



THE PROGRESSIVE FORCE

Contents »

1	Financial Highlights
15	Message from the Board of Directors
17	Report on Responsibilities of the Board of Directors for Financial Report
18	Basic Facts about the Company
22	Good Corporate Governance
30	Economic Performance in 2005 and Outlook for 2006
33	Nature of Business Operations
60	Thanachart Group's Major Changes and Developments in 2005
67	Corporate Social Responsibility
72	Risk Factors and Risk Management
85	Related Party Transactions
91	Shareholding Structure and Management
121	Management Discussion and Analysis of Financial Position and Performance
154	Report of the Audit Committee
156	Report of Independent Auditor
157	Financial Statements and Notes to Financial Statements
232	Auditor's Fee
233	Thanachart Group



2005

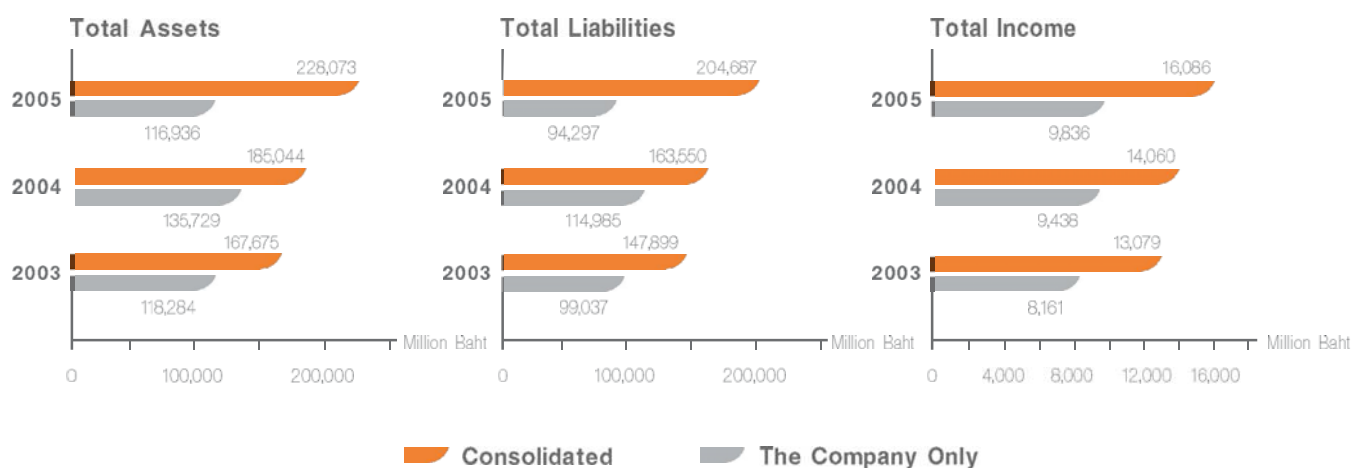


Financial Highlights »

As of 31 December

	Consolidated			The Company Only		
	2005	2004	2003	2005	2004	2003
BALANCE SHEET (Million Baht)						
Total Assets	228,073	185,044	167,675	116,936	135,729	118,284
Loans, Receivables and Accrued Interest Receivable	156,035	122,443	100,212	79,926	103,198	78,108
Total Liabilities	204,687	163,550	147,899	94,297	114,985	99,037
Borrowings and Deposits	185,115	150,654	131,019	87,334	107,665	88,582
Shareholders' Equity	23,386	21,494	19,776	22,639	20,744	19,247
STATEMENTS OF EARNINGS (Million Baht)						
Interest and Dividend Income	10,935	9,111	7,797	7,447	6,476	4,947
Interest Expenses	4,427	3,326	3,371	3,716	2,218	2,169
Interest and Dividend Income-net	6,508	5,785	4,425	3,731	4,258	2,778
Non-Interest Income	5,151	4,949	5,282	2,389	2,962	3,214
Share of Profits from Investments Accounted for under Equity Method-net	192	157	215	1,504	1,941	1,494
Operating Expenses	7,844	5,031	4,037	2,816	2,786	2,176
Total Income	16,086	14,060	13,079	9,836	9,438	8,161
Net Earnings	3,104	2,983	2,669	3,104	2,983	2,669
FINANCIAL RATIOS						
Net Profit Margin	19.30%	21.21%	20.41%	31.56%	31.60%	32.71%
Return on Average Equity	13.83%	14.46%	13.96%	14.31%	14.92%	14.30%
Return on Assets	1.50%	1.69%	1.82%	2.46%	2.35%	2.61%
Earnings Per Share (Baht)	2.33	2.24	2.00	2.33	2.24	2.00
Dividend Per Share* (Baht)	-	-	-	0.30*	0.70	0.60
Book Value Per Share (Baht)	17.54	16.12	14.83	16.98	15.56	14.44
BIS Ratio	-	-	-	13.86%	10.16%	10.60%

* The dividend per share for 2005 was an interim dividend.



Message from the Board of Directors »



Mr. Banterng Tantivit

Chairman

Thanachart Capital Public Company Limited



In 2005, the Thai economy was hit by several risk factors, particularly the continual rise in crude oil prices, natural disasters, high inflation as well as the unrest in Thailand's three troubled southern border provinces. The risk factors had a significant adverse effect on the confidence of both consumers and investors. As a result, the National Economic and Social Development Board (NESDB) decided to lower its economic-growth estimate for 2005 to 4.7 percent from 6.2 percent in the previous year, with the average inflation rate for 2005 being 4.5 percent, representing a rise from 2.7 percent in 2004. In the past year, the Bank of Thailand raised interest rates six times, from 2 percent in early 2005 to 4 percent as at the end of 2005.

Against the backdrop of the negative economic factors, the Company succeeded in registering a satisfactory performance in 2005. The consolidated assets of the Company and its subsidiaries amounted to 228,073 million baht, representing an increase of 23.3 percent from 2004. In particular, the Company's hire purchase portfolios increased by 36.4 percent or 32,377 million baht to 121,251 million baht. Although the Company's hire purchase portfolios were transferred to Thanachart Bank in the second half of the year, the Company's earnings continued to grow positively. Its net earnings amounted to 3,104 million baht, representing an increase of 121 million baht from the previous year, and its BIS ratio was 13.86 percent which was higher than the minimum 8.00 percent required by the Bank of Thailand.

In 2004, the business structure reorganization of Thanachart Group in line with the 'One-Presence' Policy in the Financial Sector Master Plan was successfully implemented and completed. In particular, all transactions related to deposit taking and lending were already transferred to Thanachart Bank. As a result, Thanachart Bank is now the

Group's only financial institution that is engaged in banking businesses and takes deposits from the public. In addition, the Company becomes a holding company of Thanachart Group with fully-integrated financial services, responsible for overseeing the Group's business policies, directing the Group's overall management, and supporting the various business operations of the Group's member companies. As the next step, the Company will be required to return its finance business license to the authority concerned, on 31 March 2006. And from about 1 April 2006, the Company's registered name would be changed to 'Thanachart Capital Public Company Limited'.

Moreover, during the second half of 2005, the boards of directors of the Group's member companies were also changed in line with the business structure reorganization. The changes would enable Thanachart Group to accomplish their established targets. Also in 2005, the Company acquired all Zurich National Life Assurance Company shares held by Zurich Financial Services Group. As a result, the Company now owns all shares of the assurance company. As well, its wholly-owned securities company received co-operation from BNP Paribas Peregrine in the areas of securities analysis, investment banking and securities brokerage business. The co-operation will help the securities company improve its services to a level on par with international standards, and also gain a larger market share.

With the clear vision of transforming Thanachart Group into a fully-integrated financial services powerhouse since 1997, all member companies of Thanachart Group are now ready to work in unison to provide their customers with financial opportunities. In particular, Thanachart Bank will be the main channel of all the Group's financial products for customers. However, in view of the increasingly intense

competition in the country's commercial banking sector, it is necessary for the Bank to create an effective and extensive branch network nationwide to provide greater customer convenience. In 2005, the Bank opened 53 new branches. As a result, at the end of 2005, the Bank had 66 branches in total. Furthermore, it also plans to open 100 new branches in 2006. Undoubtedly, the plan represents an enormous challenge to the Bank as it has to develop its human resources and work systems, as well as technology systems, in parallel so that its business operations are always up-to-date with the level of quality on a par with international standards. Focus will be given to the existing strengths of Thanachart Group and to exploring new financial business opportunities. The objective is to enhance the Group's competitiveness in preparation for the liberalization of the financial services sector as a result of the free trade agreements with various countries. The Company made substantial investments in the development of its state-of-the-art information technology systems which are on a par with international standards. The systems provide the Company with up-to-date information for its marketing activities and for boosting close relationships with its customers. Importantly, the systems help the Company manage its risks more efficiently. These systems include, among others, its core banking systems, core hire purchase systems, core general ledger systems, and core human resource systems.

As regards the image of Thanachart Group, the Company has succeeded in changing the Group's image. Its re-branding has brought about a new image which is cheerful, modern and energetic. Apart from a new logo, the colors representing the identity of the Group were changed to 'orange and black' from 'blue and grey'. All the names of the Group's member companies both in Thai and English were also changed. As well, changes were made to branch layouts as well as the various signboards, signs and symbols of the Bank, securities company, non-life insurance company, and assurance company. The changes reflect a new brand and

transparency which market research indicates has been very successful as it is easier to remember and recognize the Group's new image.

Throughout the past 25 years, the Company and every member company of Thanachart Group has been committed to good corporate governance principles. This commitment will be continued forever and aims to maintain the confidence of the shareholders and the general public. The Group is also determined to be an organization which plays an important role in supporting and promoting moral values in Thai society. One of the Company's policies is to support education for youth, in order to prepare them for future opportunities. In addition, as the Company is a leader in the hire purchase business, it supports 'safe-driving' campaigns aimed at curbing traffic accidents.

The Company would like to take this opportunity to thank every customer and every trading partner for their support of the Company's business operations over the past year. As well, the Company would like to thank the management and all the Company's staff for their hard work and dedication to Thanachart Group. Their contributions have played a crucial role in helping the Group accomplish impressive growth. Last but not least, the Company would like to thank every shareholder for the continued support and confidence given to the Board of Directors.

The Board of Directors

Thanachart Capital Public Company Limited

Report on Responsibilities of the Board of Directors for Financial Report >>

The Company's Board of Directors are responsible for the financial statements of the Company as well as the consolidated financial statements of the Company and its subsidiaries. These financial statements are prepared in conformity with the generally accepted accounting principles (GAAP), making use of appropriate accounting policies which are regularly adhered to. Supported by careful judgement, the preparation of the financial statements also makes use of the best estimates possible. For transparency, adequate important information is also disclosed in the notes to the financial statements for the benefit of both the shareholders and the investors in general.

The Board of Directors arranges for and maintains appropriate and efficient risk management systems and internal control systems. The objective is to create a reasonable confidence that the accounting information is accurate, complete and sufficient for the maintenance of the company's assets as well as for prevention of fraud or significant irregularities.

In this regard, the Board of Directors has established the Audit Committee consisting of independent directors. The Committee verifies the company's accounting policies and is responsible for the quality of financial reports, verification of internal control systems, internal audit, and risk management systems, as well as consideration of the disclosure of information related to connected transactions. The Audit Committee's opinions on these matters are disclosed in the Audit Committee's report given in this Annual Report.

The financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries have been audited by the certified public accountant Ernst & Young Office Limited, which is the Company's auditor. In the course of auditing, the Board of Directors provided the auditor with supporting information and documentation to enable the auditor to audit and give its report in line with auditing standards. The report of the independent auditor is also given in this Annual Report.

The Board of Directors is of the opinion that the Company's overall internal control systems are at a satisfactory level and can create a reasonable confidence that the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries for the period ended 31 December 2005 are reliable, in conformity with generally accepted accounting principles and in compliance with all the related legal requirements and regulations.



Banterng Tantivit

Chairman of the Board of Directors



Suphadej Poonpipat

President and Chief Executive Officer

Basic Facts about the Company »

Name	Thanachart Capital Public Company Limited*
Head Office	444 MBK Tower, 10 th -11 th and 15 th -20 th Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND
Types of Businesses	Operating the finance business with licenses to operate the following: <ol style="list-style-type: none">1. Commercial lending2. Development lending3. Manufacturer and consumer lending4. Home mortgages5. Deposit taking6. Other services including custodian service for debenture holders, looking after interests of mutual funds, and underwriting new issues or repurchasing unit trusts
Registration No.	0107536000510 (formerly Bor.Mor.Jor. 125)
Registered Capital	23,331,540,030 baht
Paid-up Capital	13,331,540,030 baht
Securities Registrar	Thailand Securities Depository Company Limited 2 nd Floor, The Stock Exchange of Thailand Building and 2/7 Moo 4 Capital Market Academy Building North Park, Toongsonghong, Laksi, Bangkok 10210, THAILAND Tel. (662) 596-9000, (662) 596-9302-11 Fax: (662) 832-4994 Call Center (662) 229-2888 Website: http://www.tsd.co.th E-mail: contact.tsd@set.or.th
Auditor	Ernst & Young Office Limited 193/136-137 Lake Rajada Building, 33 rd Floor New Rajadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel. (662) 264-0777, 0-2661-9190 Fax: (662) 264-0789-90, (662) 661-9192
Legal Advisor	Thanachart Legal and Appraisal Company Limited 128/20-21, 23 Payathai Plaza Building, 3 rd Floor, Phayathai Road, Phayathai, Ratchathewi, Bangkok 10400, THAILAND Tel. (662) 216-6677 Fax: (662) 216-9022
Representatives of	Thai Military Bank Public Company Limited
Debenture Holders/	3000 Phahon Yothin Road, Ladyao, Chatuchak, Bangkok 10900, THAILAND
Debenture Registrar	Tel. (662) 299-1111 Fax: (662) 273-7121-4, (662) 273-7857 Website: http://www.tmb.co.th

* The Company received approval from the Finance Ministry on 22 April 2005 to proceed with the business structure reorganization plan of Thanachart Group in line with the 'One-Presence' Policy in the Financial Sector Master Plan. The Extraordinary Shareholders' Meeting No. 1/2006 held on 30 January 2006 also adopted a resolution allowing the Company to change its name to 'Thanachart Capital Public Company Limited' after it returns its finance business license to the authority, most likely on 3 April 2006. The Company will then become a holding company of Thanachart Group.

Basic Facts about the Company »

Name	Thanachart Capital Public Company Limited*
Head Office	444 MBK Tower, 10 th -11 th and 15 th -20 th Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND
Types of Businesses	Operating the finance business with licenses to operate the following: <ol style="list-style-type: none">1. Commercial lending2. Development lending3. Manufacturer and consumer lending4. Home mortgages5. Deposit taking6. Other services including custodian service for debenture holders, looking after interests of mutual funds, and underwriting new issues or repurchasing unit trusts
Registration No.	0107536000510 (formerly Bor.Mor.Jor. 125)
Registered Capital	23,331,540,030 baht
Paid-up Capital	13,331,540,030 baht
Securities Registrar	Thailand Securities Depository Company Limited 2 nd Floor, The Stock Exchange of Thailand Building and 2/7 Moo 4 Capital Market Academy Building North Park, Toongsonghong, Laksi, Bangkok 10210, THAILAND Tel. (662) 596-9000, (662) 596-9302-11 Fax: (662) 832-4994 Call Center (662) 229-2888 Website: http://www.tsd.co.th E-mail: contact.tsd@set.or.th
Auditor	Ernst & Young Office Limited 193/136-137 Lake Rajada Building, 33 rd Floor New Rajadapisek Road, Klongtoey, Bangkok 10110, THAILAND Tel. (662) 264-0777, 0-2661-9190 Fax: (662) 264-0789-90, (662) 661-9192
Legal Advisor	Thanachart Legal and Appraisal Company Limited 128/20-21, 23 Payathai Plaza Building, 3 rd Floor, Phayathai Road, Phayathai, Ratchathewi, Bangkok 10400, THAILAND Tel. (662) 216-6677 Fax: (662) 216-9022
Representatives of	Thai Military Bank Public Company Limited
Debenture Holders/	3000 Phahon Yothin Road, Ladyao, Chatuchak, Bangkok 10900, THAILAND
Debenture Registrar	Tel. (662) 299-1111 Fax: (662) 273-7121-4, (662) 273-7857 Website: http://www.tmb.co.th

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Investments in Other Companies

As of the end of 2005, the following are details of the companies and the shares held by the Company in excess of 10% of paid-up capital in these companies, the shareholding percentage and amounts invested:

Name of the Company	Location	Type of Business	Type of Shares	Number of Issued Shares	Number of Shares Held	Share holding (%)
Thanachart Securities Plc.	444 MBK Tower, 14 th , 18 th and 19 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND Tel. (662) 217-8888, 611-9222, 217-9595 Fax: (662) 217-9642 www.thanachartsec.com	Securities Business	Ordinary	1,500,000,000	1,499,999,930	100.0000
NFS Asset Management Co., Ltd.	444 MBK Tower, 17 th Floor Zone D, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND Tel. (662) 217-8199 Fax: (662) 217-8289	Asset Management	Ordinary	100,000,000	99,999,993	100.0000
Thanachart Group Leasing Co., Ltd.	444 MBK Tower, 12 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND Tel. (662) 217-8000, 217- 8333 Fax: (662) 611-9488	Leasing and Hire Purchase	Ordinary	36,000,000	35,999,994	100.0000
Pasara Co., Ltd.	444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND Tel. (662) 611-9511 Fax: (662) 611-9516	Operations Discontinued	Ordinary Preferred	2,400,000 3,600,000	2,400,000 3,599,993	99.9999
Glas Haus Co., Ltd.	1 Sukhumvit 25, Sukhumvit Road, North Klongtoey, Wattana, Bangkok 10110, THAILAND Tel. (662) 260-6117-9 Fax: (662) 260-6117-8	Office Building	Ordinary	19,500,000	19,499,940	99.9997

Name of the Company	Location	Type of Business	Type of Shares	Number of Issued Shares	Number of Shares Held	Share holding (%)
Thanachart Management & Services Co., Ltd.	3 rd Floor Payatai Plaza Building, 128/21, 22 Phayathai Road, Thung Phayathai, Ratchathewi, Bangkok 10400, THAILAND Tel. (662) 612-1500 Fax: (662) 612-1400	Services	Ordinary	600,000	599,993	99.9988
Thanachart Legal and Appraisal Co., Ltd.	3 rd Floor Payatai Plaza Building, 128/20-21, 23 Phayathai Road, Thung Phayathai, Ratchathewi, Bangkok 10400, THAILAND Tel. (662) 216-6677 Fax: (662) 216-9022	Legal and Appraisal	Ordinary	1,000,000	999,993	99.9993
N.F.S. Capital Co., Ltd.	444 MBK Tower, 9 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND Tel. (662) 217-8106 Fax: (662) 217-8027	Operations Discontinued	Ordinary	10,000,000	9,999,000	99.9900
Thiravanit Co., Ltd.	444 MBK Tower, 10 th (Zone CD) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND Tel. (662) 611-6606 Fax: (662) 611-9516	Operations Discontinued	Ordinary	1,000,000	998,993	99.8993
Bangkok Home Co., Ltd.	444 MBK Tower, 10 th (Zone CD) Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND Tel. (662) 217-8000 Fax: (662) 611-9486	Operations Discontinued	Ordinary	1,000,000	998,679	99.8679
Thanachart Bank Plc.	900 Tonson Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, THAILAND Tel. (662) 655-9000 Fax: (662) 655-9001 www.thanachartbank.com	Banking	Ordinary	810,199,062	801,232,560	99.3614
Sinkahakan Co., Ltd.	444 MBK Tower, 10 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND Tel. (662) 613-6000 Fax: (662) 611-9516	Operations Discontinued	Ordinary Preferred	1,000,000 4,000,000	755,938 4,000,000	95.1188

Name of the Company	Location	Type of Business	Type of Shares	Number of Issued Shares	Number of Shares Held	Share holding (%)
Thanachart Fund Management Co., Ltd.	898 Ploenchit Tower, 15 th , 18 th Floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, THAILAND Tel. (662) 263-0800 Fax: (662) 263-0811 www.thanachartfund.com	Mutual Fund Management	Ordinary	10,000,000	7,499,993	74.9999
Thanachart Insurance Co., Ltd.	10 th Floor, Glas Haus Building, 1 Sukhumvit 25 Road, North Klongtoey, Wattana, Bangkok 10110, THAILAND Tel. (662) 661-7999 Fax: (662) 665-7304 www.thanachartinsurance.com	Non-Life Insurance	Ordinary	30,000,000	20,999,500	69.9983
MAX Asset Management Co., Ltd.	444 MBK Tower, 11 th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330, THAILAND Tel. (662) 611-9533-44 Fax: (662) 611-9494	Asset Management	Ordinary	57,200,000	33,433,394	58.4500
Thanachart Life Assurance Co., Ltd.	3 rd -5 th , 15 th Floor, Glas Haus Building, 1 Sukhumvit 25 Road, North Klongtoey, Wattana, Bangkok 10110, THAILAND Tel. (662) 661-7888 Fax: (662) 661-7575 www.thanachartlife.com	Life Assurance	Ordinary	50,000,000	24,999,700	99.9988
RNS Holding Limited.	99 Berli Jucker House, 16 th Floor, Soi Rubia, Sukhumvit 42 Road, Prakhanong, Klongtoey, Bangkok 10110, THAILAND Tel. (662) 877-6933 Fax: (662) 877-6934	Property Development	Ordinary	4,200,237	819,047	19.5000
Preecha Group Plc.	1919 Pattanakarn Road, Suanluang, Bangkok 10250, THAILAND Tel. (662) 722-8855 Fax: (662) 722-8844	Property Development	Ordinary	134,400,000	14,400,000	10.7143
HTR Corporation Limited	32/23 Shino-Thai Tower, 2 nd Floor, Soi Asoke, Sukhumvit Road, North Klongtoey, Wattana, Bangkok 10110, THAILAND Tel. (662) 259-8911-6, 261-0809 Fax: (662) 259-8919	Office Building & Property Development	Ordinary	50,000,000	5,000,000	10.0000

Good Corporate Governance »

Thanachart Capital Public Company Limited recognizes the importance of organizational development and is determined to become one of the best corporate governance organisations in Thailand. The Company has succeeded in registering continual growth that is acknowledged both locally and overseas. This growth will enable the Company to reach the important goal of bringing about maximum benefits to shareholders, investors, other stakeholders as well as society as a whole.

