - net	13,012	262	(1,177)	12,097	756	

(Unit : Million Baht)

THE BANK ONLY

For the year ended 31 December 2005

Type of properties foreclosed	Beginning			Ending		Obligations with regard to buy back options or first refusal rights
	balance	Addition *	Disposal	balance		
Immovable	13,289	1,755	(1,458)	13,586	1,188	
Movable	-	-	-	-	-	
Total	13,289	1,755	(1,458)	13,586	1,188	
Others	77	29	(3)	103	10	
Total properties foreclosed	13,366	1,784	(1,461)	13,689	1,198	
Less : Allowance for impairment	(355)	(322)	-	(677)	(25)	
Properties foreclosed - net	13,011	1,462	(1,461)	13,012	1,173	

* Including properties foreclosed received from merger amounting to Baht 366 million.

15. PREMISES AND EQUIPMENT

(Unit : Million Baht)

	CONSOLIDATED				
	Land	Premises	Equipment	Assets under installation	Total
<u>Cost</u>					
31 December 2005	1,382	1,418	3,772	417	6,989
Acquisition	-	-	147	48	195
Transfer in (out)	-	48	362	(414)	(4)
Disposal and write-off	-	(39)	(545)	-	(584)
31 December 2006	1,382	1,427	3,736	51	6,596
<u>Increase from revaluation</u>					
31 December 2005	693	72	-	-	765
Increased	198	121	-	-	319
Transfer out	-	(5)	-	-	(5)
31 December 2006	891	188	-	-	1,079
<u>Accumulated depreciation</u>					
31 December 2005	-	(665)	(2,501)	-	(3,166)
Depreciation charged for the year	-	(17)	(436)	-	(453)
Transfer(in)out	-	(97)	20	-	(77)
Disposal and write-off	-	10	487	-	497
31 December 2006	-	(769)	(2,430)	-	(3,199)
<u>Impairment loss</u>					
31 December 2005	(367)	(240)	(3)	-	(610)
Decreased	9	66	-	-	75
Transfer out	3	50	1	-	54
31 December 2006	(355)	(124)	(2)	-	(481)
<u>Net book value</u>					
31 December 2005	1,708	585	1,268	417	3,978
31 December 2006	1,918	722	1,304	51	3,995
Depreciation charge included in the statements of income for the years ended 31 December :-					
2005					447
2006					453

(Unit : Million Baht)

THE BANK ONLY

	Land	Premises	Equipment	Assets under installation	Total
<u>Cost</u>					
31 December 2005	1,382	1,418	2,904	417	6,121
Acquisition	-	-	141	48	189
Transfer in (out)	-	48	362	(414)	(4)
Disposal and write-off	-	(39)	(287)	-	(326)
31 December 2006	1,382	1,427	3,120	51	5,980
<u>Increase from revaluation</u>					
31 December 2005	693	72	-	-	765
Increase	198	121	-	-	319
Transfer out	-	(5)	-	-	(5)
31 December 2006	891	188	-	-	1,079
<u>Accumulated depreciation</u>					
31 December 2005	-	(665)	(1,935)	-	(2,600)
Depreciation charged for the year	-	(17)	(310)	-	(327)
Transfer(in)out	-	(97)	20	-	(77)
Disposal and write-off	-	10	264	-	274
31 December 2006	-	(769)	(1,961)	-	(2,730)
<u>Impairment loss</u>					
31 December 2005	(367)	(240)	-	-	(607)
Decreased	9	66	-	-	75
Transfer out	3	50	-	-	53
31 December 2006	(355)	(124)	-	-	(479)
<u>Net book value</u>					
31 December 2005	1,708	585	969	417	3,679
31 December 2006	1,918	722	1,159	51	3,850
Depreciation charge included in the statements of income for the year ended :-					
2005					266
2006					327

During the year 2006, the Bank's land and building were appraised by independent appraiser. Difference arising from revaluation is recorded in the Bank's financial statement in accordance with the accounting policy as detailed in note 6.10 to financial statements.

As at 31 December 2006, certain premises and equipment items of the Bank and its subsidiaries have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 1,114 million (2005 : Baht 1,363 million). (The Bank only : Baht 1,061 million, 2005 : Baht 1,315 million)

16. INTANGIBLE ASSETS

As at 31 December 2006 and 2005, the intangible assets are as follows :-

(Unit : Million Baht)

	CONSOLIDATED				
	Leasehold rights	Application software	Assets under installation	Others	Total
<u>Cost</u>					
31 December 2005	348	823	179	7	1,357
Acquisition	40	90	22	-	152
Transfer in (out)	-	181	(177)	-	4
Disposal and write-off	-	(50)	-	(2)	(52)
31 December 2006	388	1,044	24	5	1,461
<u>Accumulated amortisation</u>					
31 December 2005	(178)	(450)	-	-	(628)
Transfer out	-	36	-	-	36
Amortisation for the year	(17)	(65)	-	-	(82)
31 December 2006	(195)	(479)	-	-	(674)
<u>Net book value</u>					
31 December 2005	170	373	179	7	729
31 December 2006	193	565	24	5	787
Remaining useful lives (years)	1-24	1-10	-	2	
Amortisation for the years ended 31 December					
2005					121
2006					82

(Unit : Million Baht)

	THE BANK ONLY				Total
	Leasehold rights	Application software	Assets under installation	Others	
<u>Cost</u>					
31 December 2005	347	803	179	2	1,331
Acquisition	41	87	22	-	150
Transfer in (out)	-	181	(177)	-	4
Disposal and write-off	-	(50)	-	-	(50)
31 December 2006	388	1,021	24	2	1,435
<u>Accumulated amortisation</u>					
31 December 2005	(178)	(430)	-	-	(608)
Transfer out	-	36	-	-	36
Amortisation for the year	(17)	(64)	-	-	(81)
31 December 2006	(195)	(458)	-	-	(653)
<u>Net book value</u>					
31 December 2005	169	373	179	2	723
31 December 2006	193	563	24	2	782
Remaining useful lives (years)	1-24	1-10	-	-	
Amortisation for the years ended 31 December					
2005					121
2006					81

As at 31 December 2006, certain intangible assets of the Bank and its subsidiaries have been fully amortised but are still in use. The original cost, before deducting accumulated amortization, of those assets amounted to Baht 156 million (2005 : Baht 44 million). (The Bank only : Baht 154 million, 2005 : Baht 44 million)

17. CLASSIFIED ASSETS

(Unit : Million Baht)

THE BANK ONLY					
As at 31 December 2006					
	Investments	Loans ⁽¹⁾	Properties foreclosed	Other assets ⁽²⁾	Total
Classifications					
Pass	-	137,998	-	9	138,007
Special mention	-	1,908	-	-	1,908
Substandard	-	1,951	-	8	1,959
Doubtful	-	1,029	-	4	1,033
Doubtful of loss	2,606	15,297	528	664	19,095
Total	2,606	158,183	528	685	162,002

(Unit : Million Baht)

THE BANK ONLY					
As at 31 December 2005					
	Investments	Loans ⁽¹⁾	Properties foreclosed	Other assets ⁽²⁾	Total
Classifications					
Pass	-	137,828	-	13	137,841
Special mention	-	5,311	-	1	5,312
Substandard	-	1,555	-	4	1,559
Doubtful	-	1,027	-	35	1,062
Doubtful of loss	2,367	14,199	367	635	17,568
Total	2,367	159,920	367	688	163,342

⁽¹⁾ Including interbank and money market loans.

⁽²⁾ Including accrued interest receivable for non-performing loans.