In 2005, the Thai Institute of Directors Association (IOD) presented the results obtained from an assessment conducted on the corporate governance of companies listed on the Stock Exchange of Thailand (SET) in line with the Institute's Project on Baseline Corporate Governance Practices of Thai Listed Companies. The Company was ranked among the top quartile companies with good corporate governance practices.

According to its report on corporate governance in 2005, the Company conducted its business affairs in compliance with the fifteen principles of good corporate governance established by the SET. Its Board of Directors also fully complied with the SET Code of Best Practices for Directors of Listed Companies as well as the guidelines stipulated by government agencies and those agencies that governed the Company as a financial institution and a public company. The compliance could be summarized as follows:

(1) Corporate Governance Policy

The corporate governance policy established by the Company's Board of Directors is based on the principles of good corporate governance which consist of the following components:

- The Company's Directors and executives possessing leadership, vision and accountability.
- The Company's management structure having control mechanisms and checks-and-balances systems which are aimed at making its management transparent, fair and examinable.

- The Company taking into consideration the rights and equitable treatment of the shareholders while being accountable to the stakeholders.

The policy serves as an important foundation for the Company's sustainable growth which not only brings about enhanced value and higher returns for the Company's shareholders in the long term but also gains the confidence of all the parties concerned. Importantly, the policy also helps make the Company more highly regarded in Thai society.

The Company's Board of Directors officially approved the corporate governance policy in writing. The policy which has been implemented since 30 January 2003 covers 15 areas as follows:

1. Shareholders-Rights and Equitable Treatment of Shareholders
2. Rights of Different Groups of Stakeholders
3. Leadership and Vision
4. The Company's Board of Directors
5. Other Committees Than the Board of Directors
6. The Meetings of the Board of Directors
7. The Remuneration of the Board of Directors and Executives
8. Prevention of Conflicts of Interest
9. Ethics and Code of Conduct
10. Internal Control Systems
11. Investor Relations
12. Information Disclosure and Transparency
13. Risk Management and Control
14. Executive Succession Plan
15. Disciplinary Consideration.

The Company promotes the practices in a continuous manner in line with the corporate governance policy established by its Board of Directors. The Company disseminates the 'corporate governance policy' not only on its website 'www.thanachart.com' and on the Intranet, its privately maintained computer network, but also through Thanachart Group's monthly newsletters, from which all employees can access details of the policy. The Company is also continuing its campaign to promote staff knowledge and understanding of corporate

governance by including good corporate governance as one of the subjects in Thanachart Group's training syllabus 'New Staff Orientation.' The objective is to inculcate the concept of good corporate governance in the mind of the staff so that they participate in the development of a good corporate culture. In 2005, there were 2,328 employees who participated in training activities. The Company will continue to develop and improve its operations as well as its human resources within the framework of good corporate governance.

(2) Rights and Equitable Treatment of Shareholders

The Company respects and pays great attention to the rights of the shareholders who are considered the Company's owners. The Company treats every shareholder equitably in line with the regulations stipulated by law. The Company always discloses complete and accurate information to the shareholders in a timely manner. For the convenience of shareholders, in organizing every meeting of the shareholders the Company establishes procedures that are easy to follow and efficient. This includes organization of the meeting on the Company's working days and during work hours at an easily accessible location. In this connection, the Company sends the notice of the meeting together with supporting documents to the shareholders at least 10 days before the meeting date. Moreover, on the meeting day, it has always been the Company's practice every year to arrange for a registration at least two hours before the opening of the meeting.

All shareholders can exercise rights to protect their interests by expressing their opinions, making recommendations and jointly making decisions on the Company's various operations, and fully using their existing rights to vote at the shareholders' meetings. In case the shareholders are unable to attend the meetings, they can also vote by proxy. To facilitate this, the Company makes an arrangement that the chairman of the Company's Audit Committee may represent one of the shareholders' proxies. The shareholders may also appoint someone who is of legal age, other than those in a list proposed by the Company, to act as their proxy.

(3) Rights of Different Groups of Stakeholders

The Company respects the rights of different groups of its stakeholders. As a result, it has established guidelines in the Company's Business Ethics. The objective is to make sure that all the related legal rights of the stakeholders including shareholders, employees, executives, customers, trading partners, and lenders as well as the general public and society will be properly looked after. The Company also promotes co-operation among different groups of its stakeholders in line with their respective roles and duties so that the Company's business activities will proceed smoothly, and with stability and give fair benefits to all the parties concerned.

Shareholders The Company is determined to be a good agent of the shareholders in running its business affairs with a view to providing its shareholders with maximum satisfaction, taking into consideration the growth of the Company's value in the long term in terms of continuous healthy returns. The Company also recognizes the importance of information disclosure and transparency as well as gaining its shareholders' confidence.

Employees The employees are considered the Company's most valuable assets and play a crucial role in the Company's success. As a result, the Company places strong emphasis not only on developing a good corporate culture and good work environment but also on encouraging teamwork. The Company treats its employees with courtesy and respects their individuality. Their appointment, employment and relocation are based on fair principles, taking into consideration the deployment of human resources for the Company's maximum benefit.

The Company treats its employees equitably, regardless of their gender, citizenship, race, religion or creed.

The Company is responsible for always making sure that the work environment is safe for its employees. The Company also strictly adheres to the labor law.

Customers The Company is determined to gain the confidence of its customers and provide them with satisfaction

from using its good products and services which are based on good quality. It is also determined to maintain a good relationship with its customers.

Competitors The Company supports and promotes free and fair competition. It has no monopoly power and does not require its trading partners to sell their products or services only to the Company. It has no policy in competing in the market by using any means of obtaining information about competitors illegally or in an immoral manner.

General Public and Society As a Thai company, it recognizes and realizes the importance of its gratitude and indebtedness to the country and its role as a member of the society, as well as its societal responsibilities. The Company supports activities that are of a social benefit to the public. It also supports the activities of the communities living in the areas where the Company operates its businesses.

Trading Partners and Lenders The Company makes sure that no transactions with any trading partners will tarnish its reputation and that no transactions are against any laws, taking into consideration the fairness in the conduct of its business and the shared benefits with its trading partners. The selection of trading partners has to be fair since the Company recognizes the important role played by the trading partners in creating the value chain for its customers.

The Company considers it important to adhere to agreements and to fulfill its obligations to its lenders with regard to loan repayments, interest payments and maintenance of collateral.

(4) Shareholders' Meetings

The Board of Directors always recognizes the importance of the shareholders' meetings. In 2005 and early 2006, the Company held two general meetings--the Annual General Meeting of the Shareholders held on 28 April 2005 and the Extraordinary General Meeting of the Shareholders held at 14:30 hours on 30 January 2006. In this connection, the Company sent the notice of each meeting together with a proxy statement form and sufficient supporting documents, both in Thai and English, to the shareholders 14 days before the meeting date. During the period, the same information

was also disseminated through the Company's website. The Company also notified the shareholders of such meetings through a Thai newspaper for no less than three consecutive days before the meeting date. Moreover, on the meeting date, the Company made available a number of staff to help facilitate the registration of shareholders and their proxies attending the meeting. In addition, for the convenience of the shareholders, the Company used a barcode system at the registration--for printing registration forms and voting tickets for each agenda.

At the ordinary general meeting, 11 of the total 12 members of the Board of Directors were able to attend the meeting. These included, among others, the Chairman of the Board of Directors, the Executive Committee, the Nominating Committee, the Remuneration Committee as well as the Chairman of the Audit Committee. The only person who was unable to participate in the meeting was Mrs. Chantima Chaturaphat who was members of the Remuneration Committee and the Nominating Committee as she was ill. At the extraordinary general meeting, 11 of the total 12 members of the Board of Directors were able to attend the meeting. These included, among others, the Chairman of the Board of Directors and the Executive Committee as well as the Chairman of the audit Committee. The only person who was unable to participate in the meeting was Mrs. Siripen Sitasuwan who was Chairperson of both the Remuneration Committee and the Nominating Committee as she had urgent matters to attend to. Each of the two meetings took about two and a half hours. During the meetings, the participants were encouraged to ask all the questions or express all the opinions they might have. As well, the key questions raised and the key opinions expressed were properly recorded in the minutes of the meetings.

(5) Leadership and Vision

The Company's Board of Directors consists of highly qualified members with extensive knowledge and experience in many areas, which are beneficial to the Company's management. All the directors participate in determining the direction of the Company's policies and strategic goals, as well as those of the member companies of Thanachart Group.

They also participate in outlining vision and missions, as well as formulating strategies, targets, business plans and budgets in a prudent and careful manner. The Board of Directors holds meetings as deemed appropriate but at least two annually to consider and review the established plans and budgets. The Board ensures that the Company's management efficiently implements the established plans, keeps the expenditure within the approved budgets, adopt adequate internal audit and control systems in line with the requirements of the authorities concerned, as well as putting in place appropriate risk management measures. Importantly, the Board regularly monitors the implementation of the above matters at each of its meetings to be held at least twelve times yearly.

(6) Conflicts of Interest

The Company's Board of Directors attaches great importance to careful consideration of transactions that may have conflicts of interest with the Company and/or connected transactions and/or affiliated transactions of any parties that are related or may have conflicts of interest with the Company. It is required that every three months members of the Board of Directors and the Company's high-ranking executives disclose information on relevant business relationships and activities in which they have an interest. Moreover, in considering credit applications or business investments which need approval from the Board of Directors, the Company will act in a manner that is prudent, fair and transparent. Those who have a vested interest or may have any conflict of interest will not attend the related meeting and will abstain from voting at the meeting. As well, they have no authority in approving such a transaction. Any approval on such a transaction is subject to normal criteria. There shall be no establishment of special conditions that are different from the normal criteria.

In dealing with the use of insider information, the Company has established a policy aimed at prohibiting members of the Board, executives and employees from taking advantage of insider information for their own interests or the interests of the related parties. In this regard, the Company made a clear announcement about the prohibitions in writing. It has also assigned the Compliance Unit to be responsible for monitoring the implementation, making sure that the prohibitions in the announcement are strictly adhered to.

(7) Business Ethics

In 2005, the Company's Board of Directors reviewed and improved the Manual on Business Ethics as well as the Code of Conduct for Directors, Executives and Staff, by using a clear and easy-to-understand language so that they serve as more concrete and clearer guidelines to follow. The boards of directors of other companies of Thanachart Group also made similar reviews and improvements so that the observance of the business ethics and the code of conduct of all companies in the Group move in the same direction. The related details are also disseminated through the Intranet, which is the website for internal use by the member companies of the Group. As well, the supporting documents were published and distributed to all the directors, executives and staff of the Company. The manual serves as a practical guideline for them in carrying out the Company's missions with honesty and fairness. It also includes disciplinary measures in the case of any breach of the established rules.

(8) Balance of Power in the Board of Directors

The structure of the Board of Directors clearly defines duties and responsibilities with no single individual or group having unlimited power. To strike an appropriate balance of power, the Company's Board of Directors consists of 12 members, of whom two are executive directors, five are non-executive directors and five are independent directors. (The details related to the definition of an independent director are given under the section 'Shareholding and Management-Selection and Appointment of Members of Various Committees' page 98).

Each member of the Company's Board of Directors attended the training course organized by the Thai Institute of Directors (IOD). The related details are as follows:

8.1 Two directors who are also executives:

8.1.1 Mr. Banterng Tantivit

Chairman

(Certificate, Directors Accreditation Program,
Class 25/2004, Thai Institute of Directors)

8.1.2 Mr. Suphadej Poonpipat

President & CEO

(Certificate, Directors Accreditation Program,
Class 8/2004, Thai Institute of Directors)

8.2 Five directors who are not executives:

- 8.2.1 Mr. Phimol Rattapat
Director/Legal Advisor
(Certificate, Directors Accreditation Program,
Class 2/2003, Thai Institute of Directors)
- 8.2.2 Mrs. Suchada Pavanant
Director
(Certificate, Directors Certification Program,
Class 19/2002, Thai Institute of Directors)
- 8.2.3 Miss Suvarnapha Suvarnaprathip
Director
(Certificate, Directors Accreditation Program,
Class 20/2002, Thai Institute of Directors)
- 8.2.4 Mrs. Noossara Roonsamrarn
Director
(Certificate, Directors Certification Program,
Class 19/2002 Thai Institute of Directors)
- 8.2.5 Mr. Piyaphong Artmangkorn
Director
(Certificate, Directors Accreditation Program,
Class 22/2002, Thai Institute of Directors)

8.3 Five independent directors:

- 8.3.1 Mr. Sommart Poonpakdee
Chairman of the Audit Committee
- 8.3.2 Mrs. Siripen Sitasuwan
Member of the Audit Committee and
Chairperson of the Nominating Committee
and the Remuneration Committee
(Certificate, Directors Certification Program,
Class 33/2004, Thai Institute of Directors)
- 8.3.3 Mr. Somkiat Sukdheva
Director and Member of the Nominating
Committee and the Remuneration Committee
(Certificate, Directors Accreditation Program,
Class 6/2003 and Certificate, Directors
Certification Program, Class 40/2004, Thai
Institute of Directors)

8.3.4 Mrs. Chantima Chaturaphat

Member of the Audit Committee, the Nominating
Committee, and the Remuneration Committee
(Certificate, Directors Certification Program,
Class 40/2004, Thai Institute of Directors)

8.3.5 Rear Admiral Doctor Vitura Sangsingkeo,
Director
(Certificate, Directors Accreditation Program,
Class 29/2004, Thai Institute of Directors).

(9) Aggregation or Segregation of Positions

The Company's chairmanship and the position of 'President & Chief Executive Officer (CEO)' are segregated. The Company requires that an incumbent holding the two positions must not be the same person. The roles of the two positions are separated so that no one will have an unlimited power. The Chairman of the Board of Directors who is not an independent director will also hold the position of the Chairman of the Executive Board. The Chairman of the Board of Directors is responsible for providing leadership in the direction of the Company's policies while 'the President & CEO' is responsible for the Company's management. The objective is to strike an appropriate balance of power in managing the Company's affairs.

In selecting members of the Board of Directors, the Board has established a Nominating Committee responsible for considering and screening candidates qualified for the positions. The Committee submits its proposed candidates for consideration at the meeting of the Board of Directors in the case of an appointment of a new director for a position that becomes vacant before the completion of any term. However, in the case of an appointment of a director replacing the one completing his or her tenure or an appointment of a new director in addition to the existing ones, the Committee submits its proposed candidates for consideration at the meeting of the shareholders through the Board of Directors. In this regard, the appointment procedures have to comply with the requirements of the law and the regulations established by the Company.

(10) Remuneration of the Board of Directors and Executives

Determination of remuneration of the Board of Directors and executives has to follow a transparent procedure. Their remuneration has to be at a level compatible with those in the same industry. The remuneration of the Board of Directors must be approved by the shareholders while remuneration of members of committees must be approved by the Board of Directors. The Chairman of the Board and the President and Chief Executive Officer are entitled to remuneration at rates determined by the Board of Directors in response to proposals made by the Company's Remuneration Committee. The directors who hold positions in committees will also be entitled to additional remuneration, as deemed appropriate, for such positions. The details related to the remuneration of the members of the Board of Directors and the members of the committees in 2005 are shown under Item Remuneration for the Board of Directors and Management on pages 115-116 in this Annual Report.

(11) Meetings of the Board of Directors

The Company establishes in advance the schedules of the meetings of the Board of Directors throughout the year. The meeting will take place every month - on Thursday of the last week of each month. In addition, the Board may hold special meetings as it deems necessary. The agenda for the meeting will be clearly determined in advance. The list will consist of subjects for information, consideration or approval as well as the subject of risk management that needs to be considered at the monthly meeting of the Board of Directors. The secretary of the Board of Directors will be responsible for sending members of the Board notices of the meetings together with supporting documents well in advance of the meeting dates so that the directors will have adequate time to study the information before they attend the meetings. Each meeting takes about three hours. In 2005, the Board of Directors had 12 meetings with details of their respective tenure and attendance as follows:

Name of Director	Tenure Period (3 Years/Person)
Mr. Banterng Tantivit	April 2004 - April 2007
Mr. Suphadej Poopipat	April 2005 - April 2008
Mr. Sommart Poonpakdee	May 2003 - May 2006
Mrs. Supreeya Saengudomlert*	May 2003 - May 2006
Miss Suvarnapha Suvarnaprathip**	
Mrs. Siripen Sitasuwan	April 2005 - April 2008
Mr. Phimol Rattapat	April 2004 - April 2007
Mr. Somkiat Sukdheva	April 2004 - April 2007
Mrs. Chantima Chaturaphat	May 2003 - May 2006
Mr. Wirasak Chiraset*	April 2005 - April 2008
Mrs. Noossara Roonsamrarn**	
Mrs. Suchada Pavananunt	April 2004 - April 2007
Mr. Bundit Cheevadhanarak*	April 2005 - April 2008
Mr. Piyaphong Artmangkorn**	
Rear Admiral Doctor Vitura Sangsingkeo	May 2003 - May 2006

Remarks: 1. * Resigned.

** Replaced the directors who resigned.

2. The details of attendance and all meetings of various committees (the Board of Directors) are given in the table showing meeting attendance of each committee in 2005 on page 116

The discussions and the opinions of the directors at all the meetings are recorded in writing. The minutes of the meetings adopted by the Board of Directors are properly kept and ready for examination by the Board and all parties concerned.

(12) Committees and Sub-Committees

To support its management work, the Board of Directors has established a number of key committees and sub-committees. The tenure of directors holding positions in these committees or sub-committees shall be the same as their tenure in the Board of Directors.

The Audit Committee The Audit Committee consists of three independent directors. Their tenure as members of the committee was the same as their respective tenure as members of the Board of Directors. In 2005, the Committee had 7 meetings. This Annual Report for 2005 also includes the report of the Audit Committee already signed by its Chairman.

The Remuneration Committee and the Nominating Committee The Remuneration Committee and the Nominating Committee consist of 3 independent and outside directors each. The committees meet occasionally. In 2005, the Remuneration Committee had 3 meetings while the Nominating Committee had 2 meetings.

The Executive Committee Before the automobile hire purchase business was transferred, the Executive Committee had 6 members, consisting of 4 executive directors and 2 outside directors who were not executives. After the automobile hire purchase business was transferred to Thanachart Bank, the structure of the Executive Committee was changed with its 6 members consisting of 2 executive directors and 4 outside directors who were not executives. The manner in which the meetings of the Executive Committee were organized was also changed. The secretary was assigned to also invite managing directors of Thanachart Group's financial institutions to attend these meetings. These included managing directors of Thanachart Bank Public Company Limited, Thanachart Securities Public Company Limited, Thanachart Fund Management Company Limited, Thanachart Insurance Company Limited, and Thanachart Life Assurance Company Limited. The purpose was to inform these managing directors

of management policies and to give them an opportunity to discuss various areas of operations and consult with others. In effect, these meetings which were attended by the senior management of the Group could be likened to the meetings of Thanachart Group's Executive Committee. In 2005, the Executive Committee had 12 meetings.

The list of members of the committees and sub-committees as well as the details of the scope of their responsibilities are given under the Chapter on Shareholding and Management (pages 94-98).

(13) Appraisal of the Board of Directors' Performance

The Board of Directors had arranged for the appraisal of its performance in 2005, making use of the Stock Exchange of Thailand's appraisal form as a guideline in preparing the company's appraisal form. In this regard, the appraisal focuses on the overall performance of the Board as a group.

(14) Internal Control, Auditing and Risk Management

As the Company pays great attention to internal controls, auditing and risk management, it has assigned staff to be responsible for carrying out these activities. As well, it has provided the staff with guidelines for implementation as follows:

Internal Control and Auditing

The Company's Internal Audit Group is responsible for auditing and assessing the internal control system. To make the Internal Audit Group independent and enable it to fully carry out the auditing duties as well as serving as part of the checks and balances system, the Board of Directors requires that the Internal Audit Group directly submit its audit reports to the Audit Committee, after which an audit summary will be presented to the Board of Directors for information. In addition, the Company has established the Compliance Unit that reports directly to the Audit Committee. The Compliance Unit is responsible for monitoring and overseeing the Company's business operations, making sure that they comply with the law.

Risk Management

The Board of Directors fully realizes that risk management represents an important factor in managing financial institutions. As a result, 'Risk Management Policies and Guidelines' were developed. They serve as an operations manual specifically designed for those involved in risk management. The Company's Risk Management Office is responsible for analyzing/monitoring the risks as well as presenting a report on risk management to the Executive Committee for consideration each month.

In 2005, the Risk Management Policies and Guidelines were reviewed so that they were in line with business operations and were suitable for implementation. The details of the policies and guidelines were disseminated to the employees through the Intranet, the Company's privately maintained computer network, for information and for implementation. The Risk Management Committee was established with the President & CEO acting as the Committee's Chairman and executives involved in risk management serving as the Committee's members. The Committee is mainly responsible for proposing risk management policies and formulating preventive measures against possible risks. The Committee is also responsible for monitoring and controlling risk management, making sure that it follows established policies. Moreover, in order to enable the Board of Directors to fulfill its legal requirements, the Company has already prepared a manual for its directors, which include the legal requirements of all the agencies regulating the Company's business operations. As guidelines for carrying out their duties, copies of the manual have been distributed to every member of the Board.

(15) Reports of the Board of Directors

The Board of Directors is directly responsible for the financial statements of the Company and those of its subsidiaries. It has assigned the Audit Committee responsibility for making sure that the financial statements and internal audit reports accurately reflect actual performances and that they meet accepted accounting standards in Thailand. The Company has adopted an appropriate accounting policy and strictly adheres to that policy. The Company also discloses all relevant information in the notes to the Company's financial statements. As well, the Company discloses the Management

Discussion and Analysis (MD&A) in its own quarterly financial reports and annual financial reports as well as the consolidated ones, starting with the mid-year financial reports as of 30 June 2003. In this Annual Report, the Company also includes reports from its Board of Directors and its Audit Committee.

(16) Investor Relations

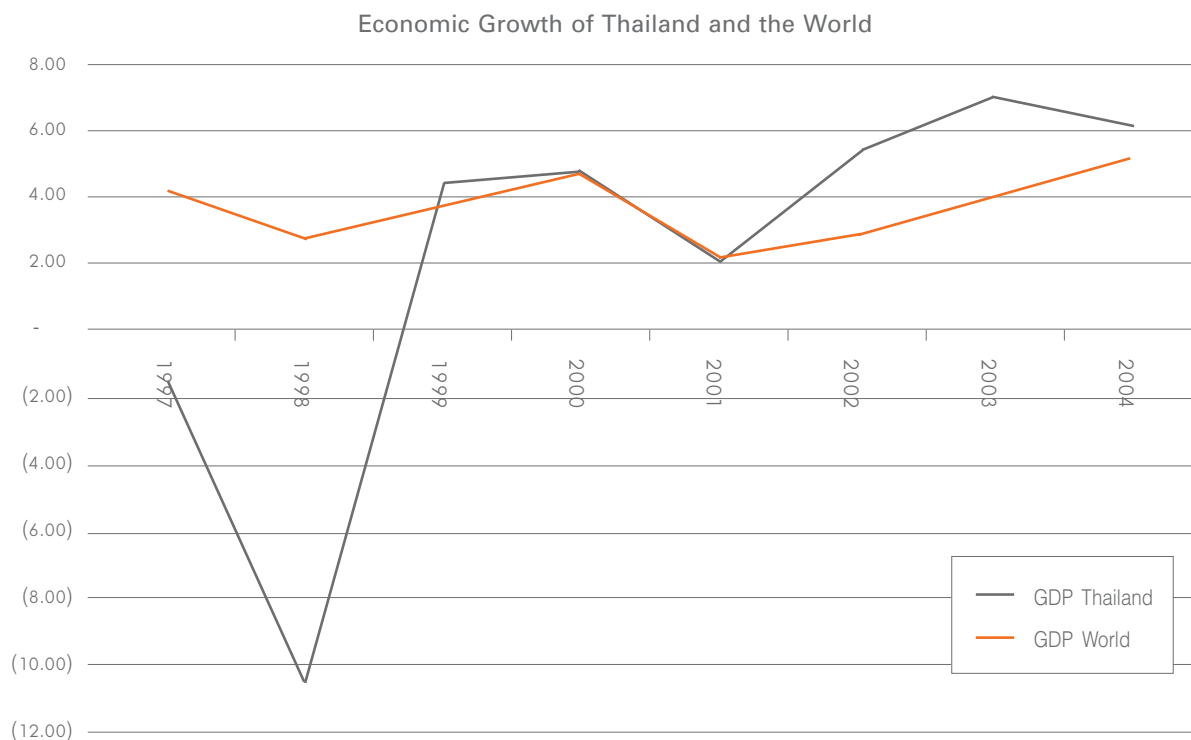
The Company officially established the Investor Relations Unit under the Corporate Secretariate Group in the middle of 2003. The Investor Relations Unit is responsible for disseminating accurate information and news about the Company to shareholders, investors, securities analysts, and credit rating agencies, both local and overseas. The objective is to enhance its positive image and organizational credibility as well as providing the shareholders with efficient services. The investors may contact the Company's Investor Relations Unit by phoning 0-2217-8199 Extensions 3066 and 3027 or through the Unit's e-mail address 'ir.nf@thanachart.com'

In addition, the shareholders and/or investors as well as members of the general public may obtain information about the Company through other channels as follows:

1. The Stock Exchange of Thailand
 - Form giving company information annually (Form 56-1).
 - The Company's financial statements and annual reports.
 - Resolutions adopted at the Board of Directors' meetings and at the shareholders' meetings.
2. The Securities and Exchange Commission
3. The Department of Business Development, the Ministry of commerce
4. The Company's Website: www.nfs.co.th
 - (After 3 April 2006, the name of the Company's website would also be changed to www.thanachart.com in line with the change of the company's name.)
5. Mass media, publishers and others
6. Securities analysts meetings
7. Company visits/one-on-one meetings
8. Local and overseas non-dealing road shows
9. Notifications sent by mail.

Economic Performance in 2005 and Outlook for 2006 »

Economic Performance in 2005



Source: The Bank of Thailand

Despite the escalating crude oil prices, high inflation rate and the unrest in the South, the Thai economy in 2005 still continued to grow from the previous year. The growth was driven by positive factors both overseas and local. The growth of the world economy in 2005 was higher than expected, especially the growth of the Newly Industrialized Economies (NIEs), the European Union (EU), Malaysia and the U.S.A. This was mainly due to the healthy growth in the export sector as a result of strong demand for electronic products in the world market and the accelerating growth of private consumption. In particular, the US economy grew at an increasingly higher rate as a result of increased consumption of durable goods and public expenditure to finance rehabilitation of areas damaged by hurricanes. The Japanese economy also continued to recover as its business and financial sectors began to improve. China's economy still registered a relatively high growth of 9.2 percent. Its export sector expanded considerably but at a gradually slower rate in line with the fall in investment in fixed assets. Overall, the world economy in 2005 grew at a higher rate than expected. However, growth

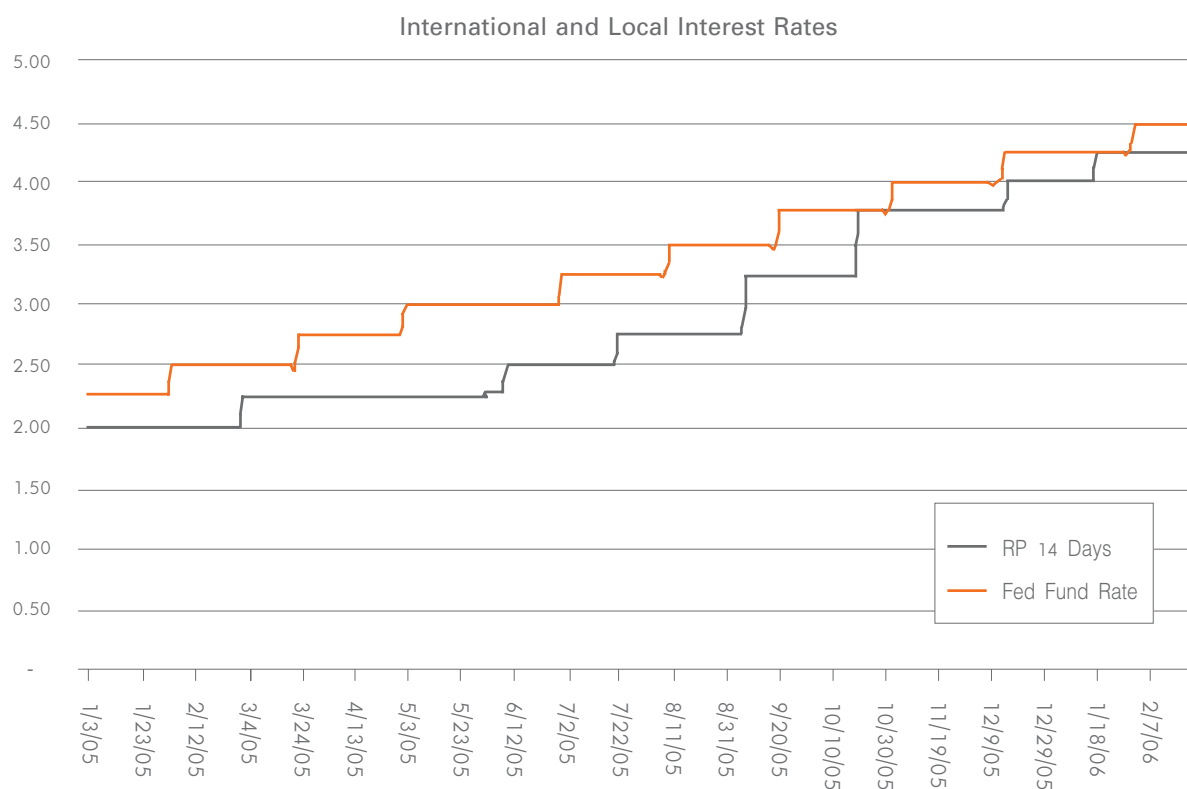
was slower compared with the high growth recorded in 2004.

In addition to the higher-than-expected growth of the world economy and the country's less severe inflationary pressures towards the latter part of 2005, Thailand's export sector during the period grew more briskly with the expectation that the positive trend would be maintained. Taking into consideration the business confidence survey results in terms of new orders placed and the healthy recovery in the tourism sector as well as the very positive trends in the agricultural sector in the fourth quarter of the year, the National Economic and Social Development Board (NESDB) raised its 2005 economic growth forecast from 3.8-4.3 percent to 4.7 percent. This was mainly due to the revised forecasts of higher growth in the export sector, the rise in private and public sector expenditure and investment and increased actual spending which exceeded forecasts. It was estimated that the average inflation rate in 2005 was 4.5 percent and the current account was US\$3.2 billion in deficit, representing 1.8 percent of the country's gross domestic product (GDP). The unemployment rate for the year was about 1.9 percent.

Economic Outlook for 2006

In 2006, two main factors, external and local, are expected to affect the Thai economy. One of the external factors is the price of crude oil. Prices are likely to remain at a high level as the world demand for oil is expected to rise by about 2.0 percent this year while production capacities, both in terms of crude and refined oil, were limited. The discouraging news about the production situation as well as

the stronger demand for oil and accumulated stocks also had a negative economic impact. However, the adjustments made by several countries in implementing energy saving measures and developing alternative sources of energy were expected to help ease the pressure in the global crude oil market. The other external factor is the slowdown of the economies of the U.S.A., the European Union and China.



Source: The Bank of Thailand

On the other hand, one of the local factors that affect the Thai economy is the much higher inflationary pressures that place tight constraints on household consumption and business investment decisions. The inflationary pressures are one of the factors which encouraged the Bank of Thailand to raise its benchmark 14-day repurchase rate, the key policy rate, six times from 2.0 percent in early 2005 to 4.0 percent at the end of the year. However, it is expected that the inflationary pressures would be reduced in the second half of 2006, mainly because of the downward pressures from oil production costs. Investment is expected to rise because of the higher utilization of production capacities, the investment in large projects by state enterprises, and the stronger performance of the private sector over the past few years. The export sector is also expected to expand further, particularly in agricultural products, food, automobiles, and electronic

equipment. The agricultural sector is forecasted to grow positively both in terms of prices and production volume after the country suffered a dry spell in the past year. The tourism sector is also expected to recover after the continuous efforts to rehabilitate tsunami-hit tourist areas. However, the Thai economy is still adversely affected by the unrest in the three southern border provinces, the deaths recorded from the spread of bird flu as well as political instability. The Prime Minister dissolved parliament on 24 February 2006 and a new election was called for 2 April 2006. This resulted in the postponement of the state's mega projects whose estimated total investment value was put at 280,000 million baht. Investor confidence declined in 2005 with private sector investment in the stock market and capital markets expected to slow in 2006. In the final analysis, these adverse impacts will lead to an economic slowdown in 2006.

Nature Of Business Operations »



“Thanachart” places strong emphasis on investments in financial business for the purpose of giving financial services and creating financial innovations that can cater to the needs of customers in an integrated manner.





Mr. Suphadej Poonpipat

President & Chief Executive Officer
Thanachart Capital Public Company Limited

Overall Business Outlook

Before returning its finance business license, Thanachart Capital Public Company Limited operated its finance business in line with the approval granted by the Ministry of Finance. The business includes commercial lending, development lending, manufacturer and consumer lending, home mortgages and deposit taking, as well as other types of business such as acting as custodian for debenture holders, acting as custodian for mutual funds and acting as agent for promoting sales and buying back of unit trusts. In addition to the finance business, the Company invests in other businesses through shareholding. It is currently the holding company of Thanchart Group which consists of seven business groups as follows:

Banking Business - Managed by Thanachart Bank Public Company Limited whose key businesses include deposit taking, lending and other supporting services, such as money transfers, debt repayment service, foreign exchange transactions, safety box rental.

Securities Business - Managed by Thanachart Securities Public Company Limited whose key businesses include securities brokerage and investment banking. The securities business is also managed by Thanachart Fund Management Company Limited whose key businesses include management of mutual funds, private funds and provident funds.

Insurance Business - Managed by Thanachart Insurance Company Limited whose key businesses include automobile

insurance and house insurance. The insurance business is also managed by Thanachart Life Assurance Company Limited whose key businesses include individual and group life assurance as well as accident insurance.

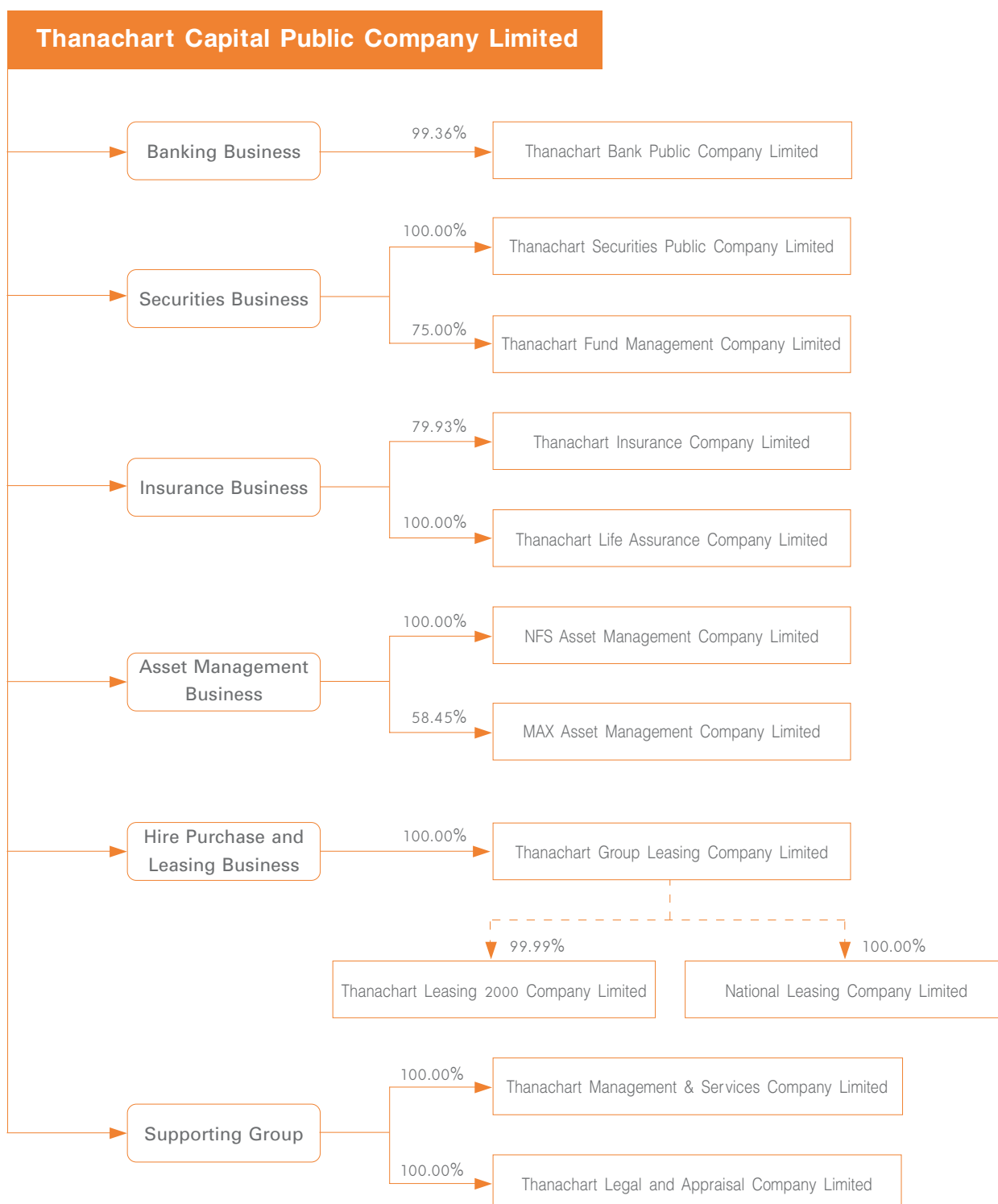
Asset Management Business - Managed by NFS Asset Management Company Limited whose key business is management of non-performing loans of Thanachart Capital Public Company Limited and its subsidiaries. The asset management business is also managed by MAX Asset Management Company Limited and NASSET Property Funds 6 whose key businesses include acquisition and management of non-performing loans from other financial institutions. In addition, the asset management business is managed by Thanachart SVP 01 Company Limited which is an ad hoc juristic person established for securitization.

Leasing Business - Managed by Thanachart Group Leasing Company Limited.

Supporting Group - Consists of Thanachart Management & Services Company Limited whose key business is administrative services and Thanachart Legal and Appraisal Company Limited whose key businesses include legal advisory services and price appraisal.

Group of Companies for Mergers and Establishment of Restricted Bank - The investments in these companies were part of a plan to establish a restricted bank. The plan was successfully implemented and the license for operating the finance business and the credit foncier business was returned to the authority concerned. The Group was proceeding with the liquidation process and/or sale of these companies to prospective investors. These companies included Pasara Company Limited, Bangkok Home Company Limited, Thiravanit Company Limited and Sinkahakan Company Limited.

The Company's Shareholdings in Thanachart Group as of 31 December 2005



Remarks: The above shareholdings include shares held directly or indirectly in the companies and are shown as a percentage with two decimal places.

THANACHART GROUP'S POLICIES AND GUIDELINES IN BUSINESS OPERATIONS

- Thanachart Capital Public Company Limited will operate as a holding company which holds shares in all member companies of Thanachart Group.
- The holding company will support the infrastructure of the Group and will be responsible for supporting and developing the brand of the Group.
- The holding company works together with the member companies in establishing goals and formulating plans with the support of synergies gained from joint efforts.
- The holding company works together with the member companies in developing and organizing the processes aimed at enhancing the potential of the Group's human resources.

BUSINESS STRATEGIES

To enable the business operations of Thanachart Group to follow the Group's policies and guidelines that have been jointly established, Thanachart Capital Public Company Limited, as a holding company of the Group, has formulated the following strategies :

- **Strategy for Managing Subsidiaries**

The subsidiaries are required to establish annual budgets and formulate annual business plans as well as 3-5 year plans and submit them to the holding company for consideration. The annual budget and the annual plan will be appraised and reviewed every six months.

- **Strategy for Managing the Central Administration Office and Technology**

The holding company establishes a central administration office capable of giving services to the member countries of the Group. It also arranges for improvement of systems and work procedures so that they become flexible under appropriate controls. It shall apply modern technology in its conduct of businesses as well as arranging for evaluation of the operations of each business unit through the profit centers.

- **Strategy for Managing Human Resources**

The holding company supports the development of the quality of human resources at all levels by organizing development activities in a systematic and continuous manner as well as instilling the knowledge and understanding of the establishment of good corporate governance and risk management into the staff.

- **Overall Branding Strategy**

The holding company supports the creation of an overall brand of Thanachart Group. The objective is to ensure that the brand of every member company of the Group supports the same image. The overall brand will not only help make the Group's business operations successful but also help save expenses in relation to building brand which is crucial in today's competition.

INCOME STRUCTURE

The Company's main sources of income consist of interest and dividend income as well as a share of profits from investments accounted for under the equity method. During the period from 2003 to 2005, the Company's income structure was as follows:

Business Group	2005		2004		2003	
	Million Baht	%	Million Baht	%	Million Baht	%
INTEREST AND DIVIDEND INCOME						
Loans and deposits	900.76	14.72	756.03	10.47	689.90	11.51
Hire purchase and financial lease income	6,309.98	103.11	5,244.52	72.64	3,438.77	57.39
Investments	236.48	3.86	475.89	6.59	818.46	13.66
Total interest and dividend income	7,447.22	121.69	6,476.44	89.70	4,947.13	82.56
Less interest expenses	3,716.34	60.73	2,217.97	30.72	2,169.29	36.20
Net interest and dividend income	3,730.87	60.96	4,258.47	58.98	2,777.84	46.36

Business Group	2005		2004		2003	
	Million Baht	%	Million Baht	%	Million Baht	%
NON-INTEREST INCOME						
Gains on investments	(41.33)	(0.68)	173.69	2.41	1,035.06	17.27
Share of profits from investments accounted for under equity method-net						
Thanachart Bank Public Co., Ltd.	513.29	8.39	807.94	11.19	597.18	9.97
Thanachart Securities Public Co., Ltd.	120.39	1.97	295.99	4.10	394.16	6.58
Thanachart Fund Management Co., Ltd.	26.00	0.42	47.25	0.65	41.26	0.69
Thanachart Insurance Co., Ltd.	(14.32)	(0.23)	48.75	0.68	8.54	0.14
Thanachart Life Assurance Co., Ltd.	113.36	1.85	(37.45)	(0.52)	43.97	0.73
NFS Asset Management Co., Ltd.	626.63	10.24	359.45	4.98	16.84	0.28
MAX Asset Management Co., Ltd.	35.32	0.58	286.35	3.97	190.18	3.17
Others	83.64	1.37	132.26	1.83	201.87	3.37
Fees and charges	27.63	0.45	19.61	0.27	20.75	0.35
Discounted income on insurance premium	262.49	4.29	382.06	5.29	303.13	5.06
Gains on property foreclosed	114.30	1.87	64.83	0.90	43.42	0.72
Other income	521.46	8.52	381.11	5.28	317.70	5.30
Total non-interest income	2,388.86	39.04	2,961.84	41.02	3,214.06	53.64
Total Income	6,119.73	100.00	7,220.31	100.00	5,991.90	100.00

NATURE OF BUSINESS OPERATIONS

• FINANCE BUSINESS GROUP

NATURE OF PRODUCTS AND SERVICES

Before returning its finance business license, Thanachart Capital Public Company Limited had the Ministry of Finance approval to engage in finance business which included commercial lending, development lending, manufacturer and consumer lending, home mortgages and deposit taking. However, on 28 April 2004, the Annual General Meeting of Shareholders for Year 2004 adopted a resolution approving Thanachart Group's business reorganization plan in line with the "One-Presence" Policy in the Financial Sector Master Plan. The Company and Thanachart Bank Public Company Limited jointly submitted their structure reorganization plans to the Ministry of Finance on 3 June 2004. In response, the Ministry of Finance gave its approval of the plans in writing on 22 April 2005. As a result, the Company is required to return its finance business license to the Ministry of Finance within one year after the date the Company received the approval from the Ministry of Finance. As well, the Company became the holding company of Thanachart Group with Thanachart Bank Public Company Limited being the Group's only one financial

institution that takes deposits from the public. In 2005, as part of the above structural reorganization plan, the Company gradually transferred its finance business activities to the Bank. These transferred businesses included the following:

(1) Deposit Taking Services

The Company stopped taking deposits from the public on 1 November 2005 after it transferred all its deposits to Thanachart Bank Public Company Limited on 31 October 2005.