18. DEPOSITS

18.1 Classified by types of deposits

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at 31 December		As at 31 December	
	2006	2005	2006	2005
Current accounts	4,725	5,696	4,734	5,696
Savings accounts	56,939	85,442	57,062	85,447
Fixed deposits				
- Less than 6 months	69,320	31,515	69,356	31,536
- 6 months - 1 year	12,852	20,521	12,852	20,521
- Over 1 year	5,639	9,607	5,639	9,607
Total	149,475	152,781	149,643	152,807

18.2 Classified by the remaining period of contracts

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at 31 December		As at 31 December	
	2006	2005	2006	2005
Not over 1 year	146,965	147,848	147,133	147,874
Over 1 year	2,510	4,933	2,510	4,933
Total	149,475	152,781	149,643	152,807

18.3 Classified by currencies and residential status of depositors

(Unit : Million Baht)

	CONSOLIDATED					
	As at 31 December 2006			As at 31 December 2005		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	145,729	2,435	148,164	148,659	2,786	151,445
US Dollar	808	164	972	793	205	998
Others	129	210	339	104	234	338
Total	146,666	2,809	149,475	149,556	3,225	152,781

(Unit : Million Baht)

	THE BANK ONLY					
	As at 31 December 2006			As at 31 December 2005		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	145,897	2,435	148,332	148,685	2,786	151,471
US Dollar	808	164	972	793	205	998
Others	129	210	339	104	234	338
Total	146,834	2,809	149,643	149,582	3,225	152,807

19. INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

(Unit : Million Baht)

	CONSOLIDATED					
	As at 31 December 2006			As at 31 December 2005		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
The Bank of Thailand and Financial Institutions Development Fund	-	1,128	1,128	-	1,028	1,028
Commercial banks	753	10	763	1,302	488	1,790
Other banks	10	-	10	6	-	6
Finance companies, finance and securities companies, securities companies and credit foncier companies	1,719	252	1,971	2,237	247	2,484
Other financial institutions	1,349	604	1,953	995	409	1,404
Total domestic items	3,831	1,994	5,825	4,540	2,172	6,712
Foreign items						
US Dollar	35	-	35	46	-	46
Yen	-	-	-	-	1,815	1,815
Other currencies	694	-	694	935	-	935
Total foreign items	729	-	729	981	1,815	2,796
Total domestic and foreign items	4,560	1,994	6,554	5,521	3,987	9,508

(Unit : Million Baht)

	THE BANK ONLY					
	As at 31 December 2006			As at 31 December 2005		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
The Bank of Thailand and Financial Institutions						
Development Fund	-	1,128	1,128	-	1,028	1,028
Commercial banks	642	80	722	8,907	488	9,395
Other banks	10	-	10	6	-	6
Finance companies, finance and securities companies, securities companies and credit foncier companies	1,719	252	1,971	2,237	247	2,484
Other financial institutions	1,349	604	1,953	995	409	1,404
Total domestic items	3,720	2,064	5,784	12,145	2,172	14,317
Foreign items						
US Dollar	35	-	35	46	-	46
Yen	-	-	-	-	1,815	1,815
Other currencies	694	-	694	935	-	935
Total foreign items	729	-	729	981	1,815	2,796
Total domestic and foreign items	4,449	2,064	6,513	13,126	3,987	17,113

20. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY	
	As at 31 December	
	2006	2005
Government Saving Bank Bonds	-	100

21. BORROWINGS

As at 31 December 2006 and 2005, borrowings comprising only domestic borrowings in Baht currency are classified by type of securities, maturity and interest rate as follows:-

(Unit : Million Baht)

CONSOLIDATED			
As at 31 December 2006			
Types	Maturity	Interest rate per annum	Amount
Short – term borrowings			
Bills of exchange	4 Jan. 2007 – 26 Jun. 2007	4.00 – 5.00 %	1,995
Term loan agreement	31 Oct. 2007	-	2
Total short-term borrowings			<u>1,997</u>
Long – term borrowings			
Term loan agreement	31 Mar. 2009 – 20 Jan. 2013	-	15
Total long – term borrowings			<u>15</u>
Total borrowings			<u><u>2,012</u></u>

(Unit : Million Baht)

CONSOLIDATED			
As at 31 December 2005			
Types	Maturity	Interest rate per annum	Amount
Short – term borrowings			
Bills of exchange	25 Jan. 2006 - 5 Oct. 2006	3.00 – 3.88%	2,873
Bills of exchange	11 Jan. 2006 - 11 Apr. 2006	3.00 – 3.30%	230
Total short-term borrowings			<u>3,103</u>
Long – term borrowings			
Subordinated debentures	15 Aug. 2008	6.50%	2,000
Term loan agreement	31 Oct. 2007 - 31 Mar. 2009	-	9
Total long – term borrowings			<u>2,009</u>
Total borrowings			<u><u>5,112</u></u>

(Unit : Million Baht)

THE BANK ONLY
As at 31 December 2006

Types	Maturity	Interest rate per annum	Amount
Short – term borrowings			
Bills of exchange	4 Jan. 2007 – 26 Jun. 2007	4.00 – 5.00 %	2,045
Term loan agreement	31 Oct. 2007	-	2
Total short – term borrowings			2,047
Long – term borrowings			
Term loan agreement	31 Mar. 2009 – 20 Jan. 2013	-	15
Total long – term borrowings			15
Total borrowings			2,062

(Unit : Million Baht)

THE BANK ONLY
As at 31 December 2005

Types	Maturity	Interest rate per annum	Amount
Short – term borrowings			
Bills of exchange	25 Jan. 2006 - 5 Oct. 2006	3.00 – 3.88%	2,873
Total short – term borrowings			2,873
Long – term borrowings			
Subordinated debentures	15 Aug. 2008	6.50%	2,000
Term loan agreement	31 Oct. 2007 - 31 Mar. 2009	-	9
Total long – term borrowings			2,009
Total borrowings			4,882

Subordinated debentures sold to local specific investors

On 15 August 2001, the Bank offered 2 million units of subordinated debenture at Baht 1,000 per unit, totaling Baht 2,000 million through private placement. The debenture has a 7-year term, carries a floating interest rate calculated based on the average of the deposit rate for one year of four major commercial banks and the Bank plus 2.50 percent per annum with a minimum guaranteed rate of 6.50 percent per annum and is due for redemption on 15 August 2008.

On 18 May 2006, the Bank's Board of Director's Meeting approved an early redemption of the mentioned subordinated debentures on 15 August 2006. The Bank of Thailand approved the early redemption of the mentioned subordinated debentures on 14 June 2006. On 15 August 2006, the Bank redeemed the full amount of subordinated debentures.

22. OTHER LIABILITIES

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at 31 December		As at 31 December	
	2006	2005	2006	2005
Deposits	103	125	98	98
Unrealised loss on				
derivative contracts	-	106	-	106
Provision of contingencies liabilities	198	145	198	145
Bills collection - branch	179	152	179	152
Accounts payable - others	706	343	689	327
Rental income received in advance	16	21	-	-
Suspense creditor	379	383	375	383
Others	225	123	198	100
Total	1,806	1,398	1,737	1,311

23. STATUTORY RESERVE

Under the Public Company Limited Act B.E. 2535, the Bank and its subsidiaries are required to set aside to a statutory reserve at least 5 percent of its net income, after deducting any balance of deficit brought forward, until such reserve reaches 10 percent of the Bank's registered share capital.

In addition, under the Civil and Commercial Code, the subsidiaries are required to set aside a statutory reserve at least 5 percent of their net income each time dividend is declared until the reserve reaches 10 percent of registered share capital. The statutory reserve cannot be used for dividend payment.

24. OTHER RESERVE

The Bank allocates part of its net income to become other reserves which are classified or considered to be general reserve with no specific purpose.

25. CAPITAL FUND

(Unit : Million Baht)

	THE BANK ONLY	
	As at 31 December	
	2006	2005
Tier 1 capital		
Paid-up share capital and discount on share capital	56,509	56,509
Statutory reserve	368	368
Other reserve	72	72
Deficit	(25,261)	(26,219)
Less : Net loss	(318)	-
Less : Merger adjustment	(9,159)	(9,159)
	<u>22,211</u>	<u>21,571</u>
Tier 2 capital		
Unrealised increment on land appraisal (70%)	468	485
Unrealised increment on buildings appraisal (50%)	22	24
Provision for pass loans and receivables	961	1,940
Revaluation gain on investment in available-for-sale		
Equity securities (45%)	17	-
Subordinated debentures	-	800
	<u>1,468</u>	<u>3,249</u>
	<u>23,679</u>	<u>24,820</u>
Less : Revaluation deficit on investment in available-for-sale		
equity securities (100%)	-	(45)
Total capital fund	<u>23,679</u>	<u>24,775</u>
Tier 1 capital ratio	%	16.36
Total capital ratio	%	17.44
Minimum tier 1 capital ratio requirement	%	4.25
Minimum total capital ratio requirement	%	8.50

26. GAINS ON INVESTMENTS

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY	
	For the years ended 31 December	
	2006	2005
Gains on disposal of investments	86	199
Gain (loss) on revaluation of investments	(3)	8
Gains on investments	<u>83</u>	<u>207</u>

27. GAINS (LOSSES) ON PROPERTIES FORECLOSED

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	For the years ended 31 December		For the years ended 31 December	
	2006	2005	2006	2005
Gains on disposal of properties foreclosed	302	168	300	162
Loss on impairment of properties foreclosed	(210)	(312)	(210)	(312)
Gains (losses) on properties foreclosed	<u>92</u>	<u>(144)</u>	<u>90</u>	<u>(150)</u>

28. COMMITMENTS AND CONTINGENCIES LIABILITIES
28.1 Commitments

(Unit : Million Baht)

CONSOLIDATED AND THE BANK ONLY

As at 31 December 2006

	Baht currency	Foreign currencies	Total
Aval to bills	488	-	488
Guarantees of loans	80	484	564
Other guarantees	12,515	376	12,891
Letters of credit	47	2,087	2,134
Foreign exchange contracts			
Bought	-	23,979	23,979
Sold	-	26,630	26,630
Forward rate agreement	-	-	-
Interest rate swap contracts	34,621	1,587	36,208
Cross currency interest rate swap contracts			
Bought	-	584	584
Sold	-	1,451	1,451
Foreign exchange options			
Bought	-	72	72
Sold	-	72	72
Equity - linked options			
Bought	1,009	-	1,009
Sold	1,009	-	1,009
Undrawn overdraft amount	19,361	-	19,361
Liability under unmatured import bills	34	1,125	1,159
Total	69,164	58,447	127,611

(Unit : Million Baht)

CONSOLIDATED AND THE BANK ONLY

As at 31 December 2005

	Baht currency	Foreign currencies	Total
Aval to bills	506	-	506
Guarantees of loans	35	646	681
Other guarantees	12,637	559	13,196
Letters of credit	118	3,100	3,218
Foreign exchange contracts			
Bought	-	24,505	24,505
Sold	-	29,703	29,703
Forward rate agreements	-	821	821
Interest rate swap contracts	26,879	3,057	29,936
Cross currency interest rate swap contracts			
Bought	-	2,716	2,716
Sold	-	1,677	1,677
Foreign exchange options			
Bought	-	287	287
Sold	-	205	205
Equity - linked options			
Bought	115	-	115
Sold	115	-	115
Undrawn overdraft amount	19,892	-	19,892
Liability under unmatured import bills	53	1,368	1,421
Total	60,350	68,644	128,994

28.2 Commitments under long-term lease agreements

As at 31 December 2006 and 2005, the Bank and its subsidiaries had land/building lease agreements for branch offices and vehicles lease agreements, for which the lease terms range from 3 – 30 years and are renewable. The Bank and its subsidiaries also have committed to pay future rental payments which can be summarised as follows:

(Unit : Million Baht)

	CONSOLIDATED		THE BANK ONLY	
	As at 31 December		As at 31 December	
	2006	2005	2006	2005
Land and building rental commitments	242	263	221	232
Car rental commitments	68	17	110	107
Total	310	280	331	339

28.3 Other commitments

The Bank has the contractual commitments in respect of the purchase and servicing of information technology systems as well as other services. The outstanding balances of these major contractual commitments as at 31 December 2006 and 2005, were approximately Baht 395 million and Baht 223 million, respectively.

As at 31 December 2006 and 2005, the Bank also has commitments in relation to various “to-sell and to-purchase” agreements for its foreclosed properties, the net book value of which were Baht 1,599 million and Baht 249 million, respectively. The estimated gains under those agreements are Baht 131 million and Baht 47 million, respectively, and the Bank recognizes the sales transactions and the gains arising therefrom on the transfer dates.

In addition, the Bank has commitments in respect of the loss sharing under the Non-performing Loan Transfer Agreement made with TAMC, as discussed in Note 11.8.

29. ASSETS PLEDGED AS COLLATERAL

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY	
	Net book value as at 31 December	
	2006	2005
Government bonds		
Pledged as collateral for securities sold under repurchase agreement	927	890
Pledged as collateral for Government departments	1,940	1,422

30. LITIGATION

In the course of operating its banking business the Bank has had various labor suits and civil suits brought against it, including cases of tort. Under these lawsuits, claims against the Bank as at 31 December 2006 and 2005 totalled Baht 1,633 million and Baht 1,015 million, respectively. The Bank's management believes that the liability (if any) resulting from the lawsuits will not have a material impact to the Bank's financial position or results of operations.

31. RELATED PARTY TRANSACTIONS

During the years, the Bank had significant business transactions with its subsidiaries, associated, related companies (related by ways of shareholding and/or common shareholders and/or common directors) and related persons (directors or executives from level of Senior Vice President upwards). Such transactions, have been concluded on commercial terms and based agreed upon in the ordinary course of business between the Bank and those companies. Interest rates on loans to employees are calculated based on the Bank's employee welfare policy.

As at 31 December 2006 the Bank also has staff welfare loans to executives from level of Senior Vice President upwards of Baht 18 million (2005: Baht 15 million) and also has normal loans to its executive officers from Senior Vice President level upwards and their closed family members with the outstanding balance as at 31 December 2006 of Baht 21 million (2005 : Baht 36 million) and the average balance for the period then ended of Baht 23 million (2005 : Baht 25 million).

In addition, the Bank also has deposits of those staffs and their closed family members of Baht 75 million (2005: Baht 31 million).

Significant transactions, outstanding balances, income and expenses incurred with related parties, apart from those disclosed in the other notes, are summarized below.