(2) Lending Services

The Company still operated its lending business until 30 September 2005. And as from 1 October 2005, Thanachart Bank was the Group's only financial institution that provides lending services.

(3) Hire Purchase Business

The Company gradually stopped offering hire purchase services in various areas in which, during the same period, the Bank started offering hire purchase services. The Bank has been operating the hire purchase business since 9 May 2005, beginning first with areas in Bangkok and its environs and later with other areas in various Regions. As of July 2005, the areas covered by the Bank's hire purchase services fully replaced those of the Company.

(4) Other Financial Service Businesses

Other financial service businesses which were operated by the Company and would have to be transferred to the Bank included acting as custodian for debenture holders. The Bank received an approval from the Securities and Exchange Commission (SEC) to act as custodian for debenture holders since October 2005. The Bank would operate the custodian business in place of Thanachart Capital Public Company Limited while the latter would transfer its debenture holder accounts under the custodian business to the Bank. The transfer was completed in February 2006.

Key Processes in Relation to the Business Structure Reorganization

(1) Transfers of Deposit Accounts in the Form of Promissory Notes

All the public's deposits taken by the Company were in the form of promissory notes. The related deposit accounts were already transferred to the Bank with details as follows:

1.1) Deposits from the General Public

The Company has already transferred the general public's deposit accounts to Thanachart Bank which had started taking the deposits in place of the Company from 1 July 2005. In this regard, the Company also transferred all the related principal amounts and interest from the promissory notes to the Bank on the same date. The Company stopped taking deposits from the general public on 1 July 2005.

1.2) Deposits from Corporate Clients

The Company already transferred the corporate clients' deposit accounts to Thanachart Bank which had started taking the deposits in place of the Company since 1 November 2005. In this regard, the Company also transferred all the related principal amounts and interest of the promissory notes to the Bank on the same date. The Company stopped taking deposits from corporate clients on 1 November 2005.

Holders of the promissory notes issued by the Company can get their repayments for the principal amounts and interest from Thanachart Bank instead, under the same terms and conditions.

(2) Transfer of Claiming Rights under Loan Agreements

The Company already transferred its claiming rights under loan agreements to Thanachart Bank which now has the rights to claim against the loan agreements in place of the Company. However, the Company only transferred the claiming rights of the performing loans classified as normal and special-mention loans in line with the Bank of Thailand's established standards. The Company still maintained the loans under the hire purchase agreements.

2.1) Claiming rights of loan agreements without collateral as well as those loan agreements with collateral, but from which the borrowers can still use cash drawdown of their loans

The Company transferred these claiming rights to Thanachart Bank on 1 October 2005. The borrowers who are still entitled to cash drawdowns of their loans in accordance with the terms of the agreements signed with the Company may use such cash drawdowns from the Bank instead. The purpose is to enable the customers to access the funding source in accordance with the original agreements.

2.2) Claiming rights of loan agreements with collateral

The Company gradually transferred these claiming rights to the Bank with all the transfers to be completed before the Company returned its finance business license to the concerned authority.

The Company closed down all its 16 credit extension offices from the 1 November 2005.

(3) Return of the Finance Business License of Thanachart Capital Plc.

The notification of the Ministry of Finance approving the Company's business structure reorganization requires that the Company return its finance business license to the Ministry of Finance within one year after the date when the Ministry of Finance gave its approval for the Company to proceed with the plan. This means that the license has to be returned on 21 April 2006. The Company plans to return the license within the specified timeframe. According to the Act on the undertaking of finance business, securities business and credit foncier business, after the Company returns the finance business license to the authority, it will be prohibited from using the word "Finance" as part of its name. As a result, the Company's Board of Directors convened an Extraordinary General Meeting of Shareholders to consider and approve the change of the Company's name as well as changes of the memorandum of

association and the articles of association. At the meeting of the shareholders on 30 January 2006, the shareholders adopted a resolution approving the change of the Company's name to "Thanachart Capital Public Company Limited" after the return of the finance business license which is scheduled to take place on 3 April 2006. The Company will then become a holding company.

• **Managing Property Foreclosed**

The Company's policy on management of property foreclosed aims at adding value to the property by repairing and improving it so that it is in a good condition for sale. The policy is also aimed at maintaining the property in good condition and preventing it from deteriorating, while it has not been sold. The Company has also adopted an aggressive policy with regard to property foreclosed. As part of its price strategy, the Company has offered discounts to property prices at its sale promotion booth during exhibitions. Also, as part of its sale promotion strategy, it offered a waiver of the ownership transfer fee. In terms of its product strategy, it sets aside a group of large-scale properties and conducts a feasibility study with a view to offer them to prospective real estate investors who might be interested in investing in the properties. As well, it sets aside a group of small-scale properties and renovates them so that they are in a good condition for sale. Moreover, it launches additional advertising and public relations campaigns aimed at raising the awareness of target customers and sales agents. It also attempts to promote sales through additional channels of distribution such as Thanachart Financial Agents (TFAs), Internet, brokers and participation in various exhibitions such as NPA Grand Sale and fairs promoting sale of second hand properties.

The Company's target customers consist of members of the general public who want to buy properties for residential purposes, retail investors who want to buy properties for the purpose of leasing them to others, retail investors who want to buy and renovate the properties for resale, as well as the Company's debtors who are entitled to buy back the properties.

With regard to market competition in 2005, the property business has been hit by a number of negative factors including escalating interest rates, rising crude oil prices and the unrest in the South. However, the demand for second hand properties for residential purposes remains strong and competition is still intense. As a result, every company was

forced to make adjustments to their strategies in relation to both their products and services. In 2006, it is expected that there will be less new projects. The competition will also be more intense as it is likely that interest rates will rise steadily in 2006. Moreover, crude oil prices are forecast to escalate and the cost of construction materials will also rise. As a result, the production costs of the operators will increase.

Property foreclosed and second hand properties of various financial institutions serve as another choice for consumers planning to buy properties for residential purposes. As a result, the competition is still strong. This is also partly due to the fact that the property currently possessed by the financial institutions is reaching the maximum holding period allowed under the Bank of Thailand's regulations. As a result, the financial institutions have to sell property foreclosed expeditiously by using a number of marketing strategies such as cutting prices, giving a waiver of ownership to transfer fees, offering a zero percent interest rate for home mortgages during the first year of repayment, as well as giving a waiver for property appraisal fees.

• **BANKING BUSINESS**

NATURE OF PRODUCTS AND SERVICES

Thanachart Bank Public Company Limited operates its banking business in line with the Commercial Banking Act as well as the related notifications and circulars of the Bank of Thailand. Thanachart Bank places strong emphasis on aggressive business operations. This focus is in line with the current economic conditions and Thanachart Group's vision. The support by other member companies of the Group gives rise to more business opportunities for the Bank and enhances the Bank's business potential. With that support, the Bank has a wide range of products that cater to the diverse needs of customers. These products can be divided into three groups, namely deposit taking services, lending services and other services.

Deposit-Taking Services

The deposit-taking services are offered to both retail and corporate customers. There are four main types of deposit products including savings accounts, fixed term deposit accounts for 3, 6, 12, 24 or 36 months, current accounts, and foreign currency accounts.

Competitive Strategies

1. Product Strategy

The Bank places emphasis on enhancing efficiency in delivering services. Focus is given to offers of products and services that meet the needs of customers. It is also the Bank's policy to increase the range of available services by adding new features to the existing services as well as maintaining the improvement of its technology.

2. Interest Rate Strategy

The Bank's deposit rates are determined by taking into consideration both internal and external factors as well as the future trends of interest rates. Moreover, it is the Bank's policy to offer higher deposit rates than those offered by large commercial banks.

3. Sale Promotion Strategy

The Bank organizes sales promotion activities aimed at offering its deposit products to new target customer groups and at maintaining the existing client base.

4. Customer Grouping Strategy

It is the Bank's policy to classify its customers into different groups and analyze each customer group's needs and behavior in making use of the services. The Bank has made available relationship managers who are responsible for providing each customer group with advice, counsel, and financial planning services. The purpose is to give each customer group both convenience and satisfaction.

Target Customer Groups

The Bank's depositor base consists of two main groups including the customers of the former finance company and the new client base which the Bank has gained from opening new branches in the target areas.

Service Distribution Channels

The key distribution channels for the Bank's deposit-taking services consist of the following:

1. Branch Network

As of the end of 2005, the Bank had 66 branches in total, of which 41 were located in Bangkok and its environs and the remaining 25 were located in the provinces with focus given to areas accessible to the target customer groups.

2. Direct Marketing Teams

The Bank makes available direct marketing teams with good knowledge of deposit products and customer services. The teams are responsible for providing customers with advice on the various deposit products and investments.

3. ATMs

The Bank made an effort to install more ATMs at a faster rate. As of the end of 2005, it had 93 ATMs in total. As the Bank also has the support of the ATM pool network, its customers are able to use the services through ATMs of every bank nationwide.

4. Thanachart SmartPhone Services

The Bank has developed Thanachart SmartPhone Services which can provide financial services through telephone systems. These services currently include, among others, checking outstanding deposit and credit balances, making money transfers between bank accounts, checking interest rates, obtaining statements and product information.

5. Thanachart SmartWeb Services

The Bank's financial services are now also available on the Internet through Thanachart Smartweb. The services include, among others, checking outstanding deposit and credit balances, checking and printing statements of accounts.

Lending Services

The Bank's lending services can be divided into five types of services as follows:

1. Personal Loans

The Bank is determined to develop new products and give a wide range of financial services that cater to every financial need of its customers. These services include, among others, housing loans, multi-purpose loans for personal consumption, "Wish-List" loans, and additional credit lines for hire purchasers with good repayment track records.

Policy and Market Characteristics

Focus is given to specific target marketing. The Bank makes available direct marketing teams responsible for approaching customers directly. The arrangements give rise to higher efficiency and flexibility in operations.

Competitive Strategies

Focus is given to convenience and efficiency in delivering services. The Bank organizes promotional activities in line with the prevailing situations and status of competition in the market. The product development department is responsible for developing the makeup of various products.

Target Customer Groups

The characteristics of customers and target customer groups can be divided into two main areas including customer groups planning to purchase houses and groups of hire purchasers with good repayment track records as well as groups of employees working in companies with a healthy performance.

Service Distribution Channels

The Bank's distribution channels for its lending services include its direct marketing teams which approach customers directly and its bank network.

2. Loans for Small-and Medium-Sized Enterprises (SMEs)

This type of lending service is aimed at small-and medium-sized enterprises which need credit lines including short-term loans which serve as working capital for the business and long-term loans which help finance business expansion. The Bank also offers these groups of customers other financial services such as guarantees/avals and credit lines of international trade business.

Policy and Market Characteristics

The Bank places emphasis on offering integrated financial services to target customers. The Bank has adopted a clear lending policy in relation to target customer groups. The Bank also aims to expand its business in this type of lending services and attempts to offer other financial services to customers and other parties related to customers.

Competitive Strategies

The Bank selects target customer groups from its client base. It attempts to establish a good relationship with the customers by providing them with advice on their business and financial plans. As well, it provides more convenience to customers in various service areas. It also develops loan products which are combined with other financial services.

Target Customer Groups

The target customer groups under this type of loan include new car dealers and used car dealers, operators which offer transportation and car rental services, as well as business operators with high business growth potential.

Service Distribution Channels

The loans for SMEs in Bangkok and its environs are offered through the Bank's SME marketing department while the loans for SMEs in the Regions are offered through marketing outlets of its numerous branches which are located in every region of the country.

3. Corporate Loans

The available corporate loans include long-term credit lines for customers who need medium-or long-term credit lines; short-term credit lines for customers who need credit lines for less than one year, which will be used as their working capital or for enhancing their liquidity position; and aval/guarantee services. The Bank also provides its customers with integrated financial services.

Policy and Market Characteristics

The Bank offers corporate loan services to medium-and large-sized corporate customers, with terms and conditions, interest rates and repayment schedules which meet the needs of customers.

Competitive Strategies

The Bank places strong emphasis on providing integrated financial services that cover the financial needs of customers. The Bank streamlines its internal work processes, aimed at enhancing flexibility. It also develops its human resources and seeks to establish a close relationship with its customers.

Target Customer Groups

Focus is given to medium-and large-sized enterprises, particularly customers in the target industries located in Bangkok and in the provinces. The Bank also attempts to expand its business by approaching the trading partners of its target customers.

Service Distribution Channels

The Bank's corporate loan marketing department is responsible for contacting customers and offering corporate

loans to them. They also provide customers with advice on financial structure and sources of funds as well as other areas of financial needs. As for the other distribution channel, the Bank also introduces its corporate loan services through its branch network and staff of Thanachart Group.

4. Automobile Hire Purchase Services

The Bank offers hire purchase services to both retail and corporate clients, with focus given to automobile hire purchases. Currently, the Bank is a leader in the new automobile hire purchase business and manages to gain a larger market share in the used automobile hire purchase business.

Policy and Market Characteristics

The Bank gives automobile hire purchase services both in Bangkok and in the Regions, taking into account the provinces with good business potential. As the Bank currently has branches located in every region, they can serve as focal points in offering hire purchase services nationwide. In this regard, the Bank already took transfers of all the automobile hire purchase business from Thanachart Capital Public Company Limited in 2005.

Competitive Strategies

The Bank implements the following strategies in relation to its automobile hire purchase business:

1) Pricing Strategy

It is the Bank's policy to offer interest rates at a level that is competitive in the market. The Bank is also flexible in making changes in the terms and conditions of hire purchase contracts, taking into consideration the numerous factors that may influence the decision making of consumers.

2) Service Strategy

The Bank places strong emphasis on an efficient process in relation to consideration and approval of hire purchase loans. Emphasis is also placed on after-sale services which are aimed at establishing a good relationship with customers.

3) Sales Promotion Strategy

As part of the Bank's expansion and retrenchment strategies, the Bank and car dealers jointly organized sales promotion activities aimed at maintaining the existing market share and gaining additional market share.

4) Customer Relationship Management Strategy

The Bank has initiated a number of projects aimed at giving additional services to existing customers. These include, among others, automobile hire purchase loans for second cars for customers with good repayment track records, improvements in its call centers in order to accommodate its larger customer base, as well as the conduct of customer and dealer satisfaction surveys at least once a year.

5) Marketing Strategy

The Bank has adopted a market penetration strategy. It persuades existing customers to use the Bank's automobile hire purchase services again in buying their second cars. As well, it focuses on the customer groups that are currently using other companies' automobile hire purchase services. It also approaches customers who never use hire purchase services to use its services.

Target Customer Groups

The target customers for both new and used automobile hire purchase services include retail customers in Bangkok and in the Regions as well as car rental operators, juristic persons and state agencies.

Service Distribution Channels

The Bank's distribution channels for its automobile hire purchase services include its marketing teams both in Bangkok and in the Regions and the Thanachart Financial Agents (TFAs) who are responsible for selling Thanachart Group's products. In addition to cross-selling with other member companies of Thanachart Group, the Bank attempts to develop new distribution channels.

5. Loans for International Trade

Policy and Market Characteristics

The Bank offers integrated financial services for international trade business. These include, among others, issuance of letters of credit (L/C) for importers, acceptance of trust receipt (T/R) from importers, packing credit for exporters, buying or buying at discount bills under L/C, and issuance of standby letters of credit.

Competitive Strategy

The offered services focus on accuracy, convenience,

efficiency, and competitive fees which are key factors in attracting customers to make use of the Bank's lending services for international trade.

Target Customer Groups

The large-sized corporate clients are the main target for establishing the Bank's customer base in the future and also to help extend its network to foreign countries worldwide, while the small- and medium-sized corporations serve as the Bank's income base.

Service Distribution Channels

The loans for international trade are offered through staff of the international trade department, corporate loan marketing department and SME marketing department as well as through the Bank's branch network.

Other Services

The Bank also offers other services aimed at facilitating payments for products and services, money transfers and transactions in relation to international trade and other related services. These services can be divided into three main groups as follows:

Electronic Services and Products

These include automatic transfer service (ATS), automatic money transfer between banks, various fund transfer services, bill payment service, and online settlement for financial transactions through the Bank of Thailand's Automatic High-Volume Transaction Network (BAHTNET).

Policy and Market Characteristics

The Bank offers incentives aimed at attracting customers to use these services. It also attempts to develop its services by using the 'one-stop service' approach. The objective is to meet the needs of customers in terms of convenience, efficiency, low fees, transactions with a relatively high amount of money and high services security.

Competitive Strategy

The Bank's strategy focuses on charging lower fees than those of other banks. Its services place emphasis on efficiency, simplicity, transactions with a higher amount of money than those of other banks, receipt of money on the same day on which the money transfer order is given and high security in making money transfers.

Target Customer Groups

Its target customer groups include retail customers and juristic persons in general which include both the private and public sectors, which require convenience and efficiency in executing the transactions related to payments, money transfers from Thanachart Bank to other commercial banks and money transfers between accounts of Thanachart Bank.

Service Distribution Channels

The Bank offers its electronic services and products to both retail clients and juristic persons through various distribution channels including its marketing staff at different branches, branch networks, ATMs and the Internet.

Foreign Exchange Services

The Bank's services include, among the others, acceptance of foreign currency transfers into the country for payments of goods or for transfers into personal accounts as well as foreign currency transfers out of the country for payments of goods, as well as opening of Foreign Currency Deposit (FCD) accounts.

Policy and Market Characteristics

The demand for foreign exchange services is on the rise, mainly because of the increase in the number of tourists and businessmen visiting the country.

Competitive Strategy

The Bank offers more competitive foreign exchange rates aimed at enlarging its customer base. It also selects strategic locations in which it aims to gain the highest market share.

Target Customer Groups

The Bank's target customer groups consist of individuals including tourists and businessmen visiting the country, foreigners working in Thailand, as well as corporate clients in business sectors such as hotels and tourism, whose business are related to foreign currencies.

Service Distribution Channels

It is the Bank's policy to increase the number of its service units. Focus is given to locations easily accessible to the target customers. These include the Bank's branches located in areas with high demand for foreign currency exchanges as well as foreign exchange outlets outside the branches, which are located in popular tourist spots.

Other Services

The Bank also introduces products and services of member companies of Thanachart Group. These include, among others, non-life and life insurance products, opening of securities trading accounts and investments in unit trusts of various mutual funds.

• SECURITIES BUSINESS GROUP

Securities business consists of two types of business including securities brokerage and fund management.

• SECURITIES BUSINESS

NATURE OF PRODUCTS AND SERVICES

The securities business is managed by Thanachart Securities Public Company Limited which is authorized by the Ministry of Finance operate three types of businesses including securities brokerage, proprietary trading and underwriting in accordance with License No. 014/2540. The company is the member broker #16 of the Stock Exchange of Thailand. In addition, the company operates other businesses which are related to or support securities business. These include investment banking whereby the company has received approval from the Office of the Securities and Exchange Commission (SEC) to operate financial advisory services and to act as a securities registrar. As a result, there are five types of business which the company is currently operating. These include securities brokerage services, financial advisory and underwriting services, proprietary trading services, derivatives brokerage services and others.

As of 31 December 2005, the company's headquarters were located at 444 MBK Tower, Phayathai Road, Wangmai, Pathumwan, Bangkok 10330. It has 28 branches and one online branch in total. These include branches in Thapra, Phukhet, Haadyai, Chiangmai, Surathani, Saraburi, Rachaburi, Ploenchit, Yaowaraj, Chaengwattana, Rama IV, Rama II, Bangna, Pinklao, Pahurat, Chiangmai-Chottana, Chonburi, Nakhonsawan, Wongsawang, Prachachuen, North Pattaya, Rattanaibet (online branch), Korat, RCA, Thonglor, Khon Kaen, Chan Road, Nakhonprathom and Century the Movie Plaza which are supported by 528 employees.

Business Activities of Each Product Line

The company's business activities can be grouped into five types of business including securities brokerage services, financial advisory and underwriting services, proprietary trading services, derivatives brokerage services and others.

Securities Brokerage Services

Thanachart Securities Public Company Limited is the member broker #16 of the Stock Exchange of Thailand. Its main service includes securities brokerage and securities research used by customers in supporting their investment decision making.

The company's securities brokerage services can be grouped into three categories as follows:

1) Cash Account

A cash account is an account for trading securities in cash. In advance, the company will determine the maximum trading limit that the customer can buy or sell securities. The customer is required to deposit securities into his or her account with the company as collateral in line with the requirements of the Stock Exchange of Thailand.

2) Cash Balance Account

A cash balance account is also an account for trading securities in cash. In advance, the customer is required to deposit cash into his or her account with the company as collateral before placing a buying order. As well, the customer is required to deposit securities into his or her account with the company before placing a selling order. The "purchasing power" of the customer will change in line with the cash deposited into the account.

3) Credit Balance Account

A credit balance account is a trading account which allows the customer to buy securities on credit. The company will consider the maximum trading limit for a credit balance account in a more stringent manner than the limit for the cash account. The customer is required to place buying or selling orders only through the company's marketing staff. The customer is also required to give cash to the company as collateral against the loan before the customer places the first buying order. Every day, the company will appraise the value of the customer's securities that are used as collateral.

The result from the appraisal will change the customer's "purchasing power" automatically in line with the market value of the securities placed in the customer's account.

The company recognizes that the quality of securities analyses is an important factor that has an important impact on the investment by institutional investors and foreign investors. As a result, in August 2005, the company entered into a business alliance agreement with BNP Paribas Peregrine in the area of securities analyses and securities business. Being of benefit to all groups of the company's customers, the co-operation helped raise the quality of the company's securities analyses to a level on par with international standards. As of 31 December 2005, the staff of its securities research department included 16 securities analysts and supporting staff. The available services consist of seven types of research, both in Thai and English, which include Daily Issues (Morning Line & Technical Daily), Weekly Issues (Fate and Fortune), Monthly Issues (Siam Signal), Economics, Strategy (Siam Senses & Ticker Talk), Sector Reports and Company Research. The research covers 86 securities which account for about 76 percent of the market capitalization of the Stock Exchange of Thailand. BNP Paribas Peregrine is the company's only partner assisting in the distribution of the company's four types of research including Economics, Strategy, Sector Reports and Company Research to institutional and foreign investors in Asia, Europe and the USA. As one of the benefits from the co-operation, the percentage of the value of securities traded by foreign investors through the company increased to 6 percent of the total trading value in 2005 from 4 percent in 2004. For retail investors, the Company has set up an investment strategy unit responsible for producing daily stock analyses such as Morning Line and Technical Daily, weekly stock analyses such as Fate and Fortune as well as analyses of outstanding stock such as Tiding Talk. The information is sent to the customers by e-mail or post. The company also broadcasts its stock recommendations through mobile phones and daily important news in summary so that investors will receive information in an efficient and timely manner.