(Unit : Million Baht)

	CONSOLIDATED							
	For the years ended 31 December							
	2006				2005			
	Associated company	Related companies	Group of major shareholder (UOB)	Total	Associated company	Related companies	Group of major shareholder (UOB)	Total
Interest income	-	92	136	228	-	99	22	121
Gain on exchange	-	1	65	66	-	-	183	183
Commission and service income	18	1	-	19	20	-	-	20
Interest expenses	-	8	3	11	-	3	-	3
Other expenses	-	-	-	-	-	-	1	1
Insurance expenses	13	-	-	13	13	-	11	24
Commission and service expenses	-	-	100	100	-	-	19	19
Premises and equipment expenses	-	-	26	26	-	-	7	7

(Unit : Million Baht)

	THE BANK ONLY									
	For the years ended 31 December									
	2006					2005				
	Subsidiaries	Associated company	Related companies	Group of major shareholder (UOB)	Total	Subsidiaries	Associated company	Related companies	Group of major shareholder (UOB)	Total
Interest income	105	-	92	136	333	74	-	99	22	195
Gain on exchange	-	-	1	65	66	-	-	-	183	183
Commission and service income	78	18	1	-	97	78	20	-	-	98
Interest expenses	5	-	8	3	16	-	-	3	-	3
Other expenses	-	-	-	-	-	-	-	-	1	1
Insurance expenses	-	-	-	-	-	-	4	-	11	15
Commission and service expenses	-	-	-	100	100	8	-	-	19	27
Premises and equipment expenses	25	-	-	26	51	37	-	-	7	44

The outstanding balances of significant related party transactions as at 31 December 2006 and 2005, are as follows:

(Unit : Million Baht)

	CONSOLIDATED																	
	As at 31 December 2006									As at 31 December 2005								
	Average loans outstanding	Outstanding loans	Interbank and money market items (assets)	Other assets	Commitment /off-balance sheet	Deposits	Interbank and money market items (liabilities)	Short-term borrowings	Other liabilities	Average loans outstanding	Outstanding loans	Interbank and money market items (assets)	Other assets	Commitment /off-balance sheet	Deposits	Interbank and money market items (liabilities)	Other liabilities	Pricing policy of loans
Associated company																		
AXA Insurance Plc.	-	-	-	5	-	23	-	-	-	-	-	-	4	-	33	-	-	N/A
Related companies																		
Wing Fat Co., Ltd.	367	367	-	-	1	-	-	-	367	367	-	-	-	1	-	-	-	NPL
Asia Dhanavadh Warehouse Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7	-	-	N/A
Piyalai Holdings Co., Ltd.	574	574	-	-	-	-	-	-	574	574	-	-	-	-	-	-	-	NPL
JAT Leasing Co., Ltd.	6	-	-	-	-	-	-	-	2	1	-	-	-	-	-	-	-	MLR reference rate
N.Y. Sugar Co., Ltd.	-	-	-	-	-	-	-	-	1,790	1,776	-	-	-	2	19	-	-	MLR – 2% or 12-month fixed deposit rate + 2.75%
First Andaman Co., Ltd.	186	186	-	-	-	-	-	-	186	186	-	-	-	-	-	-	-	NPL
Loxley Plc.	16	13	-	-	7	1	-	-	30	59	-	-	52	6	-	-	-	7.14 to 8.75% p.a.
TNT Logistics (Thailand) Co., Ltd.	-	-	-	-	-	106	-	-	-	-	-	-	-	-	137	-	-	N/A
The Muangthai Life Assurance Co., Ltd.	-	-	-	-	-	-	7	-	-	-	-	-	-	-	-	4	-	N/A
Siam City Securities Co., Ltd.	-	-	-	-	-	-	5	-	-	-	-	-	-	-	-	203	-	N/A
Ocean Assurance Co., Ltd.	-	-	-	-	-	10	-	-	-	-	-	-	-	-	-	-	-	N/A
Underwaterworld Pattaya Co., Ltd.	-	-	-	-	-	140	-	-	-	-	-	-	-	-	158	-	-	N/A
PPHR (Thailand) Limited	-	-	-	-	-	2	-	-	-	-	-	-	-	-	2	-	-	N/A
Haw Par Tiger Balm (Thailand) Limited	-	-	-	-	-	36	-	-	-	-	-	-	-	-	14	-	-	N/A
United B MEC (Thai) Co., Ltd.	-	-	-	-	1	4	-	-	-	-	-	-	-	1	3	-	-	N/A
Major shareholders																		
United Overseas Bank Limited	-	-	3,296	-	3,025	-	38	-	25	-	-	1,507	-	9,994	-	1,841	317	Money market reference rate
United Overseas Bank Group of Companies	-	-	26	-	2	-	614	-	-	-	-	22	-	11	-	19	-	Money Market reference rate

THE BANK ONLY

	As at 31 December 2006									As at 31 December 2005								
	Average loans outstanding	Outstanding loans	Interbank and money market items (assets)	Other assets	Commitment /off-balance sheet	Deposits	Interbank and money market items (liabilities)	Short - term borrowings	Other liabilities	Average loans outstanding	Outstanding loans	Interbank and money market items (assets)	Other assets	Commitment /off-balance sheet	Deposits	Interbank and money market items (liabilities)	Other liabilities	Pricing policy of loans
Subsidiary companies																		
UOB Leasing (Thai) Co., Ltd.	2,218	1,906	-	44	46	20	-	-	-	2,314	2,282	-	-	5	2	-	-	5.2 to 6.25% p.a.
UOB Asset Management (Thai) Co., Ltd	-	-	-	2	-	-	134	-	-	-	-	-	-	-	-	73	-	N/A
UOB Bullion & Futures (Thai) Co., Ltd.	-	-	-	-	-	43	-	50	-	-	-	-	-	-	25	-	-	N/A
UOB Radanasin Plc.	-	-	-	-	-	105	-	-	-	221	-	-	-	-	-	7,532	-	Money Market reference rate
Associated company																		
AXA Insurance Plc.	-	-	-	-	-	23	-	-	-	-	-	-	-	-	33	-	-	N/A
Related companies																		
Wing Fat Co., Ltd.	367	367	-	-	1	-	-	-	-	367	367	-	-	1	-	-	-	NPL
Asia Dhanavadh Warehouse Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7	-	-	N/A
Piyalai Holdings Co., Ltd.	574	574	-	-	-	-	-	-	-	574	574	-	-	-	-	-	-	NPL
JAT Leasing Co., Ltd.	6	-	-	-	-	-	-	-	-	2	1	-	-	-	-	-	-	MLR reference rate
N.Y. Sugar Co., Ltd.	-	-	-	-	-	-	-	-	-	1,790	1,776	-	-	2	19	-	-	MLR – 2% or 12-month fixed deposit rate + 2.75%
First Andaman Co., Ltd.	186	186	-	-	-	-	-	-	-	186	186	-	-	-	-	-	-	NPL
Loxley Plc.	16	13	-	-	7	1	-	-	-	30	59	-	-	52	6	-	-	7.14 – 8.75% p.a.
TNT Logistics (Thailand) Co., Ltd.	-	-	-	-	-	106	-	-	-	-	-	-	-	-	137	-	-	N/A
The Muangthai Life Assurance Co., Ltd.	-	-	-	-	-	-	7	-	-	-	-	-	-	-	-	4	-	N/A
Siam City Securities Co., Ltd.	-	-	-	-	-	-	5	-	-	-	-	-	-	-	-	203	-	N/A
Ocean Assurance Co., Ltd.	-	-	-	-	-	10	-	-	-	-	-	-	-	-	-	-	-	N/A
Underwaterworld Pattaya Co., Ltd.	-	-	-	-	-	140	-	-	-	-	-	-	-	-	158	-	-	N/A
PPHR (Thailand) Limited	-	-	-	-	-	2	-	-	-	-	-	-	-	-	2	-	-	N/A
Haw Par Tiger Balm (Thailand) Limited	-	-	-	-	-	36	-	-	-	-	-	-	-	-	14	-	-	N/A
United B MEC (Thai) Co., Ltd.	-	-	-	-	1	4	-	-	-	-	-	-	-	1	3	-	-	N/A
Major shareholders																		
United Overseas Bank Limited	-	-	3,296	-	3,025	-	38	-	25	-	-	1,507	-	9,994	-	1,841	317	Money Market reference rate
United Overseas Bank Group of Companies	-	-	26	-	2	-	614	-	-	-	-	22	-	11	-	19	-	Money Market reference rate

32. BENEFITS OF DIRECTORS AND MANAGEMENT

As at 31 December 2006 and 2005, the Bank and its subsidiaries had not paid other benefits except for normal staff benefits to their directors and management.

33. CORPORATE INCOME TAX

After adjusting profits for accounting purposes for non-tax deductible expenses and tax-exempt revenues in the tax computation, there is no income tax payable for the years ended 31 December 2006 and 2005 of the Bank and its subsidiaries since the tax loss brought forward from previous year exceeds the net profit for the years.

Corporate income tax of the subsidiaries on the net profit for the years have been calculated after adding back certain expenses which are disallowable for tax computation purpose.

34. BASIC EARNINGS PER SHARE

Earning per share as presented in the income statements is basic earning per share, which is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year.

The Bank had the basic earnings per share as follows:

	CONSOLIDATED AND THE BANK ONLY	
	For the years ended 31 December	
	2006	2005
Net income (Million Baht)	601	954
Weighted average number of ordinary shares (shares)	8,217,062,166	5,617,141,350
Basic earnings per share (Baht)	0.07	0.17

35. FINANCIAL POSITIONS AND RESULTS OF OPERATIONS CLASSIFIED BY TYPE OF BUSINESSES

Financial position as at 31 December 2006 and 2005, classified by type of business are as follows:

(Unit : Million Baht)

	CONSOLIDATED					
	As at 31 December 2006					
	Bank	Leasing	Others	Total	Eliminated transaction	Consolidated total
Total assets	188,270	2,855	448	191,573	(3,330)	188,243
Interbank and money market items - net (assets)	7,665	34	371	8,070	(352)	7,718
Investments - net	11,360	9	1	11,370	(1,028)	10,342
Loans and accrued interest receivable - net	145,991	2,634	-	148,625	(1,914)	146,711
Deposits	149,643	-	-	149,643	(168)	149,475
Interbank and money market items (liabilities)	6,513	2,081	-	8,594	(2,040)	6,554
Borrowings	2,062	-	-	2,062	(50)	2,012
Total contingencies - off - balance sheet	127,611	-	-	127,611	-	127,611

(Unit : Million Baht)

	CONSOLIDATED					
	As at 31 December 2005					
	Bank	Leasing	Others	Total	Eliminated transaction	Consolidated total
Total assets	211,473	3,214	247	214,934	(18,242)	196,692
Interbank and money market items - net (assets)	19,683	13	155	19,851	(7,632)	12,219
Investments - net	17,889	18	23	17,930	(8,283)	9,647
Loans and accrued interest receivable - net	149,136	2,832	-	151,968	(2,288)	149,680
Deposits	152,807	-	-	152,807	(26)	152,781
Interbank and money market items (liabilities)	17,113	2,282	-	19,395	(9,887)	9,508
Borrowings	4,882	230	-	5,112	-	5,112
Total contingencies - off - balance sheet	128,994	-	-	128,994	-	128,994

Financial position as at 31 December 2006 and 2005, classified by geographic type are as follows :

(Unit : Million Baht)

THE BANK ONLY

As at 31 December 2006

	Domestic	Overseas	Total
Total assets	188,267	3	188,270
Interbank and money market items - net (assets)	7,665	-	7,665
Investments - net	11,360	-	11,360
Loans and accrued interest receivable - net	145,991	-	145,991
Deposits	149,643	-	149,643
Interbank and money market items (liabilities)	6,513	-	6,513
Borrowings	2,062	-	2,062
Total contingencies - off - balance sheet	127,611	-	127,611

(Unit : Million Baht)

THE BANK ONLY

As at 31 December 2005

	Domestic	Overseas	Total
Total assets	203,928	3	203,931
Interbank and money market items - net (assets)	12,151	-	12,151
Investments - net	17,889	-	17,889
Loans and accrued interest receivable - net	149,136	-	149,136
Deposits	152,807	-	152,807
Interbank and money market items (liabilities)	17,113	-	17,113
Borrowings	4,882	-	4,882
Total contingencies - off - balance sheet	128,994	-	128,994

Results of operations for the years ended 31 December 2006 and 2005 classified by type of business :

(Unit : Million Baht)

CONSOLIDATED
For the year ended 31 December 2006

	Bank	Leasing	Others	Total	Eliminated transaction	Consolidated total
Interest and dividend income	10,252	212	8	10,472	(110)	10,362
Interest expenses	(4,041)	(107)	-	(4,148)	110	(4,038)
Net interest and dividend income	6,211	105	8	6,324	-	6,324
Non-interest income	2,233	232	226	2,691	(222)	2,469
Non-interest expenses	(7,843)	(237)	(203)	(8,283)	104	(8,179)
Income before income tax	601	100	31	732	(118)	614

(Unit : Million Baht)

CONSOLIDATED
For the year ended 31 December 2005

	Bank	Leasing	Others	Total	Eliminated transaction	Consolidated total
Interest and dividend income	6,062	229	3	6,294	(75)	6,219
Interest expenses	(1,549)	(85)	-	(1,634)	75	(1,559)
Net interest and dividend income	4,513	144	3	4,660	-	4,660
Non-interest income	479	240	243	962	(233)	729
Non-interest expenses	(4,037)	(304)	(190)	(4,531)	116	(4,415)
Income before income tax	955	80	56	1,091	(117)	974

(Unit : Million Baht)

THE BANK ONLY

For the year ended 31 December 2006

	Domestic	Overseas	Total
Interest and dividend income	10,252	-	10,252
Interest expenses	(4,041)	-	(4,041)
Net interest and dividend income	6,211	-	6,211
Non-interest income	2,233	-	2,233
Non-interest expenses	(7,840)	(3)	(7,843)
Income (loss) before income tax	604	(3)	601

(Unit : Million Baht)

THE BANK ONLY

For the year ended 31 December 2005

	Domestic	Overseas	Total
Interest and dividend income	6,062	-	6,062
Interest expenses	(1,550)	-	(1,550)
Net interest and dividend income	4,512	-	4,512
Non-interest income	479	-	479
Non-interest expenses	(4,034)	(3)	(4,037)
Income (loss) before income tax	957	(3)	954

36. DISCLOSURE OF FINANCIAL INSTRUMENTS

The Bank enters into financial instruments with off-balance sheet risk in the normal course of business, in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in foreign exchange rates and interest rates. These financial instruments with off-balance sheet risk include commitments to extend credit, standby letters of credit, financial guarantees, forward foreign exchange contracts, among others. Such instruments involve, to varying degrees, elements of credit risk, interest rate risk and foreign exchange risk in excess of the amount already recognised in the financial statements. The contracts or notional amounts of those instruments reflect the extent of the Bank's involvement in particular classes of financial instruments.

The Bank enters into derivative contracts as part of its risk management strategy primarily to manage market risks arising from the Bank's underlying assets and liabilities and to reduce customer risks. In entering into off-balance sheet financial instruments, the Bank is governed by policies and parameters proposed by the Assets and Liabilities Committee and endorsed by the Corporate Risk Management Committee and Board of Directors.

36.1 Accounting Policies

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised in respect of each class of financial assets and financial liabilities, are disclosed in Note 6.

36.2 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Bank and its subsidiaries. The Bank and its subsidiaries have adopted the policy of only dealing with creditworthy counterparts and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating the risk of financial losses as a result of defaults.

In the case of recognised financial assets, the carrying amount of the assets recorded in the balance sheet, net of allowance for doubtful accounts, represents the Bank's and its subsidiaries' maximum exposure to credit risk.

Furthermore, the Bank's exposure to credit risk in the event of non-performance by the counterparties to commitments to extend credit, standby letters of credit, and financial guarantees is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and accepting conditional obligations as it does for on-balance sheet instruments. For derivatives, the contract or notional amounts do not represent the real exposure to credit loss. The Bank controls the credit risk of its derivatives through the credit approval process, credit limits, and monitoring procedures set by its Executive Committee. Credit risks also arise from the possibility that the counterparty to the off-balance sheet financial instruments will not adhere to the terms of the contract with the Bank when settlement becomes due.