Financial Advisory and Underwriting Services

The company started its financial advisory and underwriting services when it was still a part of National Finance and

Securities Public Company Limited. Since then, the company has provided customers with financial advice in many areas as well as assisting in underwriting the issues of many leading companies' securities. These include, among others, members of the Shin Group (including Shin Corporation Public Company Limited, Advanced Info Service Public Company Limited, Shin Satellite Public Company Limited), Bangkok Expressway Public Company Limited, Thai Military Bank Public Company Limited, Bangchak Petroleum Public Company Limited, and PTT Exploration and Production Public Company Limited.

In terms of financial advisory services, the company focuses on giving financial advice to public companies on their initial public offerings for the purpose of mobilizing funds from the public. However, the company also provides its customers with financial advice in other areas, as part of its efforts to increase non-interest income. This includes financial advice given to various companies on business reorganization, debt restructuring, financial restructuring, feasibility studies, as well as mergers & acquisitions. As well, the company acts as an independent financial advisor, giving its opinions on a number of cases.

As of 31 December 2005, the staff of its investment banking unit consisted of 21 employees, 15 of whom received the approval from the Securities and Exchange Commission in supervising the company's operations.

Proprietary Trading Business

In operating the proprietary trading business, the company trades only debt securities with the focus given to transactions that are executed by matching orders only. The company will first survey the needs of both buyers and sellers before initiating the transactions. As a result, there is no need for the company to hold any position, thus protecting itself against any risk from possible price fluctuations. The company is a dealer member of The Thai Bond Market Association (Thaibma), acting as a debt instrument dealer in over-the-counter dealing. The company also participates in the public auctions of government bonds, debentures issued by state enterprises, and treasury bills, for the purpose of buying and reselling them to investors.

In addition, the company is a member of the Bond Electronic Exchange (BEX) of the Stock Exchange of Thailand,

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In addition, the company is a member of the Bond Electronic Exchange (BEX) of the Stock Exchange of Thailand,

acting as a broker for trading debt instruments worth over 100,000 baht on behalf of investors.

According to Thaibma, in 2005 the company was ranked 12th, based on its market share of 2.73 percent of Thaibma's total turnover, a drop from its 11th ranking in 2004 when it had a market share of 3.67 percent. All the first ten rankings still belonged to commercial banks.

Derivatives Brokerage Services

The company received a license from the Thailand Futures Exchange (TFEX) on 31 August 2005 to be its member and to act as a broker for derivatives trading. The company is one of the TFEX's first 20 members and is also one of the companies receiving an approval from the Securities and Exchange Commission and the Stock Exchange of Thailand to act as a broker of the derivatives products on 14 October 2005.

For this type of business, the company gives derivatives brokerage services and provides the customers with information about the nature of the available products and derivatives market analyses for their use in making investment decisions. During the initial period, the first product to be launched for trading on the new market will be SET50 Index Futures. The exchange will start operating as from 28 April 2006.

In making preparations for the new market, the company organized training activities and seminars for its staff and customers. As well, the company has established supporting systems for handling trading orders placed at its headquarters or through its branches nationwide. It has also prepared supporting documentation and launched public relations campaigns, through the media, aimed at publicizing its services to its employees, customers and members of the general public.

Other Businesses

Registrar Service

The company has established a securities registrar division which gives three types of service including:

1) Services for securities issuers, such as registration of transfers, securities attachment, securities allocation, notification of the number of securities allocated, dividend payments, interest payments to securities holders, dividend tax calculation, withholding interest, preparation of other reports as requested by securities issuers

2) Services for securities holders, such as registration of securities holders, changes of information about securities holders, securities transfers, issuance of new securities certificates, printing and dispatching of documents to securities holders.

3) Other services such as supporting other work units.

MARKETING AND COMPETITION

Securities Brokerage Business

The company has adopted strategies aimed at enhancing its competitiveness and income generation capacity. The company's strategies can be divided into two groups as follow:

1) Concentration Strategy

This strategy focuses on existing lines of business, aimed at creating a competitive edge and a higher efficiency than its competitors. Emphasis is placed on offering quality services to customers by improving service quality and developing its human resources so that the company's staff have a good knowledge and understanding of the business and its products. Moreover, the company develops additional distribution channels for servicing its customers, such as opening new branches, giving securities trading services that allow customers to trade securities on the Internet or through mobile phones, regularly organizing seminars for customers and launching marketing campaigns aimed at establishing a good relationship with its customers and creating opportunities to expand its new client base.

2) Concentric Strategy

This strategy focuses on expanding into new businesses that are related to the existing ones. As part of this strategy, it makes preparations for being a derivatives broker. It also arranges registration of and obtains licenses for its marketing staff responsible for providing services to customers. The arrangements enable them to present analyses and to advise customers on derivatives trading and the related trading systems. In addition, the company organizes training activities and seminars for customers on derivatives trading. As well, it launches public relations campaigns, through the media, aimed at publicizing and promoting derivatives trading.

In 2005, the trading value generated by foreign investors, local institutional investors and local individual investors accounted for 6 percent, 9 percent and 85 percent, respectively. Since most of the company's customers were local investors, the company did not have to depend on any single customer for more than 30 percent of its total brokerage fees. The combined trading value of the company's top ten individual investors accounted for only 15 percent of the company's total trading value. In 2005, the company opened ten new branches as well as developing its website (www.thanachartsec.co.th) that allows its customers to trade securities online. Through the IFIS Internet system, the customers can also obtain real-time details of securities trading and check the value of their portfolios. In addition, they can get real-time information about securities trading and stock analyses through mobile phones at wap.thanachartsec.co.th.

Industry Outlook and Competition

The industrial outlook for the securities brokerage business is directly and significantly related to the trading turnover of the Stock Exchange of Thailand. In 2005, the stock market was volatile. As a result, the average daily turnover fell to 16,454 million baht in 2005 from 20,508 million baht in 2004, representing a decrease of 19.77 percent. The SET index closed at 713.73 at the end of the year. The main factors, both local and external, that affected the stock trading in 2005 included rising interest rates worldwide, escalating crude oil prices and rising inflation at a later stage. The gross domestic product also decreased as a result of the deficit trade balance which could be attributable to a number of factors such as the rising value of oil imports, shrinking tourism, the avian flu, the unrest in the south and the performance of listed companies.

The competition in the securities brokerage business in 2005 focused on quality services, particularly in securities research services and the allocation of new issues from initial public offerings to customers, opening of new branches as well as competition for marketing staff. In 2005, the company generated a trading value of 211,966 million baht, which accounts for 2.61 percent of market share. As a result, it was ranked 18 among 39 securities companies which were authorized to act as securities brokers in 2005.

The economy and the stock market are expected to improve in 2006. The gross domestic product in 2006 is

forecast to grow at 5 percent with average daily trading value in the stock market rising to 20,000 million baht. As a result, various business sectors will have more activities and transactions, which in turn lead to additional fund mobilization, more mergers and acquisitions, and more companies to be listed on the Stock Exchange of Thailand. As a result, the fees gained from delivering financial advisory services and securities underwriting will increase. However, the unrest in the south, political uncertainties, as well as increases in commercial banks' interest rates which adversely affect production costs and profits of entrepreneurs may have a negative impact on the overall outlook of the capital market and investors' investment. Moreover, the competition in the securities brokerage industry is expected to become more intense. Most players will compete on quality of services, particularly in the areas of securities research and allocation of new issues from initial public offerings to customers, as well as the development of online trading systems which are expected to register higher growth despite the fact that it is still in the initial stages of development.

Financial Advisory and Underwriting Service

The company places emphasis on giving financial advisory services on fund mobilization in the form of both debt and equity instruments, mergers and acquisitions, financial restructuring and conduct of feasibility studies. It attempts to maintain and develop a good relationship with the customers who have used its services. The relationship gives rise to new opportunities in offering other types of financial services to customers. It also creates opportunities in selling available services to other companies in the customers' groups.

During the period from 2002 to 2005, it acted as the financial advisor and underwriter of many debt and equity instrument issues, either in the role of lead underwriter, joint-lead underwriter or sub-underwriter. Its customers include, among others, CS Loxinfo Public Company Limited, Thai Airways International Public Company Limited, Krungthai Bank Public Company Limited, SC Asset Corporation Public Company Limited, Matching Studio Public Company Limited, Areeya Property Public Company Limited, Airports of Thailand Public Company Limited, Workpoint Entertainment Public Company Limited and Mangpong Public Company Limited, Glow Energy Public Company Limited, Phatra Securities

Public Company Limited, Metrostar Property Public Company Limited and Thai Plastic Public Company Limited. On distribution channels, the company offers its services through the customers of the company's marketing staff as well as through customers who currently use the other financial services of member companies of Thanachart Group.

Industrial Outlook and Competition

The economy and the capital market have showed clear signs of a positive recovery since 2001. As a result, many business sectors need to mobilize funds for business expansion. The state has also adopted policies aimed at encouraging more companies to list on the stock exchange by offering a number of incentives such as cutting corporate tax for listed companies, relaxation of requirements imposed on companies applying for listing on the Stock Exchange of Thailand (SET) and the Market for the Alternative Investment (MAI). As well, the state has strongly supported privatization of state enterprises by selling their shares to the general public and getting them listed on the stock exchange. As a result, more companies mobilize funds by becoming listed on the stock exchange. The year 2005 was the last year investors could benefit from the tax incentives. The companies which wanted to benefit from the tax incentives were required to submit their listing applications to the Stock Exchange of Thailand by December 2005 and to have their shares listed by the end of 2006. Last year, from the total of 50 new companies, 36 listed on the Stock Exchange of Thailand while 14 new companies listed on the Market for Alternative Investment. The total funds mobilized through the initial public offerings amounted to about 31,973 million baht.

The competition in the financial advisory and underwriting business is intense, mainly because of the growing number of existing operators. As of 31 December 2005, there were altogether 71 companies that received approval from the Securities and Exchange Commission to operate financial advisory services within the scope prescribed by the authority. Of the financial advisors, 40 received a license to operate the securities underwriting service. The competition focuses mainly on quality and expertise in services, both in giving advice and resolving customers' problems, as well as introducing new products that result in added value and benefits to customers.

In 2005, the company acted as financial advisor to four companies which wanted to list on the Stock Exchange of Thailand and also acted as their underwriters for the new issues worth 15,230 million baht in total. In addition, the company acted as co-leader underwriter or underwriter for 16 companies which issued and offered for sale new securities, for a combined sale value worth 37,138 million baht.

On the future prospects of financial advisory services in 2006, most of the services to be rendered will focus on giving advice on mergers and acquisitions since they are efficient mechanisms for expanding and strengthening business in the face of increasingly intense competition in almost every business sector. There is still demand for financial advisory services for the underwriting of ordinary shares and for the listing of new companies on the stock exchange. However, investor interest will decline this year since tax incentives for newly listed companies on the stock exchange ended in 2005.

AVAILABILITY OF PRODUCTS AND SERVICES

Sources of Fund

The company operates using its shareholders' equity as its main source of fund, which consists mainly of capital and retained earnings. On the policy on future funding, it has adopted a policy aimed at finding sources of fund that are in line with its activities and using those funds by taking into consideration the appropriate ratio of total liabilities to shareholders' equity as well as the appropriate ratio of capital to net cash or cash equivalents.

Investments

The company's investment policy allows it to invest only in medium and long-term equity securities with two investment objectives. The first objective is concerned with strategic investments in businesses which could support the businesses of the company or member companies of the Group. The second objective is concerned with investments in securities which offer return both in the form of dividends and gains made from selling the securities. The company will not invest in equity securities in an amount of more than 60 percent of its shareholders' equity and such investments will not cause the company to violate the minimum Net Capital Ratio (NCR)

requirement imposed by the authority. The company may invest in securities which are listed or not listed on the Stock Exchange of Thailand, provided that the securities must be those of the company or organization that has strong business fundamentals and must be able to give an appropriate rate of return. In the case of listed securities, the securities must have a high liquidity in trading. It is required that each investment decision must be based on adequate research for decision making.

Funding or Borrowings from Parties Related to Executives or Major Shareholders

The company's source of fund is from its major shareholder Thanachart Capital Public Company Limited in the form of the company's shareholders' equity and retained earnings. There is no borrowing from its major shareholder.

The Company's Net Capital Ratio (NCR)

As of 31 December 2005, the company's Net Capital Ratio (NCR) was 139.08 percent, well above the minimum level of 7 percent of the liabilities, which was imposed by the Office of the Securities and Exchange Commission.

• FUND MANAGEMENT BUSINESS

NATURE OF PRODUCTS AND SERVICES

Thanachart Group's fund management business is managed by Thanachart Fund Management Company Limited which is a joint venture between Thanachart Capital Public Company Limited (holding 75 percent of the total shares) and The Government Savings Bank (holding 25 percent). Thanachart Fund Management Company Limited was among the first group of companies that received mutual fund licenses from the Ministry of Finance in March 1992. It also received licenses to manage private funds and provident funds in 1997 and 2001, respectively. In 2004, the company submitted an application to operate investment advisory services so that it would be able to offer a full range of investment counseling services. It received the related license on 27 July 2004. As of 31 December 2005, Thanachart Fund Management Company Limited had 135 employees in total, of whom 18 were executives (being department heads or above) and 117 were supporting staff.

Thanachart Fund Management Company Limited has established and managed all types of mutual funds with various investment policies that cater to the needs of every type of investor including retail investors, major investors, as well as institutional investors. The products or services provided by the company include the following:

MUTUAL FUND

Mutual fund is a collective investment vehicle for retail investors. The fund pools money from the investors who are seeking the same investment objective. A fund manager will be appointed to manage investment in line with the policy established for each mutual fund which is aimed at generating a return or gain from the investment. Making investments through the mutual fund enables investors to diversify their investment risk, regardless of the size of their investment. As well, the related expenses of investing through mutual funds are not very high.

PRIVATE FUND

Private fund is an investment vehicle for high net worth investors or groups of investors who assign the company to manage their investment in line with their specific investment objectives. The private fund manager will manage the investment within the scope of the investment framework and constraints mutually agreed upon between the customer and the company.

PROVIDENT FUNDS

The provident fund is established on a voluntary basis by mutual agreement between employees and their employers. The fund serves as the employees' savings vehicle, aimed at creating financial security for their retirement. It also serves as a type of welfare benefit given by employers to their employees. In addition, the fund provides financial security for employees in other cases such as resignation, death or if they are incapacitated and unable to work.

MARKETING AND COMPETITION

Policy and Market Characteristics

Both marketing and investment strategies adopted by Thanachart Fund Management Company Limited are

requirement imposed by the authority. The company may invest in securities which are listed or not listed on the Stock Exchange of Thailand, provided that the securities must be those of the company or organization that has strong business fundamentals and must be able to give an appropriate rate of return. In the case of listed securities, the securities must have a high liquidity in trading. It is required that each investment decision must be based on adequate research for decision making.

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MARKETING AND COMPETITION

Policy and Market Characteristics

Both marketing and investment strategies adopted by Thanachart Fund Management Company Limited are

aggressive. It also attempts to create new innovative products and services that place emphasis on quality and cater to the needs of its customers in a timely manner. The products and services are offered through the marketing teams of Thanachart Fund Management Company Limited and its major shareholders. These include the country's leading financial institutions with integrated financial services both in the public and private sectors, as well as through a number of their business alliances which support the sale and repurchasing of the unit trusts.

The company places strong emphasis on selling units of the mutual funds whose portfolios are well diversified and which cater to the needs of all customer groups. In selling the unit trusts or choosing the distribution channels to promote their sale, apart from approaching prospective investors directly, the company arranges for qualified personnel, who receive approval from the Securities and Exchange Commission, to offer the unit trusts for sale through Thanachart Bank and its branches. As well, the company sells the unit trusts through supporting sales agents which are financial institutions with a license granted by the Securities and Exchange Commission. The company's target customer groups include those living in Bangkok and its environs as well as those in major cities in the country's important regions. In its efforts to enlarge its customer base, it takes into consideration the maintenance of high quality services. The company has identified target customer groups which consist of (1) high net worth customer groups, both individual and juristic persons, of Thanachart Bank and its branches, as well as the customer groups of the financial institutions which co-underwrite the unit trusts, (2) groups of corporate employees having regular income and working for middle-size companies or big corporations, (3) customer groups who work independently, and (4) groups of customers who have been referred by existing customers, as a result of direct marketing campaigns.

For the company's existing customers of over one hundred thousand in number, the company will continue to organize marketing activities aimed at providing them with information about the mutual funds in which they have been investing, make offers of sale for new funds, and give them other information that is of benefit to their investments and savings.

The sale of the company's unit trusts is made through two main channels including:

1) Thanachart Fund Management Company Limited

The company is supported by 19 marketing staff members whose main responsibility is to make direct sales. Of these marketing staff, 11 are responsible for contacting investors in the Category Gor group while the remaining 8 are responsible for contacting investors in the Category Kor group. In addition, the company's other staff can help promote sales. Of these staff, 21 receive training and pass tests which allow them to contact investors in the Category Gor group while 82 are allowed to contact investors in the Category Kor group.

2) Financial Institutions Supporting the Sale and Repurchase of Unit Trusts

The company has appointed 13 financial institutions including commercial banks and securities companies to support the sale and repurchase of unit trusts of the mutual funds under its management. The purpose is to enlarge its networks for selling and repurchasing its unit trusts nationwide.

Industrial Outlook and Competition

In 2005, there were altogether 18 asset management companies licensed by the Finance Ministry, with Finansia Asset Management Limited being the last one which obtained a license. The three largest asset management companies of public mutual funds (excluding Vayupak Fund, Country Fund, Real Estate Mutual Fund for the Financial Sector Rehabilitation, Mutual Fund for the Financial Sector Rehabilitation, and Real Estate/Receivables Claim Funds) included Kasikorn Asset Management Company Limited which commanded a 21.0 percent market share, SCB Asset Management Company Limited with an 18.0 percent market share and TMB Asset Management Company Limited with a 9.8 percent market share. Thanachart Fund Management Company Limited was ranked number 7 with a 5.8 percent market share. The majority of the market share still belongs to the commercial banks' asset management companies because of their advantage over others in the form of extensive distribution channels through their branch networks nationwide. This also applied to the newly established Siam City Asset Management Company Limited, a subsidiary of Siam City Bank, which registered very high growth.

Because of very low deposit interest rates, the competition in the fund management industry intensified in 2005 and many mutual funds invested in short-term government bonds which offered higher returns than deposit rates. In 2005, the total value managed by new debt instrument mutual funds amounted to 260,000 million baht, accounting for 89 percent of all newly established mutual funds in 2005. Moreover, although there are currently only a few mutual funds seeking to invest overseas or in real estate, these funds are becoming increasingly more popular and more new funds are being established.

Thanachart Fund Management Company Limited manages all types of funds including mutual funds, private funds and provident funds, with their respective market shares as follows:

Mutual Fund Business As of 30 December 2005, the company had 50 mutual funds under management whose total net asset value amounted to 38,524.43 million baht. Of the funds, 47 were public mutual funds with a total net asset value of 36,790.21 million baht, representing an increase of 10,741.27 million baht or 41.20 percent from 2004. Being ranked 7th among all the operators, the company commanded 5.81 percent market share, compared with 7.28 percent market share in 2004. In terms of retirement mutual funds (RMF), their total net asset value amounted to 794.13 million baht, ranking the company 5th with a 4.30 percent market share. And in terms of the long term equity fund (LTF), total net asset value amounted to 604.07 million, a 4.26 percent market share ranking the company 6th among 18 operators.

The increase in the net asset value of mutual funds under management by Thanachart Fund Management Company Limited in 2005 was mostly from its 16 newly established mutual funds whose combined value amounted to 11,589 million baht. Six mutual funds whose combined net asset values amounted to about 3,300 million baht were closed down as they reached maturity. Moreover, in April 2005, three of its mutual funds, namely Om-Sin Provincial Development Capital Fund 1, Om-Sin Provincial Development Capital Fund 2, and Om-Sin Provincial Development Capital Fund 3 were consolidated into one open-end fund called Om-Sin Provincial Development Capital Fund whose net asset value amounted to about 2,377 million baht.

Private Fund Business As of 31 December 2005, the company had a total of 56 private funds under management, whose total net asset values amounted to 2,014.82 million baht, representing a decrease of 940.67 million baht or 31.83 percent from 2004, when it had 61 private funds under management.

Provident Fund Business As of 31 December 2005, the company had a total of 27 provident funds under management, whose total net asset value amounted to 2,656.84 million baht, representing an increase of 394.81 million baht or 17.45 percent from 2004. The provident funds under its management included 11 single provident funds, 13 group funds, and 3 general pooled funds. Total membership of the funds increased from 21,118 to 29,362.

As regards the outlook for the fund management business in 2006, debt instrument mutual funds are expected to grow further, mainly because interest rates for deposits remain at a low level and are lower than the rates of return offered by the debt instrument market, particularly debt instruments with maturity of less than one year. Moreover, funds targetted for investment overseas are becoming more popular among various asset management companies, mainly because domestic interest rates are not very attractive and investment in the Stock Exchange of Thailand is still subject to volatility.

AVAILABILITY OF PRODUCTS AND SERVICES

The company's two main sources of funds consist of its equity, those funds received from ordinary share subscriptions and the retained earnings which accumulated over time from its business operations.

• INSURANCE BUSINESS

The insurance business consists of two types including non-life insurance which is operated by Thanachart Insurance Company Limited with services covering every type of insurance, and life assurance which is operated by Thanachart Life Assurance Company Limited with services covering life assurance for corporate clients, organizations and members of the general public.