The following table shows the credit equivalent of unmatured off-balance sheet financial instruments in accordance with the BOT's ruling.

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY	
	As at 31 December	
	2006	2005
Foreign exchange contracts	739	566
Forward rate agreements	-	4
Interest rate swap contracts	282	247
Cross currency interest rate swap contracts	66	151
Options	4	21
Avals to bills	488	506
Guarantees of loans	564	681
Performance guarantees	6,084	6,117
Bid guarantees	184	369
Liability under unmatured import bills	232	284
Import letters of credit	427	644
Others	54	55
Total	9,124	9,645

36.3 Interest Rate Risk

Interest rate risk arises when there is the potential for a change in interest rates to have an adverse effect on the net interest income of the Bank and its subsidiaries in the current reporting year, and in the future. Interest rate risk arises from the structure and characteristics of the Bank and its subsidiaries' assets, liabilities, shareholders' equity and interest rate linked derivative contracts, and from maturity mismatch in the repricing dates of their assets and liabilities.

The table below shows the Bank and its subsidiaries' exposure to interest rate risk, the remaining period to the earlier of contractual repricing dates or maturity dates, and the average contractual interest rate, where applicable, for classes of financial assets and financial liabilities subject to interest rate risk.

(Unit : Million Baht)

CONSOLIDATED
As at 31 December 2006

	Floating rate/					Total	Average rate of return per annum (%)
	Within 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing		
Financial assets							
Cash	-	-	-	-	3,865	3,865	-
Interbank and money market items – net	5,075	131	98	-	2,414	7,718	3.59
Securities purchased under resale agreement	1,590	-	-	-	-	1,590	4.95
Investments - net	1,848	3,015	4,271	328	880	10,342	2.15
Loans	118,220	19,461	1,756	1	18,105	157,543	7.78
Financial liabilities							
Deposits	106,064	36,176	2,510	-	4,725	149,475	2.98
Interbank and money market items	5,421	80	-	-	1,053	6,554	1.84
Liabilities payable on demand	-	-	-	-	1,817	1,817	-
Securities sold under repurchase agreements	-	-	-	-	-	-	-
Short-term borrowings	1,380	617	-	-	-	1,997	4.76
Long-term borrowings	-	-	4	11	-	15	-
Off-balance sheet financial instruments							
Interest rate swap contracts							
- floating rate payer	7,211	7,682	-	-	-	14,893	5.63
- fixed rate payer	712	9,350	10,283	960	-	21,305	4.77
- floating rate payee	12,822	8,493	-	-	-	21,315	5.38
- fixed rate payee	3,512	3,710	6,711	960	-	14,893	4.90
Cross currency interest rate swap contracts							
- floating rate payer	541	721	-	-	-	1,262	5.44
- fixed rate payer	602	-	79	-	-	681	8.07
- floating rate payee	-	-	-	-	-	-	-
- fixed rate payee	949	-	1,086	-	-	2,035	5.37
Forward rate agreement	-	-	-	-	-	-	-

(Unit : Million Baht)

CONSOLIDATED
As at 31 December 2005

	Floating rate/ Within 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total	Average rate of return per annum (%)
Financial assets							
Cash	-	-	-	-	4,934	4,934	-
Interbank and money market items – net	8,279	624	-	-	3,316	12,219	1.86
Securities purchased under resale agreement	1,000	-	-	-	-	1,000	3.95
Investments – net	2,809	2,007	3,643	210	978	9,647	1.23
Loans	109,180	23,503	2,600	532	23,786	159,601	5.69
Financial liabilities							
Deposits	124,957	17,196	4,932	-	5,696	152,781	1.31
Interbank and money market items	8,059	68	-	-	1,381	9,508	0.96
Liabilities payable on demand	-	-	-	-	2,210	2,210	-
Securities sold under repurchase agreements	100	-	-	-	-	100	4.09
Short-term borrowings	-	3,103	-	-	-	3,103	3.81
Long-term borrowings	-	-	2,000	-	9	2,009	6.32
Off-balance sheet financial instruments							
Interest rate swap contracts							
- floating rate payer	7,816	4,848	-	-	-	12,664	3.88
- fixed rate payer	2,148	2,620	12,493	-	-	17,261	4.01
- floating rate payee	15,490	2,582	-	-	-	18,072	4.14
- fixed rate payee	1,615	3,116	7,133	-	-	11,864	3.15
Cross currency interest rate swap contracts							
- floating rate payer	616	1,027	-	-	-	1,643	0.80
- fixed rate payer	329	1,742	715	-	-	2,786	4.42
- floating rate payee	-	1,075	-	-	-	1,075	5.45
- fixed rate payee	324	845	2,149	-	-	3,318	5.30
Forward rate agreements	821	-	-	-	-	821	4.00

(Unit : Million Baht)

THE BANK ONLY
As at 31 December 2006

	Floating rate/ Within 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total	Average rate of return per annum (%)
Financial assets							
Cash	-	-	-	-	3,865	3,865	-
Interbank and money market items – net	4,953	201	98	-	2,413	7,665	3.54
Securities purchased under resale agreement	1,590	-	-	-	-	1,590	4.95
Investments – net	1,847	3,015	4,267	328	1,903	11,360	2.15
Loans	117,973	18,713	2,066	-	17,927	156,679	7.67
Financial liabilities							
Deposits	106,223	36,176	2,510	-	4,734	149,643	2.98
Interbank and money market items	5,380	80	-	-	1,053	6,513	1.83
Liabilities payable on demand	-	-	-	-	1,817	1,817	-
Securities sold under repurchase agreements	-	-	-	-	-	-	-
Short-term borrowings	1,430	617	-	-	-	2,047	4.64
Long-term borrowings	-	-	4	11	-	15	-
Off-balance sheet financial instruments							
Interest rate swap contracts							
- floating rate payer	7,211	7,682	-	-	-	14,893	5.63
- fixed rate payer	712	9,350	10,283	960	-	21,305	4.77
- floating rate payee	12,822	8,493	-	-	-	21,315	5.38
- fixed rate payee	3,512	3,710	6,711	960	-	14,893	4.90
Cross currency interest rate swap contracts							
- floating rate payer	541	721	-	-	-	1,262	5.44
- fixed rate payer	602	-	79	-	-	681	8.07
- floating rate payee	-	-	-	-	-	-	-
- fixed rate payee	949	-	1,086	-	-	2,035	5.37
Forward rate agreement	-	-	-	-	-	-	-

(Unit : Million Baht)

THE BANK ONLY
As at 31 December 2005

	Floating rate/ Within 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total	Average rate of return per annum (%)
Financial assets							
Cash	-	-	-	-	4,934	4,934	-
Interbank and money market items – net	8,254	611	-	-	3,286	12,151	2.09
Securities purchased under resale agreement	1,000	-	-	-	-	1,000	3.95
Investments – net	2,809	1,985	3,643	210	9,242	17,889	1.23
Loans	109,008	24,142	1,606	532	23,630	158,918	5.62
Financial liabilities							
Deposits	124,982	17,197	4,932	-	5,696	152,807	1.31
Interbank and money market items	15,664	68	-	-	1,381	17,113	0.89
Liabilities payable on demand	-	-	-	-	2,210	2,210	-
Securities sold under repurchase agreements	100	-	-	-	-	100	4.09
Short-term borrowings	-	2,873	-	-	-	2,873	3.87
Long-term borrowings	-	-	2,000	-	9	2,009	6.32
Off-balance sheet financial instruments							
Interest rate swap contracts							
- floating rate payer	7,816	4,848	-	-	-	12,664	3.88
- fixed rate payer	2,148	2,620	12,493	-	-	17,261	4.01
- floating rate payee	15,490	2,582	-	-	-	18,072	4.14
- fixed rate payee	1,615	3,116	7,133	-	-	11,864	3.15
Cross currency interest rate swap contracts							
- floating rate payer	616	1,027	-	-	-	1,643	0.80
- fixed rate payer	329	1,742	715	-	-	2,786	4.42
- floating rate payee	-	1,075	-	-	-	1,075	5.45
- fixed rate payee	324	845	2,149	-	-	3,318	5.30
Forward rate agreements	821	-	-	-	-	821	4.00

36.4 Liquidity Risk

Liquidity risk is the risk that the Bank and its subsidiaries may not be able to meet their obligations as they fall due as a result of inability to release their assets or to cover funding requirements at an appropriate price, resulting in losses to the Bank and its subsidiaries. The Bank's Assets and Liabilities Committee sets policies and supervises the management of liquidity risk.

The maturity analysis of financial assets, financial liabilities and off-balance sheet items computed from the remaining maturity to repayment date is as follows:

(Unit : Million Baht)

	CONSOLIDATED						Total
	As at 31 December 2006						
	Call	Within 3 months	3-12 months	1-5 years	More than 5 years	No specific maturity	
Financial assets							
Cash	3,865	-	-	-	-	-	3,865
Interbank and money market items – net	2,428	5,061	131	98	-	-	7,718
Securities purchased under resale agreements	-	1,590	-	-	-	-	1,590
Investments – net	-	1,848	912	6,331	371	880	10,342
Loans *	20,208	38,412	15,096	24,755	40,967	18,105	157,543
Financial liabilities							
Deposits	61,664	49,125	36,176	2,510	-	-	149,475
Interbank and money market items	4,560	1,594	100	300	-	-	6,554
Liabilities payable on demand	1,817	-	-	-	-	-	1,817
Securities sold under repurchase agreements	-	-	-	-	-	-	-
Short-term borrowings	-	1,380	617	-	-	-	1,997
Long-term borrowings	-	-	-	4	11	-	15
Off-balance sheet financial instruments							
Avals to bills	-	478	10	-	-	-	488
Guarantee of loans	96	17	180	271	-	-	564
Other guarantees	6,584	1,811	3,996	415	85	-	12,891
Letters of credit	133	1,692	309	-	-	-	2,134
Foreign exchange contracts	-	36,777	12,449	1,383	-	-	50,609
Forward rate agreements	-	-	-	-	-	-	-
Interest rate swap contracts	-	4,233	13,061	16,993	1,921	-	36,208
Cross currency interest rate swap contracts	-	949	-	1,086	-	-	2,035
Foreign exchange options	-	144	-	-	-	-	144
Equity linked options	-	-	229	1,789	-	-	2,018
Undrawn overdraft amount	19,361	-	-	-	-	-	19,361
Liabilities under unmatured import bills	-	803	356	-	-	-	1,159

* Under liquidity risk management policy, non-accrual loans such as certain restructured loans and NPLs are reported in the no specific maturity bucket.

(Unit : Million Baht)

CONSOLIDATED
As at 31 December 2005

	Call	Within 3 months	3-12 months	1-5 years	More than 5 years	No specific maturity	Total
Financial assets							
Cash	4,934	-	-	-	-	-	4,934
Interbank and money market items – net	3,315	8,280	624	-	-	-	12,219
Securities purchased under resale agreements	-	1,000	-	-	-	-	1,000
Investments – net	-	72	1,707	2,980	2,948	1,940	9,647
Loans *	24,875	38,102	16,327	18,948	40,889	20,460	159,601
Financial liabilities							
Deposits	91,118	39,534	17,197	4,932	-	-	152,781
Interbank and money market items	7,255	1,556	397	300	-	-	9,508
Liabilities payable on demand	2,210	-	-	-	-	-	2,210
Securities sold under repurchase agreements	-	100	-	-	-	-	100
Short-term borrowings	-	755	2,348	-	-	-	3,103
Long-term borrowings	-	-	-	2,009	-	-	2,009
Off-balance sheet financial instruments							
Avals to bills	-	395	110	1	-	-	506
Guarantee of loans	98	8	318	257	-	-	681
Other guarantees	6,429	1,896	4,215	545	111	-	13,196
Letters of credit	202	2,618	398	-	-	-	3,218
Foreign exchange contracts	-	34,162	18,280	1,766	-	-	54,208
Forward rate agreements	-	-	821	-	-	-	821
Interest rate swap contracts	-	3,763	5,736	20,437	-	-	29,936
Cross currency interest rate swap contracts	-	324	1,920	2,149	-	-	4,393
Foreign exchange options	-	-	492	-	-	-	492
Equity - linked options	-	-	-	230	-	-	230
Undrawn overdraft amount	19,892	-	-	-	-	-	19,892
Liabilities under unmatured import bills	-	918	503	-	-	-	1,421

* Under liquidity risk management policy, non-accrual loans such as certain restructured loans and NPLs are reported in the no specific maturity bucket.

(Unit : Million Baht)

THE BANK ONLY							
As at 31 December 2006							
	Call	Within 3 months	3-12 months	1-5 years	More than 5 years	No specific maturity	Total
Financial assets							
Cash	3,865	-	-	-	-	-	3,865
Interbank and money market items – net	2,413	4,953	201	98	-	-	7,665
Securities purchased under resale agreements	-	1,590	-	-	-	-	1,590
Investments – net	-	1,847	912	6,327	371	1,903	11,360
Loans *	20,608	37,765	14,346	25,065	40,967	17,928	156,679
Financial liabilities							
Deposits	61,796	49,161	36,176	2,510	-	-	149,643
Interbank and money market items	4,449	1,664	100	300	-	-	6,513
Liabilities payable on demand	1,817	-	-	-	-	-	1,817
Securities sold under repurchase agreements	-	-	-	-	-	-	-
Short-term borrowings	-	1,430	617	-	-	-	2,047
Long-term borrowings	-	-	-	4	11	-	15
Off-balance sheet financial instruments							
Avals to bills	-	478	10	-	-	-	488
Guarantee of loans	96	17	180	271	-	-	564
Other guarantees	6,584	1,811	3,996	415	85	-	12,891
Letters of credit	133	1,692	309	-	-	-	2,134
Foreign exchange contracts	-	36,777	12,449	1,383	-	-	50,609
Forward rate agreements	-	-	-	-	-	-	-
Interest rate swap contracts	-	4,233	13,061	16,993	1,921	-	36,208
Cross currency interest rate swap contracts	-	949	-	1,086	-	-	2,035
Foreign exchange options	-	144	-	-	-	-	144
Equity - linked options	-	-	229	1,789	-	-	2,018
Undrawn overdraft amount	19,361	-	-	-	-	-	19,361
Liabilities under unmatured import bills	-	803	356	-	-	-	1,159

* Under liquidity risk management policy, non-accrual loans such as certain restructured loans and NPLs are reported in the no specific maturity bucket.