• NON-LIFE INSURANCE BUSINESS

NATURE OF PRODUCTS AND SERVICES

Thanachart Insurance Company Limited's headquarters are located in Bangkok with 16 branches nationwide. Those 16 branches are Phuket branch, Hatyai branch, Surat Thani branch, Rayong branch, Chonburi branch, Nakhon Pathom branch, Chiangmai branch, Nakhon Sawan branch, Phra Nakhon Si Ayutthaya branch, Ubol Ratchathani branch, Nakhon Srithammarat branch, Udonthani branch, Khon Kaen branch, Phitsanulok branch, Saraburi branch and Nakhon Ratchasima branch. The company receives approval from the Ministry of Commerce to operate non-life insurance business in accordance with the License No. 6/2540. The company offers the following types of insurance products:

Non-Life Insurance

The non-life insurance consists of four types, each of which mostly having a scope of protection coverage and exclusion clauses in line with international standards. Their differences lie in protection benefits that cater to the needs of individual policy holders. These four types of non-life insurance include the following:

1. Fire Insurance

This type of insurance provides protection against damages caused by fire, lightning, and explosion caused by gas for domestic use. Additional coverage can be bought.

2. Motor Insurance

The motor insurance provides protection against loss or damages caused by the use of a motor vehicle. The motor insurance can be divided into two parts:

1) Compulsory Automobile Liability Insurance (Compulsory Third-Party Insurance), as required under the Motor Vehicle Accident Victims Protection Act.

2) Voluntary Insurance which consists of:

2.1 First-class insurance which provides protection against the motor vehicle of the owner as well as property damage and bodily injury to a third party;

2.2 Second-class insurance which provides

protection against one of the risks related to the motor vehicle of the owner as well as property damage and bodily injury to a third party;

2.3 Third-class insurance which provides protection only against property damage and bodily injury to a third party

3. Marine and Transportation Insurance

The insurance provides protection against loss or damages to ships, assets or goods on waterways with coverage extended to transportation on land and air, which is connected to transportation on waterways.

4. Miscellaneous Insurance

The miscellaneous insurance is of many types, depending on the nature of risk and the needs of the insured, such as insurance against theft, personal accident insurance, all-purpose insurance, and insurance against machine and equipment breakdown.

Investment Business

Investment is a part of the non-life insurance business. The non-life insurance companies can invest their excess cash in investment vehicles for the purpose of getting a return on their investment. However, they are required to strictly adhere to the types and proportions of investment, as well as terms and conditions prescribed by the law. At present, the law that regulates the investment of non-life insurance companies includes the notification issued by the Ministry of Commerce on the investment in other businesses by non-life insurance companies. The company pays great attention to the careful selection of investment vehicles that are in line with the prevailing developments in the financial and capital markets. Part of the company's investment includes fixed-term securities such as deposits at financial institutions, government bonds, debentures issued by state enterprises, corporate debentures, as well as shares listed on the Stock Exchange of Thailand, both short term and long term. In making investments, the company takes into consideration criteria such as liquidity, security and stability of the investment.

MARKETING AND COMPETITION

Policy and Market Characteristics

The company has adopted a strategic marketing plan, aimed at enhancing its competitiveness and increasing its market share on a continuous basis. Special emphasis is placed on rendering high standards of service which include prompt action, efficiency and honesty. The company has developed lines of products and offered new types of policies that are in line with social and economic conditions and that cater to the needs of customers, taking into account the rates of premiums that are fair to customers. The company reviews its aggressive marketing plan regularly so that it takes into consideration changing situations. Its goals include increasing distribution channels, gaining new clients to enlarge its customer base, and retaining existing customers. About 95 percent of the company's customers are retail customers whose insured value is less than 5 million baht. The types of insurance products purchased by the customers include motor insurance and fire insurance for their houses. Most of these customers include loan customers of Thanachart Capital Public Company Limited and those customers gained from its own marketing activities, brokers, and its marketing representatives. The customer groups whose insured value is above 5 million baht include institutions or private organizations in various lines of business, both in the commercial and industrial sectors. The main insurance products purchased by these groups include miscellaneous insurance and fire insurance.

In view of the above groups of customers, it could be seen that, since the commencement of its non-life insurance business, there has been no single customer who accounts for more than 30 percent of its total income. Moreover, the company sells its products only to customers living in the country.

Industrial Outlook and Competition

The non-life insurance industry in 2005 continued to grow from 2004. Thai Reinsurance Public Company Limited estimates that direct premiums in 2005 amounted to 88,498 million baht, representing an increase of 9,280 million baht or 11.7 percent from the previous year. This was mainly due to the increase in motor insurance which grew 12.4 percent, as a result of the domestic automobile sales which registered a continuous growth. Thanachart Insurance Company's underwriting income amounted to 1,293.18 million baht, representing an increase of 497.40 million baht or 62.5 percent from the previous year. This was largely due to its successful business expansion in every line of insurance products, as a result of the continued economic recovery. Importantly, consumer confidence in the economic system also helped boost consumption and investment, which, in turn, led to the overall expansion of the non-life insurance industry.

On the performance of the non-life insurance industry during the first 9 months of 2005, the Insurance Department of the Ministry of Commerce reported that the total premium income of the industry amounted to 64,829.33 million baht, representing an increase of 13.10 percent from the same period in 2004. Grouped by type of insurance, motor insurance premiums accounted for 38,843.99 million baht or 59.91 percent of the total premium income, miscellaneous insurance premiums accounted for 17,544.63 million baht or 27.06 percent, fire insurance premiums accounted for 5,607.75 million baht or 8.65 percent, and marine and transportation insurance premiums accounted for 2,832.97 million baht or 4.36 percent respectively.

Number of Insurance Companies in Thailand

As of 30 September 2005

Type of Business	Local Companies	Branches of Foreign Companies	Total
Life Insurance	24	1	25
Non-Life Insurance	63	5	68
Health Insurance	5	0	5
Reinsurance			
Life Insurance	1	0	1
Non-Life Insurance	1	0	1
Total	94	6	100

Direct Premium of Non-Life Insurance Business from January to September 2005

(Unit : Thousand Baht)

Company	Fire Insurance	Marine & Transportation Insurance		Motor Insurance		Miscellaneous Insurance			Total
		Hull	Cargo	Compulsory	Voluntary	Personal Accident	Health	Others	
1 Viriyah Insurance	119,907	1,985	25,505	1,387,016	6,528,064	117,600	19,884	188,480	8,388,441
2 Dhipaya Insurance	561,297	51,734	138,962	104,960	806,899	228,688	34,238	2,828,406	4,755,184
3 Bangkok Insurance	595,031	64,385	146,897	150,408	1,893,707	65,091	55,020	1,293,903	4,264,442
4 Sampanh Insurance	9,027	0	1,527	508,891	2,195,935	4,436	0	8,334	2,728,150
5 Synmunkong Insurance	65,725	0	6,140	456,316	1,723,861	304,429	0	0	2,556,471
Total	1,350,987	118,104	319,031	2,607,591	13,148,466	720,244	109,142	4,319,123	22,692,688
6 Thanachart Insurance	49,369	385	1,120	46,942	825,571	3,242	0	159,758	1,086,387
Market Share	0.88%	0.13%	0.04%	0.61%	2.64%	0.08%	0.00%	1.29%	1.69%
Grand Total	5,607,747	288,719	2,544,249	7,579,820	31,264,169	3,918,567	423,092	12,379,259	64,005,622

Source: Department of Insurance, the Ministry of Commerce

As regards the outlook for 2006, it is expected that the Thai economy will grow at a rate close to that of 2005, which is 4.5-6.5 percent. This is due to a number of factors including a fall in crude oil prices. The investment in the government's mega projects will increase imports by 1.5 percent of gross domestic product annually while the export sector will grow in line with the global economy. Thai Reinsurance Public Company Limited estimates that premiums in 2006 will grow at 10.0-12.8 percent or increase by about 9,691-11,324 million baht.

AVAILABILITY OF PRODUCTS AND SERVICES

Sources of Funds

It is the policy of Thanachart Insurance Company Limited to obtain funds for its operations from three funding sources:

1) The Company's Operations

The company obtains proceeds from selling protection in the form of various types of insurance policies, collection of insurance premiums from the insured, agents, and brokers. This funding source is important as it enables the company to receive cash on a daily basis.

2) Proceeds from Investment Activities

The company's excess cash from operations after meeting obligations was invested in investment vehicles. The investments are made in accordance with the conditions imposed by the Insurance Department. The company will receive payments from the investment activities in the form of principal amounts of fixed term deposits, bills, treasury bills, debentures, bonds, and unit trusts which reach maturity or proceeds from selling securities. The company also receives payments from investing in those instruments. These include interest from fixed term deposits, bills, debentures, bonds and dividends from investment in equity instruments.

3) Borrowings from Financial Institutions

The company has entered into agreements with commercial banks for overdraft facilities. In case the company makes use of the facilities, it can take out money by issuing cheques.

Investment

The company's established policy in relation to securities investment is that the company invests in securities in line with the requirements stipulated in the notification issued by the Ministry of Commerce concerning the non-life insurance companies' investment in other businesses. The company invests its excess cash in investment vehicles for the purpose of earning a return, with strong focus given to the preservation of the investment capital while taking into consideration the trade-offs between investment risk and returns. The company acts prudently in its investment activities and reviews its investment policy regularly in line with the prevailing market conditions. Part of the company's investment is in securities which have high liquidity and could be turned into cash easily. These include short-term financial instruments such as promissory notes and fixed-term deposits. The other part of the investment is in fixed-income instruments such as government bonds or debentures issued by state enterprises. The remaining part of the investment is in shares listed on the Stock Exchange of Thailand.

Investment Risk Management

The company manages the investment risk by diversifying its investments in different types of securities such as government bonds and state enterprise debentures with focus given to those instruments with a short-term maturity. The purpose is to protect against the risk arising from changes in interest rates. The company also diversifies its investments into treasury bills, debentures, unit trusts and ordinary shares. For the ordinary shares, the company invests only in companies with good fundamentals. However, the investment in the ordinary shares would account for not more than 20 percent of its total investment portfolio.

Ability to Maintain Loss Ratio by Business Type

The company has established a policy aimed at prudently considering and screening applications for all types of insurance products. Importantly, it has also established a risk management measure through a reinsurance mechanism for both group and individual agreements. The goal is to maintain its loss ratio to the level that is below the average ratio of the industry for every type of insurance product.

Liquidity

For its liquidity policy, the company places emphasis on investments in government bonds and corporate debentures which have high liquidity and could be turned into cash easily. Moreover, it has made arrangements with banks for overdraft facilities and has invested in short-term promissory notes, which serve as a revolving fund reserve for short-term operations.

• LIFE ASSURANCE BUSINESS

The life assurance business is being operated by Thanachart Life Assurance Company Limited with services covering life assurance for corporate clients and organizations as well as members of the general public.

NATURE OF PRODUCTS AND SERVICES

Thanachart Life Assurance Company Limited was established and received approval from the Insurance Department of the Ministry of Commerce to engage in life assurance business on 22 October 1997. With support of 132 employees, the company provides services related to life assurance and health insurance. Based on the characteristics of customers, the company's services can be divided into two main types which include personal life assurance and group life assurance (for corporate clients and organizations).

MARKETING AND COMPETITION

Policy and Market Characteristics

Thanachart Life Assurance Company Limited has adopted a multi-distribution channel strategy, aimed at catering to the diverse and different needs of its prospective customers by offering products and services that are appropriate to each group of the prospective customers. The company's current distribution channels consist of business-to-business (B2B) selling model, selling through brokers, selling through Thanachart Bank (bancassurance) and selling through life assurance agents.

Industrial Outlook and Competition

In 2005, the growth of the life assurance industry slowed to 10.0 percent, compared with growth of 13.5 percent in 2004. This was due to a number of factors including economic slowdown as a result of escalating crude oil prices, rising inflation which resulted in increased cost of living and lower consumer purchasing power, which resulted in the company's postponement of its decision on long-term savings due to concerns about the burden of escalating expenses. Moreover, the increase in interest rates in the money market gave rise to substitute products that offered higher rates of return. These substitute products succeeded in getting a share of consumer purchasing power. The competition in the industry was also keener as all the players competed in the core products of the life assurance business.

Currently, there are 24 life assurance companies operating with the top six companies' premiums accounting for 86 percent of the total premiums in the industry in 2005. These companies included American International Assurance Company Limited, Thai Life Assurance Company Limited, Ayudhya Allianz C.P. Life Public Company Limited, Bangkok Life Assurance Company Limited, Siam Commercial New York Life Insurance Public Company Limited and Muang Thai Life Assurance Company Limited.

Thanachart Life Assurance Company Limited has a market share of about 1.0 percent, or a ranking of 14th among 24 companies. As its focus is on group life assurance, its first year premiums for group life assurance were ranked 5th in the industry, while its total premium income for group life assurance was also ranked 5th in the industry.

In terms of prospects in 2006, the life assurance industry is expected to grow at a rate close to the rate of the previous year. This could be attributed to a number of factors such as the financial institutions' interest rates for fixed-term deposits being on a rising trend, state measures to promote the life assurance industry, public relations campaigns aimed at educating the public on life assurance, the increase in distribution channels for life assurance products, new types of life assurance policies serving as alternative vehicles for long-term savings by the public, including, among others,

unit-linked and universal life policies, as well as the quality of life assurance agents working in an increasingly professional way.

AVAILABILITY OF PRODUCTS AND SERVICES

As all the funding sources for the company's operations are from shareholders' equity, it is not necessary for the company to obtain loans to finance its future business plans. Moreover, during the present period, there is no need for the company to recapitalize.

• ASSET MANAGEMENT BUSINESS

MAX ASSET MANAGEMENT COMPANY LIMITED

The company received approval from the Bank of Thailand to operate the asset management business pursuant to the Emergency Decree on Asset Management Corporation B.E. 2541, as per License No. 006/2543 dated 25 August 2000.

NATURE OF PRODUCTS AND SERVICES

1. The company may acquire or take transfers of non-performing loans of financial institutions as well as the related loan collateral, for the purpose of managing or selling them. The company may be engaged in other related businesses which are permitted by the Ministry of Finance notifications or the law related to asset management corporation or other related laws. The company is also authorized to employ or appoint asset management experts to manage the assets or to perform other actions that will benefit the management of the transferred assets, either partially or wholly.

2. The company can perform any acts related to management and rehabilitation of the transferred debts or assets so that they can continue with their business and repay their debts. These acts include, among others, lending, debt restructuring or compromising, reaching a compromise with the debtor concerned, acquiring stakes in the businesses which are transferred as debt repayment, accepting repayments by debt-equity conversion or filing a petition for the debtor's business rehabilitation plan.

3. The company can be engaged in all types of activities which are related to or linked with management or rehabilitation of the debtor's business in order to achieve the related objectives. For example, the company can let, sell on hire purchase, or develop the property which it has acquired or taken transfers of, provided that the real estate development focuses on the property whose development has been stalled, excluding the development of vacant land.

4. In line with the notification issued by the Bank of Thailand, the company may make good use of the property for sale by joint venture with other investors or companies.

MARKETING AND COMPETITION

The management of non-performing assets, which is the main objective of the company's business, includes many activities. However, most activities are related to taking transfers of properties for the purpose of debt settlement. As a result, the company makes necessary advance preparation for managing these assets. The main objective is to sell the transferred assets to third parties who are interested in buying them. As a strategy to sell the assets efficiently and to be able to compete with other players in the market, it has hired special consultants specifically for managing properties for sale. These consultants are responsible for collecting information about the property for sale, determining their selling prices, managing high-value assets, as well as appointing selling agents or brokers with prior experience in selling these type of assets. In addition, the company allows its own staff to act as agents to sell the assets. In this connection, they would receive appropriate compensation for the successful sale. On pricing, the company has a competitive edge over other players in the market since it is able to quote lower prices than those quoted by other selling agents. As a result, the company's assets are more attractive to prospective buyers.

The company has identified the group of debtors which are likely to repay their debts. These include (1) the debtors which are still operating their businesses and have enough potential to repay debts, (2) the debtors with collateral whose value is well above the debts, and (3) the debtors whose cases have already been processed in the court of law and

where the judges concerned have already given their judgment. In disposing assets transferred to the company by the debtors, the company has appointed sale agents as well as its own staff to help sell the assets and participate in sale auctions.

Industrial Outlook and Competition

Since the company took transfers of non-performing assets mostly from DBS Thai Danu Bank Public Company Limited, it is not necessary for the company to compete with other asset management companies, financial institutions or various funds in the market. However, since some of the transferred non-performing assets might belong to debtors who have many lenders, this might give rise to competition in exercising legal rights in foreclosing on the assets for the purpose of selling them and using the sale proceeds to repay the lenders. This might have an adverse impact on bringing the debtors' assets to courts of law and putting them out to auction since part of the sale proceeds would have to be shared with the other lenders.

In terms of competitors, as the company took transfers of non-performing loans from DBS Thai Danu Bank Public Company Limited through Thanachart Capital Public Company Limited, it does not have any competitors in the asset management business. With regard to status and competitiveness, again as it took transfers of non-performing loans from DBS Thai Danu Bank Public Company Limited, the company does not need to focus primarily on the enhancement of its competitiveness but on finding solutions to its non-performing loan problems. It needs to assess the financial health of the debtors to find out whether debts could be restructured or assets of the debtors should be sold so that the proceeds from the sale could be used to repay debt. In this connection, the company takes into consideration the feasibility of the debtors continuing with their existing business as well as their honesty, co-operation and ability to repay the debts. The key objective is to successfully dispose of or minimize non-performing assets.

AVAILABILITY OF PRODUCTS AND SERVICES

The company's business operations are financed by the shareholders' equity and borrowings from Thanachart Capital

Public Company Limited and MBK Public Company Limited with details as follows:

Borrowings

1. Senior debt facility from Thanachart Capital Public Company Limited for the amount of 2,124,458,400 baht (two thousand one hundred twenty four million four hundred fifty eight thousand and four hundred baht only) with the related details given in the Loan Agreement No. Kormor. 001-5-4300016 dated 11 September 2000, Amendment to the Loan Agreement No. Kormor. 001-5-4300016 (1st) dated 18 October 2000, Amendment to the Loan Agreement No. Kormor. 001-5-4300016 (2nd) dated 29 January 2001 and Amendment to the Loan Agreement No. Kormor. 001-5-4300016 (3rd) dated 26 February 2001. The company already repaid this loan in October 2004.

2. Sub-debt facility from Thanachart Capital Public Company Limited for the amount of 1,075,541,600 baht (one thousand seventy five million five hundred forty one thousand and six hundred baht only) with the related details given in the Sub-Debt Loan Agreement No. Kormor. 001-5-4300032 dated 11 September 2000 and Amendment to the Loan Agreement No. Kormor. 001-5-4300032 (1st) dated 19 October 2000.

3. Sub-debt facility from MBK Public Company Limited for the amount of 213,458,400 (two hundred thirteen million four hundred fifty eight thousand and four hundred baht only) with the related details given in the Sub-Debt Loan Agreement No. Kormor. 001-5-4300032 dated 11 September 2000 and Amendment to the Loan Agreement No. Kormor. 001-5-4300032 (1st) dated 19 October 2000.

Shareholders' Equity

1. Investment from Thanachart Capital Public Company Limited for the amount of 334,334,000 baht (three hundred thirty four million three hundred thirty thousand baht only).

2. Investment from MBK Public Company Limited for the amount of 94,723,200 baht (ninety four million seven hundred twenty three thousand and two hundred baht only).

3. Investment from Morgan Stanley Open-End Country Funds for the amount of 142,942,800 baht (one hundred forty two million nine hundred forty two thousand and eight hundred baht only).

NFS ASSET MANAGEMENT COMPANY LIMITED

The company received approval from the Bank of Thailand to operate the asset management business pursuant to the Emergency Decree on Asset Management Corporation B.E. 2541, as per License No. 001/2543 dated 22 March 2000.

NATURE OF PRODUCTS AND SERVICES

The features of the company's products and services are the same as those of MAX Asset Management Company Limited.

MARKETING AND COMPETITION

Policy and Market Characteristics

The company has not established any strategy for competition since it mostly manages the non-performing loans of Thanachart Group. The transferred assets consist of (1) non-performing loans consisting of bad debts, doubtful-of-loss loans, doubtful loans and substandard loan and (2) non-performing property for sale. The company manages these transferred non-performing loans so that they would be able to repay their debts.

The company has identified the group of debtors, which have potential for debt recovery. These include:

1. The debtors who are still operating their businesses and have enough potential to repay debts.
2. The debtors with collateral whose value is well above the debts.
3. The debtors whose cases have already been processed in a court of law and the judges concerned have already given their judgement. On the disposal of the non-performing loans and the related distribution channels, the company divided them into two groups.

A) Non-performing loans whose servicing is divided into the following: 1) assessing and grouping the debtors into different categories 2) taking transfers of the non-performing loans from Thanachart Group for the purpose of managing and collecting the overdue debt so that the debtors will be in a position to repay their debts within the scheduled period or will be able to continue with existing businesses or operate new ones, or that the debtors sell their assets in order to use the proceeds from the sale to repay their debts 3) immediately proceeding with necessary legal procedures for debtors who are unable to repay their debts or whose debts could not be restructured.

B) Non-performing property foreclosed. For the latter group, the company employed Plan Estate Company to manage all the company's property for sale. The approach used involves 1) finding partners for joint investment and property development 2) managing the property in the form of a property fund with emphasis placed on those assets which have high liquidity in the market 3) grouping the assets into three categories including A, B, C in order to facilitate management and sales 4) packaging the assets in such a way that they offer value-added (To support this, the company coordinates with other members of Thanachart Group for their contributions in the form of, among others, insurance, life assurance, or low-interest loans.) 5) putting the packaged assets on sale through a number of distribution channels, such as brokers or sale agents, private companies which organize asset auctions, cross-selling, the Internet and 6) launching promotion campaigns by selecting the media that could most likely penetrate into the target customer groups.

Industrial Outlook and Competition

Since the company mostly took transfers of the non-performing assets from financial institutions, particularly those of Thanachart Group, it is not necessary for the company to compete with other asset management companies, financial institutions or funds. As a result, the company does not focus on enhancement of its competitiveness but on finding solutions to the problem of non-performing loans. It needs to assess

the financial health of the debtors to find out whether the debts could be restructured or the assets of the debtors should be sold so that the proceeds from the sale would be used to repay the debts. In this connection, the company takes into consideration the feasibility of the debtors continuing with their existing business as well as their honesty, co-operation and ability to repay the debts. The key objective is to successfully dispose of or minimize the non-performing assets.