(Unit : Million Baht)

THE BANK ONLY
As at 31 December 2005

	Call	Within 3 months	3-12 months	1-5 years	More than 5 years	No specific maturity	Total
Financial assets							
Cash	4,934	-	-	-	-	-	4,934
Interbank and money market items – net	3,286	8,254	611	-	-	-	12,151
Securities purchased under resale agreements	-	1,000	-	-	-	-	1,000
Investments – net	-	72	1,685	2,980	2,948	10,204	17,889
Loans *	24,875	37,931	16,966	17,954	40,889	20,303	158,918
Financial liabilities							
Deposits	91,144	39,534	17,197	4,932	-	-	152,807
Interbank and money market items	14,940	1,805	68	300	-	-	17,113
Liabilities payable on demand	2,210	-	-	-	-	-	2,210
Securities sold under repurchase agreements	-	100	-	-	-	-	100
Short-term borrowings	-	570	2,303	-	-	-	2,873
Long-term borrowings	-	-	-	2,009	-	-	2,009
Off-balance sheet financial instruments							
Avals to bills	-	395	110	1	-	-	506
Guarantee of loans	98	8	318	257	-	-	681
Other guarantees	6,429	1,896	4,215	545	111	-	13,196
Letters of credit	202	2,618	398	-	-	-	3,218
Foreign exchange contracts	-	34,162	18,280	1,766	-	-	54,208
Forward rate agreements	-	-	821	-	-	-	821
Interest rate swap contracts	-	3,763	5,736	20,437	-	-	29,936
Cross currency interest rate swap contracts	-	324	1,920	2,149	-	-	4,393
Foreign exchange options	-	-	492	-	-	-	492
Equity - linked options	-	-	-	230	-	-	230
Undrawn overdraft amount	19,892	-	-	-	-	-	19,892
Liabilities under unmatured import bills	-	918	503	-	-	-	1,421

* Under liquidity risk management policy, non-accrual loans such as certain restructured loans and NPLs are reported in the no specific maturity bucket.

36.5 Estimated Fair Value of Financial Instruments

The fair values of financial instruments have been estimated by the Bank and its subsidiaries using available market information and appropriate valuation methodologies.

The following is a summary of the carrying amount and estimated fair value of financial instruments:

(Unit : Million Baht)

As at 31 December 2006

	CONSOLIDATED		THE BANK ONLY	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash	3,865	3,865	3,865	3,865
Interbank and money market items - net	7,718	7,718	7,665	7,665
Securities purchased under resale agreements	1,590	1,590	1,590	1,590
Investments - net	10,342	10,342	11,360	11,360
Loans and accrued interest receivable - net	146,711	146,711	145,991	145,991
Financial liabilities				
Deposits	149,475	149,475	149,643	149,643
Interbank and money market items	6,554	6,554	6,513	6,513
Liabilities payable on demand	1,817	1,817	1,817	1,817
Securities sold under resale agreements	-	-	-	-
Short-term borrowings	1,997	1,997	2,047	2,047
Long-term borrowings	15	12	15	12

(Unit : Million Baht)

As at 31 December 2005

	CONSOLIDATED		THE BANK ONLY	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash	4,934	4,934	4,934	4,934
Interbank and money market items - net	12,219	12,219	12,151	12,151
Securities purchased under resale agreements	1,000	1,000	1,000	1,000
Investments - net	9,647	9,647	17,889	17,889
Loans and accrued interest receivable - net	149,680	149,680	149,136	149,136
Financial liabilities				
Deposits	152,781	152,781	152,807	152,807
Interbank and money market items	9,508	9,508	17,113	17,113
Liabilities payable on demand	2,210	2,210	2,210	2,210
Securities sold under repurchase agreement	100	100	100	100
Short-term borrowings	3,103	3,103	2,873	2,873
Long-term borrowings	2,009	2,021	2,009	2,021

The fair values of off-balance sheet financial instruments are as follows:

(Unit : Million Baht)

CONSOLIDATED AND THE BANK ONLY

As at 31 December 2006

	Notional value	Fair value *
Foreign exchange contracts	50,609	172
Forward rate agreement	-	-
Interest rate swap contracts	36,208	50
Cross currency interest rate swap contracts	2,035	57
Foreign exchange options	144	-
Equity - linked options	2,018	-

* Fair value represents gain (loss) from mark to market as at the balance sheets date

(Unit : Million Baht)

	CONSOLIDATED AND THE BANK ONLY	
	As at 31 December 2005	
	Notional value	Fair value *
Foreign exchange contracts	54,208	37
Forward rate agreements	821	2
Interest rate swap contracts	29,936	(66)
Cross currency interest rate swap contracts	4,359	(72)
Foreign exchange options	492	(1)
Equity - linked options	230	-

* Fair value represents gain (loss) from mark to market as at the balance sheets date

36.6 Methods and assumptions in estimating fair value of financial instruments

The following methods and assumptions were used by the Bank and its subsidiaries in estimating fair value of financial instruments as disclosed herein.

36.6.1 Cash and interbank and money market items

The carrying amounts of cash and interbank and money market items which have remaining maturities of less than 1 year or bear floating rates of interest approximate their fair value. Fair value for fixed rate instruments with remaining maturities greater than 1 year is estimated by using a discounted cash flow calculation applying average interest rates currently being offered on similar instruments.

36.6.2 Securities purchased under resale agreements

The carrying amount of securities purchased under resale agreements is deemed to be the fair value.

36.6.3 Investments

Fair value for securities is based on quoted market prices, where available. If quoted market prices are not available, fair value is based on quoted market prices of comparable instruments after adjusting for risk involved or the net asset values of such securities.

36.6.4 Loans

For floating-rate loans that reprice frequently and have no significant change in credit risk, fair value is based on carrying values. The fair value of fixed rate loans that reprice within 1 year from the balance sheet date is based on the carrying value at the balance sheet date. Fair value for other fixed interest rate loans is estimated using discounted cash flow analysis and using average interest rates currently being offered for loans with similar terms to borrowers of similar credit quality except in case of immaterial, carrying value will be used.

Fair value of hire-purchase and financial lease receivables is estimated by using discounted cash flow analysis and using interest rates currently being offered with average remaining years to maturity.

36.6.5 Accrued interest receivable

Fair value of accrued interest receivable is based on carrying values.

36.6.6 Deposit liabilities

The fair value of deposits which is payable on demand by the depositor, is equal to the carrying value of such deposits. The fair value of floating-rate, certificates of deposit (CDs) and fixed rate deposits repricable within 1 years approximate their carrying value at the reporting date. Fair value for other fixed rate deposits is estimated using a discounted cash flow calculation that applies the current average deposit rates of the four major commercial banks to a schedule of aggregate expected monthly maturities on time deposits except in case of immaterial, carrying value will be used.

36.6.7 Interbank and money market items (liabilities)

The carrying amount of interbank and money market items which have remaining maturities of less than 1 year and/or bear floating rates of interest approximates their fair value at the reporting date. Fair value for fixed rate instruments with remaining maturities greater than 1 year is estimated by using a discounted cash flow calculation applying average interest rates currently being offered on similar instruments.

36.6.8 Securities sold under repurchase agreements

The carrying value of securities sold under repurchase agreements approximates fair value.

36.6.9 Borrowings

The fair value of borrowings with remaining maturities less than 1 year approximates their carrying value at the reporting date. Fair value of borrowings with remaining maturities greater than 1 year is estimated using discounted cash flow analysis based on the average current borrowing rates for similar types of borrowing arrangements.

36.6.10 Fair value of off-balance sheet financial instruments

Commitments to aval, guarantee, and letters of credit

These financial instruments are generally not intended to be sold or traded such that estimated fair values are not readily ascertainable. Fair value of these items were not calculated for the following reasons:

- (i) very few of the commitments extending beyond 1 year would commit the Bank to a predetermined rate of interest;
- (ii) the fees attaching to these commitments are the same as those currently charged to enter into similar arrangements; and

- (iii) the quantum of fees collected under these arrangements, upon which fair value would be determined, is not material.

Other off-balance sheet financial instruments

The fair values of foreign exchange contracts were obtained from quoted market prices of similar foreign exchange contracts. For the other derivative contracts, the fair value is estimated using discounted cash flow.

37. RECLASSIFICATION OF ACCOUNTS

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

38. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Bank's Board of Directors on 2 March 2007.