AVAILABILITY OF PRODUCTS AND SERVICES

Sources of Funds

The company's registered capital amounted to 1,000,000,000 baht (one thousand million baht only) which was fully paid up. As of 31 December 2005, the shareholders' structure was as follows:

Name of Shareholder	Number of Shares Held	Shareholding (%)
• Thanachart Capital Public Company Limited	99,999,993	99.99
• Retail Shareholders	7	0.01

As of 31 December 2005, the outstanding balance of the company's borrowings from Thanachart Bank Public Company Limited amounted to 11,000,000,000.00 (Eleven thousand million baht only). During 2005, NFS Asset Management Company Limited made loan repayments for

the combined amount of 4,824,183,408.78 baht (four thousand eight hundred twenty four million one hundred eighty three thousand and four hundred eight baht seventy eight satang) to Thanachart Capital Public Company Limited and Thanachart Bank Public Company Limited.

Thanachart Group's Major Changes and Developments in 2005 »

Her Royal Highness Princess Maha Chakri Sirindhorn graciously presided over the opening ceremony of Thanachart Bank's subbranch at Siam Paragon on Friday, 9 December 2005.

HRH Princess Maha Chakri Sirindhorn graciously wrote her royal signature.



Her Royal Highness Princess Maha Chakri Sirindhorn graciously posed for a group photograph with senior management of Thanachart Group

In 2005, Thanachart Capital Public Company Limited and the member companies of Thanachart Group brought about a number of changes and developments in the areas of management, technology, branch openings, services, financial products as well as winning of awards, with details as follows:

Branches

- **Thanachart Bank Public Company Limited** opened 53 new branches in 2005. As a result, as at the end of 2005, Thanachart Bank had 66 branches in total. Of all branches, 41 are in Bangkok and its environs while the remaining 25 are in the regions.

- **Thanachart Insurance Company Limited** opened 11 new branches including Rayong Branch, Nakhon Pathom Branch, Nakhon Sawan Branch, Phra Nakhon Si Ayudhya Branch, Ubon Ratchathani Branch, Nakhon Si Thammarat Branch, Udon Thani Branch, Khon Kaen Branch, Phitsanulok Branch, Saraburi Branch and Nakhon Ratchasima Branch. As a result, as at the end of 2005, Thanachart Insurance Company had 18 branches in total.

- **Thanachart Life Assurance Company Limited** closed down all its 5 branches including Bangkok Branch, Chiang Mai Branch, Hadyai Branch, Phuket Branch and Sriracha Branch. This was because the company was considering using Thanachart Bank as its distribution channel (instead of its branches).



- **Thanachart Securities Public Company Limited** opened 10 new branches as well as an on-line branch. These included Wongsawang Branch, Prachachuen Branch, North Pattaya Branch, Rattanaibet Branch (on-line branch), Korat Branch, RCA Branch, Thonglor Branch, Khon Kaen Branch, Chan Road Branch, Nakhon Pathom Branch and Century the Movie Plaza Branch. As a result, as at the end of 2005, Thanachart Securities Public Company Limited had 28 branches and 1 on-line branch.

Management

- **National Finance Public Company Limited** received approval from shareholders at their Extraordinary Meeting No. 1/2006 held on 30 January 2006 to change its name and seal from "National Finance Public Company Limited" to "Thanachart Capital Public Company Limited." The Company also plans to return its finance business license to the Finance Ministry. The changes were expected to take place by 3 April 2006.

- On 22 April 2005, **National Finance Public Company Limited** received approval from the Finance Ministry to implement the business structure reorganization plan of Thanachart Group. In this regard, the Company was required to return its finance business license within one year following the approval of the business structure reorganization plan, after which the Company would become the holding company of the Group. The Company had started implementing the business structure reorganization plan in May 2005 by transferring its finance business to Thanachart Bank Public Company Limited.

- As part of its structure reorganization, **Thanachart Fund Management Company Limited** classified its business groups by types of its customers rather than by types of its products. Moreover, it separated supporting units from core business groups. The objective is to make the relationship among them more transparent and create more flexibility in doing the work, with details as follows:

1. Marketing Function consisting of Product Development

and Marketing Promotion Group, Marketing Group (Sale) and Customer Service Group.

2. Operation Function consisting of Operations and Mutual Fund Accounting Group, Registration Group and Corporate Accounting and Budgeting Group
3. Investment Management Group
4. Core Business Support Group consisting of Information System and Technology Unit, Human Resource Management Unit, Administrative Unit, Executive Committee Office, and Compliance Office.

- **Thanachart Securities Public Company Limited**

1. The company had changed its name and seal on 7 June 2005 from "National Securities Public Company Limited" to "Thanachart Securities Public Company Limited".



2. Thanachart Securities Public Company Limited entered into a business alliance agreement with BNP Paribas Peregrine in the areas of investment banking, research and securities business. The co-operation on investment banking began on 23 June 2005 while the co-operation on research and securities business had started on 4 August 2005. Foreign institutional investors had started placing their trading orders to the company from 26 September 2005.

- **Thanachart Bank Public Company Limited**

implemented the business structure reorganization plan by taking the transfers of businesses from Thanachart Capital Public Company Limited. These businesses consisted of: 1) finance business including hire purchase business, other types of lending products of Thanachart Capital Company, public deposit-taking services and other financial services; 2) deposit taking in the form of promissory notes, including deposits from the general public and corporate clients; and 3) claims to loan agreements including those claims without collateral and those with collateral, which involve only customers who were still entitled to additional drawdown, and claims with collateral.

- **Thanachart Bank Public Company Limited**

reorganized its business structure, making sure that the new structure was appropriate in view of the prevailing situations and supported good corporate governance. The scope of responsibilities was clearly specified in writing for each work group/department. In 2005, the Bank's organization changes included the following:

1. Establishment of a retail customer work group at its headquarters as well as a branch network work group for the purpose of accommodating additional business activities as a result of the implementation of the business structure reorganization plan of the Group's financial institutions.
2. Establishment of a business development work group which would be responsible for developing and expanding distribution channels in line with the established goals.
3. Establishment of a product development work group to accommodate business activities which were in line with the customer-centric business plan.

Technology

- **Thanachart Insurance Company Limited**

had installed key computer systems in order to boost the efficiency of its operations.

1. Its Claim Center System is able to accept calls and handle claims as well as making surveys in

a timely and accurate manner. The survey staff will carry out their work by using the mobile telephone system and find the location by using the Global Positioning System (GPS) installed on their motorcycles. With the new supporting systems, the company is able to allocate sufficient staff to areas with high rate of accidents. As a result, its staff is able to reach the place of accident within the shortest time possible and in an efficient manner.

2. As regards the work flow, the company already initiated the development of its on-line work flow system, aimed at streamlining its internal process. The new on-line system would replace the traditional document-based system.
3. The Premium Quotation System enables the company's staff to calculate car insurance premiums more conveniently. As a result, they are able to make a proposal and accurately quote the related premiums to their customers immediately.

- **Thanachart Securities Public Company Limited**

successfully developed its servicing systems with details as follows:

1. Thanachart Securities Public Company Limited successfully developed the IFIS Internet System which displayed securities trading information, based on the Microsoft Windows operating system. The new system replaced the original DOS-based IVIP system.
2. Thanachart Securities Public Company Limited successfully developed its website (www.thanachartsec.co.th). The objective was to provide customers with convenience in trading securities on their own through the IFIS Internet System. On the website, the customers could also observe real-time securities trading and check the value of their portfolios. Moreover, customers could check real-time securities trading information and securities research through their mobile phones at wap.thanachartsec.co.th.

- **Thanachart Fund Management Company Limited**

increased its scope of services as follows:

1. Its customers can make payments for their purchases of unit trusts through the electronic systems of five major banks including Thanachart Bank, Bank of Ayudhya, Siam Commercial Bank, Bangkok Bank and Kasikorn Bank.
2. The company offers for sale mutual funds to the public and send important public relations messages through e-mail addresses.

Services

- **Thanachart Insurance Company Limited** made

available the following services:

1. Care center consisting of:
 - (a) In-bound: responsible for accepting complaints from customers. As a result, this helped the company to resolve the problems directly and to find solutions on a case-by-case basis in a timely manner.
 - (b) Outbound: responsible for checking with customers about the company's indemnity services and about the services given by the company's trading partners. The information would be analyzed to determine the efficiency of the related services both inside and outside the company. The objective was to improve its services so that the customers would be given the highest satisfaction possible.
2. The number of garages both in Bangkok and in the provinces was increased. On-line price approval systems were being used so that the company's contracting parties could give their services more quickly. This was because not only the price quotations but also the approval of spare part prices and service fees could be given on-line. The process helped cut internal procedures and enhance the efficiency in controlling prices and in sending the cars for repairs. As a

result, the insured could get back their cars with satisfaction in terms of more efficient services.

3. Improvements were made to the effect that payments for repairing services, spare parts and indemnities could be transferred to the company's contracting parties directly through auto-payment banking accounts both in Bangkok and in the provinces. This helped cut internal procedures and enhance the efficiency. As a result, it was more convenient for the contracting parties to receive the payments from the company.

- **Thanachart Securities Public Company Limited**

1. The company received a license from the Thailand Futures Exchange (TFEX) on 31 August 2005 to be a member and to act as broker for derivatives trading. The company also received approval from the Securities and Exchange Commission and the Stock Exchange of Thailand to act as dealer of the derivatives products on 14 October 2005. In this regard, the exchange would start operating as from 28 April 2006.
2. The company established an investment strategy unit in the securities research department. The objective was to provide retail customers with advice on investment strategies, stock investment techniques, and information on each stock. The company would send securities research information daily and weekly to the customers through their e-mail address or by mail. The company also sends stock information and a daily news summary through mobile phones.
3. On 29 December 2005, the company joined the program for settling disputes through arbitration. The objective was to protect the rights and interests of investors in the event that they had disputes with operators in securities business or any related business, which failed to honor their contractual obligations and which were required to comply with rules and regulations. The investors could receive compensation for damages through arbitration.

- **Thanachart Fund Management Company Limited**

1. The company changed the time for placing orders for every type of unit trusts from 8.30-12.00 hours to 8.30-15.30 hours. As for the equity fund, the company changed the time for repurchasing unit trusts from 8.30-12.00 hours to 8.30-15.00 hours.
2. The company offered additional channels for receiving payments for the purchase of unit trusts of every fund. The payments could be made through five major banks including Thanachart Bank, Bank of Ayudhya, Siam Commercial Bank, Bangkok Bank and Kasikorn Bank.
3. The number of funds whose unit trusts could be transacted on the Internet was increased from 4 to 24 at the end of 2005.
4. The number of funds whose unit trusts were regularly purchased and paid for by deducting from "Saving Plan" deposit accounts was increased from 7 to 20.

Financial Products

- **Thanachart Life Assurance Company Limited** has developed three types of life insurance policies including:

1. Thanachart Ultra 5/1 which is a single-premium endowment policy in which the insured pay a single payment in exchange for protection coverage of 5 years. The rate of premium is the same for both men and women. This is the type

of policy that gives a high return with a fixed-rate cash bonus at the end of each year as well as protection throughout the coverage period.

2. Thanachart Protect is a life insurance policy which offers various types of protection. The aim is to reduce the burden of the insured but give higher protection than other types of life insurance policies in general. This type of policy gives protection throughout 365 days, regardless of any unexpected event.
3. Thanachart Happy Tax is an endowment policy with a ten year coverage period and premium payments. Its special feature is the maximum benefit which can be gained from income-tax deductible premiums. The annual premium for up to 50,000 baht is personal-income tax-deductible. Moreover, the policy gives a fixed-rate cash bonus to the insured at the end of each year throughout the 10-year coverage period.

- **Thanachart Fund Management Company Limited**

has offered 16 mutual funds for sale to the investing public. All the funds were open-ended debt funds because in 2005 the rates of return of investment in debt instruments issued by government agencies were relatively higher than deposit rates offered by the commercial banks. Importantly, the general public could not directly invest in debt instruments issued by government agencies. As a result, this represented an opportunity for investment through debt mutual funds. In this regard, Thanachart Fund Management Company Limited was able to mobilize total funds worth 11,589.47 million baht, with details as follows:

Nature of Funds	Number of Funds	Mobilized Funds (Million Baht)
Mutual Funds with Protection of Principal throughout 6-12 Month Maturity Period	10	8,881.26
Debt Funds	5	2,230.23
Money Market Mutual Funds	1	477.98
Total		11,589.47

Winning of Awards

- **Thanachart Fund Management Company Limited** received two Post/Lipper Thailand Fund awards in 2004 (announced in 2005) with details as follows:

1. **Best Overall Group over Three Years**, which was an award given to the asset management company whose overall performance of all types of its funds including equity funds, debt funds and mixed funds was most outstanding during the past three years.
2. **Best Bond Group over Three Years**, which was an award given to the asset management company whose debt funds performance was most outstanding during the past three years.



Re-branding of Thanachart Group


In today's marketing of financial services, brand plays a very important role. When consumers decide to use any service or buy any product, they will not only consider the product itself or the company that produces the product, but also the brand which reflects the overall image of the product or service as well as the company that produces it. Today, brand is not only represented by its trademark or package but also by the combined experiences the company creates for its customers, consumers and the society. Therefore, brand is the net end result that reflects the impression and feelings that the consumers have towards the company. The success in creating brand plays a crucial role in helping the company accomplish a sustainable successful business performance.

The Company recognizes the importance of brand. It attempts to make sure that the images of member companies of Thanachart Group are aligned in the same direction and are easy to remember for the customers and the prospective target audience in the future. The related changes cover products, services, image, communication and human resources. Thanachart Group's re-branding is aimed at projecting an image of being modern and more international, continuously creative and innovative, as well as showing understanding and being sincere to the customers.

In addition, Thanachart Group has changed its corporate identity with the corporate color being changed to 'orange and black' from 'blue and grey'. Image changes were also made to logos and many other areas such as branch outlet designs which were aimed at projecting a unique image, and staff uniforms to reflect an image of being modern and international, and to enhance the corporate brand personality. The company's corporate communications in terms of advertising and public relations as well as marketing activities was also improved in the same direction.



Corporate Social Responsibility »



Since its inception, “Thanachart” has always recognized the importance of its corporate social responsibility in helping make the Thai society a society with high quality of life.





In conducting Thanachart Group's businesses, in addition to the commitment to provide its shareholders, customers, employees and trading partners with the highest satisfaction and the maximum benefits, the Group is determined to be a good corporate citizen in our society. It supports and cooperates with several organizations in promoting social development. The Group recognizes the importance of a good quality of life for all members of the society. With the good quality of life, they can play an instrumental role in helping promote the development of the country through their respective fields of endeavor. Over the past year, the Group continued to participate in a wide range of social activities ranging from traffic safety campaigns, education and youth development programs, and sports.



Mr. Banterng Tantivit, Chairman of Thanachart Bank and Chairman of Executive Committee presented cash donations to Her Royal Highness Princess Maha Chakri Sirindhorn for The Fund for the Development of Children and Youth in Remote Areas.

Education and Youth Development

Youth education is an important factor in the country development. As a result, Thanachart Group is determined to have a role in supporting education for youth in every part of the Thai society. The related activities over the past year included, among others, the following:

- On the auspicious occasion of the 50th anniversary of the birth of Her Royal Highness Princess Maha Chakri Sirindhorn, Thanachart Capital Public Company Limited supported the e-learning project of Chitralada Vocational School under Her Royal Patronage. As part of its continuous activities, in 2005, the Company provided workplace training to students from Chitralada Vocational School. With the full support both in terms of personnel and equipment, the students gained both theoretical and practical knowledge in financial institutions,

computer software used in designing advertising and public relations materials for promoting products and services, presentation skills, as well as concepts and ideas behind each piece of promotional materials. The acquired knowledge helped prepare them for their future career.

- Thanachart Bank made cash donations to Her Royal Highness Princess Maha Chakri Sirindhorn for her Project on the Development of Children and Youth in Remote Areas.

- Thanachart Capital Public Company Limited gives support to education and education-related activities at primary, secondary and university levels. The educational institutions that receive the support from the Company include, among others, Border Patrol Police School in Nakhon Phanom, Prem Tinsulanonda School in Khon Kaen Faculty of Commerce and Accountancy of Chulalongkorn University.



- Thanachart Capital Public Company Limited set up and implementing a project aimed at supporting the Slum Infants Foundation under the Patronage of Her Royal Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra and also the ‘Foster-Parents’ Project. In addition to making its own cash donations and invited its staff to join the Company in making donations, both in cash and in kind, to the small children at the Foundation. The Company and its staff also regularly provided the slum children with free lunches and dinners.



- Thanachart Capital Public Company Limited join the Revenue Department in the latter’s project to give away bicycles to children in rural areas. The project duration is from 2005 to 2006. As part of its continuous support, in 2006 the Company would give 50 bicycles to each of 15-20 schools participating in the project. In 2005 the Company already gave bicycles to 5 schools.

- Thanachart Securities Public Company Limited set up the ‘Children Support Project 2005’, through which its staff and customers jointly made donations of cash and books to support education of Thai youth in remote areas in Ratchaburi Province, Chiang Mai Province and Prae Province.

- Thanachart Life Assurance Company set up its 3rd ‘Love Fulfillment Initiative’ (Ri Rerm Term Rak) Project which gave 60 scholarships. The scholarships were awarded to needy students with good academic records who were studying at secondary levels (Mattayom 1-6). This was the third consecutive year that scholarships were offered. The company also set up the ‘Weaving Dreams Through Secondhand Presents’ (Sarn Sang Fun Duay Kong Khuan Mua Song) Project, which invited its staff and members of the general public living near its office to jointly make donations, in the form of educational materials, clothes, as well as new and used toys, to students studying in resource-poor schools.

Sports

Exercises and sports not only contribute to good health but also promote the spirit of teamwork and unity among people living together in society. In the past year, Thanachart Group regularly supported several organizations in organizing sport activities and charity tournaments. These included, among others, walk rallies, marathon, car racing events and golf tournaments.

Social Contributions

In the past year, Thailand was hard hit by a number of natural disasters. In its efforts to alleviate the sufferings of the victims, Thanachart Group regularly provided the victims with assistance and made cash donations to several organizations. These included the following:

- Setting up a project aimed at aiding flood victims in Chiang Mai Province. Consumer goods were purchased and distributed directly to the flood victims.
- Setting up a project aimed at aiding flood victims in Southern Thailand. Consumer goods were bought and distributed directly to the flood victims in Songkhla Province.
- Giving computer hardware to the provincial police of Kathu District in Phuket Province, as the former hardware was severely damaged by the catastrophic tsunami.
- Making rice donations through Srpratum Rotary Club to the poor people and those who donated blood to the Thai Red Cross Society.
- Giving financial support to the Thai Red Cross Society for the purchase of medical equipment for Queen Sirikit Center (for breast cancer cures) of Chulalongkorn Hospital and the Thai Red Cross Society.
- Making cash donations to Her Royal Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra for the Child Welfare Foundation of the Thai Red Cross Society.



A representative of Thanachart Capital Plc. presented cash donations to Her Royal Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra for the Anti-Drowsy Fund of Ramathibodi Foundation under her royal patronage.

Traffic Safety Campaigns

As Thanachart Group is engaged in the automobile hire purchase business and is a leader in the industry, it recognizes the importance of having a participative role in helping alleviate the traffic problems and mitigate road accidents. Over the past year, the Group joined the Anti-Drowsy Fund of Ramathibodi Foundation in organizing a safe-driving campaign. The Foundation was under the Patronage of Her Royal Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra. The objective of the campaign was to reduce traffic accidents caused by drowsy driving. The activities included the following:

- Making a donation to the Anti-Drowsy Fund of Ramathibodi Foundation for the purpose of supporting the Anti-Drowsy Campaign. The donation was given to Her Royal Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra.
- Preparing a one-minute article for radio broadcasting to promote the Anti-Drowsy Driving Campaign. The article was broadcast by FM. 100 'Jor. Sor. Roy' radio station and by FM 96 'Ruam Duay Chuay Kan' radio station every weekday throughout 2005.

- Paying for the costs of publishing 300,000 copies of ‘When Drowsy, Don’t Drive’ (Nguang Ya Kab) produced by the Anti-Drowsy Fund of Ramathibodi Foundation under the Patronage of Her Royal Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra. With support from Expressway & Rapid Transit Authority of Thailand, the copies of the publication were distributed to members of the general public during long public holidays which usually witnessed an increase in traffic.

- Creating roadside billboards as part of the campaign aimed at curbing drowsy driving.

- Printing anti-drowsy driving campaign posters featuring Mr. Nattawut Skidchai, a popular TV star. The posters were distributed several places such as gas stations, expressway toll booths, educational institutions and hospitals.

Furthermore, the Group supported the printing of a compact traffic law manual for distribution to traffic police under the Metropolitan Police Bureau. The compact manual was also distributed to members of the general public so that they would be aware of the traffic laws. As well, Thanachart Bank and Thanachart Insurance Company jointly gave fluorescent jackets to members of the police force at Prathumwan and Chakrawaddi Police Stations.



Risk Factors and Risk Management »



“Thanachart” places strong emphasis on the development of risk management systems, under the supervision of the Bank of Thailand, that are appropriate and timely as well as in support of the Group’s continued business growth and on a par with international standards that meet Basel II requirements.



Risk Factors and Risk Management »

Overview of Risk Management

Competition intensified in the finance business in 2005 compared with the previous year. The implementation of the Bank of Thailand's Financial Master Plan helped transform more finance companies into commercial banks. Thanachart Group went through the business structure reorganization with deposit-taking and hire purchase services transferred from Thanachart Capital Public Company Limited to Thanachart Bank Public Company Limited. However, recognizing the rapid changes in the environment, the Company still places strong emphasis on development of risk management systems. The systems are governed and supervised by the Bank of Thailand which has come up with various measures to help financial institutions improve their risk management systems and raise the related standards to a level on par with international standards that comply with Basel II requirements.

The Company's Risk Management Structure

The Company recognizes the importance of risk management since its business operations are always faced with various risk factors, both internal and external, which may affect the Company's operations. As a result, in order to be able to control and manage the risks efficiently, the Company has established a structure, in which the risk management is placed under the direction and supervision of various committees, such as

Committees at the policy level, which include:

The Company's Board of Directors and the Executive Board which play a role in establishing policies and guidelines. They are also responsible for overseeing the Company's

enterprise-wide risk management, taking into consideration the impact of risks on the Company's goals, operations and financial position and ensuring that risk management is efficient and in line with the Company's operations.

The Risk Management Committee plays a role in formulating risk management strategies and developing risk management processes. The Committee is also responsible for reviewing and screening the Company's risk management policies and guidelines, ensuring that they are appropriate, before proposing them to the Executive Board and the Board of Directors for consideration and approval.

The Audit Committee plays a role in establishing guidelines in relation to operations control and supervision, ensuring that business operations comply with the requirements of the authorities concerned. The Committee is also responsible for checking the effectiveness and adequacy of the risk management processes and internal control systems.

The Committees at the operational level include:

The Asset and Liability Management Committee which plays the role of overseeing the financial asset and liability structure, ensuring that it is appropriate to the nature of its business and in line with the Company's risk management policy.

The Investment Committee plays a role in overseeing the Company's investments in financial instruments, ensuring that investments are in line with the Company's market risk management policy.

The Credit Committee plays a role in overseeing lending activities and other related transactions, ensuring that they are in line with the Company's credit risk policies.



- The conduct of business affairs is based on a system of checks and balances with the middle offices performing the duties of controlling and monitoring the risks and the back offices managed independently from the front office.

- The Company puts in writing all its established policies and guidelines on each area of risk management with the related units' responsibilities specified. The objective is to enable the staff concerned to observe them correctly. As guidelines, the Company has also established four common steps for risk management. These include identification of the nature of risk and risk factors, development of appropriate tools and models for measuring risks, control of risks to stay

within acceptable limits, and monitoring the risk status so that the risks could be properly managed in a timely manner when situations change.

- The Company establishes different degrees and levels of risks which will be used either as a ceiling that represents the acceptable level of risk or as an early warning signal before any serious damage occurs.

The aforementioned risk management systems are developed based on prudent principles and will be reviewed regularly to fit the prevailing situation. The systems are designed to be transparent, clear and accounted for, taking into consideration the interests of the shareholders, customers and staff.

Types of Risks Faced by the Company

1. Credit Risk

Credit risk arises from a situation in which the Company's debtors or counter-parties of contracts with the Company fail to fulfill their agreed obligations. The failure may adversely affect the Company's earnings and shareholders' equity. The credit risk may arise from normal finance business transactions such as loans, obligations in the form of avals and guarantees and other transactions related to lending. The credit may also arise from investment in debt instruments issued by state agencies or state enterprises, which neither the government nor the Bank of Thailand guarantee, as well as from investment in debt instruments such as debentures issued by the private sector.

With its credit risk management policies and guidelines, the Company has succeeded in establishing a credit culture. To start with, the credit risk of the borrowers, counter-parties of contracts, or issuers of debt instruments would be assessed by making use of the credit risk models developed for each type of borrowers or counter-parties. The credit analyses unit which is an independent unit is responsible for conducting the credit analyses using such models. At the same time, the credit analyses are also conducted by credit or investment staff. In this regard, the committees and the sub-committees which are authorized to

consider and approve the credit applications will be responsible for considering and deciding on the level of credit risk of the borrowers or counter-parties as well as the appropriate level of credit lines or investment, terms and conditions related to the loans or obligations, as well as risk status control both at the enterprise wide level and at the level of each customer. The objective is to make sure that the risks stay within acceptable limits. The committees and the sub-committees are also responsible for monitoring the quality of loans, making sure that they are properly managed. As well, the business control unit which is an independent unit is responsible for monitoring all lending activities, making sure that they comply with the established policies and guidelines in relation to credit risk management. There is also an audit unit which is responsible for verifying the credit transactions in line with the guidelines established by the Bank of Thailand. Moreover, to make sure that its return and the related risk are well-matched, the Company has made use of a measuring tool called Risk-Adjusted Return on Capital (RAROC).

Important Factors of Credit Risk

1.1 Risk arising from concentration of loans in some specific areas

The Company's loan portfolios as of 31 December 2005 and 31 December 2004 classified by type of business are summarized as follows:

Type of Business	2005		2004	
	Outstanding (Million Baht)	Percent	Outstanding (Million Baht)	Percent
Subsidiaries-asset management companies and leasing companies	1,638	1.97	15,575	14.59
Agricultural and Mining	4	0.00	6	0.01
Manufacturing and Commerce	285	0.34	569	0.53
Real Estate and Construction	250	0.30	276	2.26
Public Utilities and Service	13	0.02	112	0.10
Personal Consumption				
Housing Loans	417	0.50	733	0.69
Margin Accounts (Securities Business)	2	0.00	0	0.00
Hire Purchase	79,937	96.13	88,699	83.08
Others	606	0.73	797	0.75
Total Loans and Accrued Interest				
Receivables	83,152	100.00	106,767	100.00

Scrutiny of the Company's overall loan portfolios reveal that hire purchase loans accounted for 96.13 percent of the total portfolios. However, most of the hire purchase loans were given to retail customers whose individual line of credit was relatively low and the customer base was quite diversified. The Company has already transferred its hire purchase loan portfolios to its subsidiary Thanachart Bank

which is currently managing the loan portfolios in place of the Company.

1.2 Risk arising from deteriorating quality of loans

The non-performing loans include substandard accounts, doubtful accounts and bad debts. The details of the non-performing loans as of 31 December 2005 and 31 December 2004 are as follows :

Classified Loans	2005		2004	
	Outstanding (Million Baht)	Percent	Outstanding (Million Baht)	Percent
Substandard	469	31.31	801	56.81
Doubtful	375	25.03	279	19.79
Bad Debt	654	43.66	330	23.40
Total	1,498	100.00	1,410	100.00

The Company's non-performing loans increased from 1,410 million baht in 2004 to 1,498 million baht in 2005. In view of the total loan portfolios, the non-performing loans

accounted for 1.80 percent in 2005, compared to 1.32 percent in the previous year. The non-performing loans could be grouped by type of business as follows:

Non-Performing Loans by Type of Business

Type of Business	2005		2004	
	Outstanding (Million Baht)	Percent	Outstanding (Million Baht)	Percent
Agricultural and Mining	-	0.00	-	0.01
Manufacturing and Commerce	16	1.07	36	2.55
Real Estate and Construction	6	0.40	246	17.45
Public Utilities and Service	9	0.60	-	0.00
Personal Consumption				
Housing Loans	47	3.14	37	2.62
Margin Accounts (Securities Business)	2	0.13	-	0.00
Hire Purchase	1,344	89.72	1,049	74.40
Others	74	4.94	42	2.98
Total Loans and Accrued Interest Receivables	1,498	100.00	1,410	100.00

The unsecured portion of loans after deducting the allowance for doubtful accounts decreased from 568 million

baht in 2004 to 543 million baht in 2005.

(Unit : Million Baht)

	2005	2004	Change
Non - Performing Loans	1,498	1,410	88
Unsecured Portion of Loans	1,433	1,128	305
Allowance for Doubtful Accounts	890	560	330
Unsecured Portion of Loans after Deducting the Allowance for Doubtful Accounts	543	568	(25)

On debt restructuring, as of 31 December 2005, the principal amounts of loans and the accrued interest receivables of the restructured loans were 325 million baht, accounting for 0.39 percent of the total loans and accrued

interest receivables and representing an increase from 51 million baht in the previous year. Of the total restructured loans, the loans not fully covered by collateral amounted to 32 million baht.

Restructuring of Non-Performing Loans

	2005	2004
Number of Debtors	12	9
Outstanding Principal Amounts & Accrued Interest (Million Baht)	325	51
Portion of Loans Not Fully Covered by Collateral (Million Baht)	32	26
Revaluation Allowance for Debt Restructuring (Million Baht)	-	-
Loans and Accrued Interest Receivables (Million Baht)	83,152	106,767
Restructured Loans Compared to Total Loan Portfolios	0.39%	0.05%

1.3 Risk arising from collateral

For loans which are covered by collateral, the Company has conducted analyses and classified their quality by each type of collateral, taking into consideration liquidity and the risk of the collateral. The results from the analyses represent a factor used in determining the risk of the loans. In this regard, the collateral both in the form of immovable and movable properties whose value could be appraised is subject to price appraisal or valuation in line with rules established by the Bank of Thailand.

Automobile hire purchase services have been the Company's main business. Although the Bank of Thailand does not consider automobiles as collateral, the automobiles are collateral assets whose ownership belongs to the Company. If the hire purchasers are unable to repay their loans, the Company is able to repossess the assets immediately for the purpose of reselling them in the used automobile market. As a result, the Company may be faced with a risk arising from its inability to resell the assets within a short period or from its inability to compensate for any damage caused. However, this depends on risk factors such as the situation of the used automobile market and the conditions of the repossessed cars.

1.4 Risk arising from the diminution in value of the property foreclosed

As of 31 December 2005, the net amount of property foreclosed, which was the accounting value after deducting the allowance for impairment, was 3,260 million baht, representing 2.79 percent of the total assets. The allowance for impairment accounted for 9.85 percent of the accounting value at cost. In addition, the Company still had property foreclosed worth 258 million baht (at cost). The Company had already entered into agreements to sell the property with customers. The property was being paid for in installments or its ownership was being transferred. As a result, the Company had not yet recognized the revenue from the sale of the property. The property was still recorded as part of the Company's property foreclosed.

1.5 Risk arising from guarantees and avals

As of 31 December 2005, the Company's obligations in the form of avals and guarantees for loans as well as other obligations amounted to 11 million baht, accounting for 0.01 percent of the total assets.

2. Market Risk

The market risk arises from changes in interest rates, foreign currency exchange rates, and prices of instruments in the money market and the capital market, which may adversely affect the Company's earnings and shareholders' equity. The market risk consists of three types of risk-price risk, interest rate risk and exchange rate risk.

2.1 Price Risk

The price risk arises when the Company's earnings or shareholders' equity are adversely affected by any change in the prices of debt and equity instruments, which decrease the value of the Company's investment in trading and available-for-sales securities.

The Company has developed a tool for measuring the risk, making use of the Value-at-Risk (VaR) Model. The tool is used to measure the maximum loss at a certain confidence level if the securities are held for a specified period of time. The risk value obtained from using this tool will serve as a guide in establishing an acceptable level of risk. The Investment Committee is responsible for controlling and monitoring this type of risk. To make sure that

such a tool is efficient and gives accurate information, the Company requires that the tool is subject to back testing in line with the standard framework established by the Bank for International Settlement (BIS).

In addition, the Company has conducted simulation or stress tests for analyzing crisis events that may result in a sudden, sharp fall in the prices of securities in the capital market. The objective is to estimate the size of any potential loss that might affect the Company's earnings and shareholders' equity.

As of the end of December 2005, the Company's investment in trading and available-for-sale securities classified by type of investment included the following:

	Fair Value (Million Baht)	
	2005	2004
Current Investment		
Trading Investment	-	-
Available-for-sale Investment		
Government and State Enterprise Securities	-	3
Private Enterprise Debt Instruments	-	-
Marketable Equity Securities - Domestic	9	81
Total Current Investment	9	84
Long-term Investment		
Available-for-sale Investment		
Government and State Enterprise Securities	-	927
Private Enterprise Debt Instruments	-	-
Marketable Equity Securities-Domestic	1,390	870
Total Long-term Investment	1,390	1,797
Total Investment	1,399	1,881

The escalating interest rates in 2005 led to an increase in the volatility of debt instruments and their rate of return. To mitigate the impact from the situation, the Company decided to reduce its investment in government and state enterprise securities. However, the Company increased its investment in shares of listed companies. As a result, its price risk increased.

2.2 Interest Rate Risk

The interest rate risk is the risk that the Company's earnings or shareholders' equity are adversely affected by changes in interest rates of its rate-sensitive items including assets, liabilities and off-balance sheet items whose repricing periods are mismatched. The changes may have a negative impact on the Company's net interest income.

The Company has established the goal of managing its business operations with an effective interest rate risk management system over a long period of time. The system enables the Company to maintain at different time intervals an appropriate structural relationship between assets and liabilities which are rate-sensitive. The relationship is kept at a level that is suitable for its current business operations and gives the maximum benefit to the Company and its shareholders. To achieve this goal, the Company has developed a tool called Interest Rate Gap Analysis Model, for measuring interest rate risk and for assessing the impact that may arise from the mismatch of the repricing periods of assets, liabilities and obligations. The objective is to make sure that the risk for the Company's business operations is at an acceptable level. The Company has also established

an acceptable risk ceiling level and an early warning signal level, taking into account the structure of assets, liabilities and obligations as well as changes in interest rates which are expected to take place in each period of time when the Company's business plan is implemented. The Asset and Liability Management Committee (ALCO) has been assigned to closely control and monitor the interest rate risk. In this regard, the Committee will closely monitor economic situations, developments in the money and capital markets, and the direction of interest rates which could pose an interest rate risk. The information will be used in establishing various measures aimed at accommodating the risk.

Following are details of the Company's financial assets and liabilities as of 31 December 2005, classified by the period when the interest rates would be repriced:

(Unit : Million Baht)

Items	The period when the interest rate will be repriced or the due date						Total
	On Call	0-3 months	3-12 months	1-5 years	over 5 years	No interest	
Financial Assets							
Cash and deposits with financial institutions	1	-	-	-	-	811	812
Loans to financial institutions	-	-	-	-	-	20	20
Securities purchased under resale agreements	-	7,200	-	-	-	-	7,200
Investment	546	531	-	473	-	23,379	24,929
Loans and receivables	1,796	270	3,468	74,955	1,453	1,173	83,115
Total financial assets	2,343	8,001	3,468	75,428	1,453	25,383	116,076
Financial Liabilities							
Borrowings and deposits	75,500	1,149	9,085	1,600	-	-	87,334
Debentures	-	1,000	-	4,473	-	-	5,473
Total financial liabilities	75,500	2,149	9,085	6,073	-	-	92,807

As part of the business structure reorganization of Thanachart Group, the Company was required to transfer its deposit-taking and hire purchase services to Thanachart Bank Public Company Limited. To accommodate the deposit transfers, it was necessary for the Company to borrow from the Bank whose short-term interest rates were increased. As a result, the Company's interest rate risk escalated. However, its hire purchase loan portfolio decreased slowly and the Company gradually made loan repayments to the Bank. As a result, the interest rate risk decreased eventually.

2.3 Exchange Rate Risk

The exchange rate risk is a risk that the Company's earnings or shareholders' equity can be adversely affected by fluctuations in exchange rates as a result of its foreign exchange business or its possession of assets or liabilities in foreign currency. The exchange rate risk consists of the transaction risk arising from engaging in foreign exchange business and the transaction risk arising from converting foreign currencies into local currency.

The Company has assigned the ALCO the duties of controlling and monitoring this type of risk by considering the proper matching between the structure and maturity of the assets and liabilities in foreign currencies. However, in protecting against the risk that may arise, the Company has established a policy of hedging the risk by making use of financial tools such as forward contracts.

As of 31 December 2005, the Company did not possess any assets or liabilities in foreign currencies. As a result, it had no foreign exchange risk.

3. Liquidity Risk

Liquidity risk arises from the Company's inability to repay its debts or honor its obligations when they become due, as it is unable to convert its assets into cash or to mobilize adequate funds or to mobilize funds with an acceptable cost. The failure will have an adverse impact on the Company's earnings and shareholders' equity both in the present and in the future. The risk management mechanisms will start from an assessment of the Company's cash flows and the liquidity position for each period in which the Company might require different levels of funds to accommodate deposit withdrawals, to redeem other types of liabilities, or to acquire additional assets. In this regard, the Company makes use of a number of tools including the Liquidity Gap Analysis model, various liquidity ratios, as well as "What if" scenarios to evaluate whether the Company maintains adequate liquidity under the consideration of customer behavior in renewing their deposits when they become due. Moreover, the Company conducts stress tests to estimate the liquidity requirements under various assumptions including different economic conditions as well as the unlikely events that might affect the Company.

Importantly, the Company has also set up the emergency plan to accommodate liquidity crisis. The plan will be reviewed in the case of any important event that might affect the implementation of the plan. In this regard, the Company has assigned the ALCO to be responsible for controlling and monitoring liquidity risk closely. The Committee holds weekly meetings to monitor the current status and manage the risk.

Following are details related to the Company's structure of its sources of funds, classified by source of fund and maturity.

Funds Classified by Sources of Funds

(Unit : Million Baht)

	2005		2004	
	Million Baht	Percent	Million Baht	Percent
Borrowings and deposits				
From the public	11,634	12.54	90,963	80.40
From financial institutions	75,700	81.57	16,615	14.69
From overseas	-	0.00	87	0.08
Debentures	5,473	5.90	5,473	4.84
Total	92,807	100.00	113,138	100.00

Funds Classified by Maturity

(Unit : Million Baht)

	2005		2004	
	Million Baht	Percent	Million Baht	Percent
Not over 1 year	76,669	82.61	79,961	70.68
Over 1 year	16,138	17.39	33,177	29.32
Total	92,807	100.00	113,138	100.00

As of the end of 2005, the Company's main source of funds shifted from public deposits to borrowings from financial institutions. This was due to the business structure reorganization of Thanachart Group, in which the Company transferred its public deposits to Thanachart Bank and borrowed funds from Thanachart Bank in replacement. As of

31 December 2005, the Company's borrowings from the Bank amounted to 75,500 million baht.

As of 31 December 2005, the Company's financial assets and liabilities grouped by their maturities were as follows:

(Unit: Million Baht)

Items	Date when the financial instruments become due.				
	On Call	Not over 1 year	Over 1 year	Not Specified	Total
Financial Assets					
Cash and deposits at financial institutions	812	-	-	-	812
Securities purchased under resale agreement	-	7,200	-	-	7,200
Investments	546	-	1,004	23,379	24,929
Loans and receivables	1,509	3,489	78,137	-	83,135
Total Financial Assets	2,867	10,689	79,141	23,379	116,076
Financial Liabilities					
Borrowings and deposits	75,500	1,169	10,665	-	87,334
Debentures	-	-	5,473	-	5,473
Total Financial Liabilities	75,500	1,169	16,138	-	92,807
Off - Balance-Sheet Items					
Loans guarantees and avals to bills	10	-	-	-	10
Other guarantees	1	-	-	-	1
Total Off-Balance-Sheet Items	11	-	-	-	11

Overall, the Company still managed to maintain its liquidity position at a level which was higher than the one established by the regulator and higher than its own internal requirement which is more rigorous. As of 31 December 2005, the liquidity ratio represented by the total value of cash, bank deposits on call, money market loans, the securities purchased under resale agreements, government bonds, and state enterprise debentures, in relation to deposits and borrowings, decreased from 11 percent in the previous year to 10 percent, which was still higher than the minimum liquidity requirement of 6 percent of the total deposits and borrowings imposed by the Bank of Thailand.

4. Operational Risk

The operational risk is the risk that arises from the lack of appropriate governance of business affairs or lack of good corporate governance within the organization. Risk may also arise from the fact that the organization's audit systems and internal control systems are not adequately efficient. The risk may be related to the internal processes, human resources,

work systems or external events, which affect the Company's earnings and shareholders' equity.

The Company has established a number of measures aimed at making sure that its internal control systems are efficient. As well, it has streamlined internal work processes to make them more flexible and in line with its financial service businesses. The purpose is to have efficient work processes and maintain operational risk at an acceptable level. These measures include the following:

- To develop its organizational structure, the Company clearly specified roles, and the scope of duties and responsibilities for each job. Moreover, in order to have a system of checks and balances, it separated the front office functions from those units responsible for controlling the compliance of internal regulations (middle offices), such as the business control unit and the back offices.
- The Company established supporting units such as a computer and information technology unit, legal office and price appraisal unit, all of which

have expertise in their respective fields of work. These units are allowed to work independently, in order to minimize errors or blunders resulting from ignorance or untimely responses.

- The Company put in writing procedures and regulations for every type of business activity, staff manuals as well as the approving authority. The purpose is to make sure that all work within the organization follows common standards.
- The Company established the Audit Committee and the Risk Management Committee as well as an operational risk follow-up unit. The purpose is to control, monitor, and assess the Company's operational risk as well as identifying and correcting errors so that the operations become more efficient.
- The Company also improved its information management systems and information security systems, aiming to increase the capability of accommodating business expansion and gaining enhanced credibility from its customers in terms of technology and information. Particular focus was given to protection against damage caused by hackers.
- The Company established procedures for selecting outsourcing services, both operations and information systems. The purpose was to reduce the operational risk in various areas, enhance efficiency and gain operational credibility. However, the arrangements were still subject to the Company's regulations and by-laws as well as the regulations of the authorities concerned.
- The Company formulated business continuity plans which included an emergency plan, a backup system plan and a business recovery plan. The purpose was to protect against business

discontinuities. The Company also ran a simulation exercise designed to test the preparedness of the plans and to revise the plans so that they would be efficiently implemented in real practice.

Meanwhile, the Company also assessed the possible impact of operational risk, using the Basic Indicator Approach established by the Bank for International Settlements (BIS). The approach calculated the risk by using the Company's average gross income. The Company was also developing a system for collecting information on events and losses caused by their operations, which serve as a database for developing an advanced measurement approach which could gauge and reflect operational risk more accurately and realistically.

5. Risk from Investments in Subsidiaries and Associated Companies

This type of risk arises when the Company's earnings and shareholders' equity are adversely affected by recognition of losses from its investments in the subsidiaries and the associated companies, as a result of their negative performance. The risk may also arise when the Company's subsidiaries and associated companies suffer losses or go bankrupt.

As of the end of 2005, the Company's total investments in its subsidiaries and associated companies amounted to 21,780 million baht, accounting for 65.60 percent of the Company's net investments. Its largest investment was in Thanachart Bank Public Company Limited, in which it invested 15,180 million baht, representing 69.70 percent of the total investments in the subsidiaries and the associated companies. The second highest investment was in Thanachart Securities Public Company Limited, in which it invested 2,217 million baht, representing 10.43 percent of its total investments. The details of its investments in the subsidiaries and the associated companies in 2005 and 2004 were as follows:

Value of Investments in Subsidiaries and Associated Companies

(Unit : Million Baht)

Company Name	Investment Value		Dividends Received	
	2005	2004	2005	2004
Thanachart Bank Public Company Limited	15,180	8,355	200	200
Thanachart Securities Public Company Limited	2,271	2,233	-	743
Thanachart Fund Management Company Limited	130	149	45	37
Thanachart Insurance Company Limited	275	268	-	-
Thanachart Life Assurance Company Limited	628	232	-	-
NFS Asset Management Company Limited	429	-	-	-
MAX Asset Management Company Limited	768	736	-	-
Others	2,099	2,026	127	111
Total	21,780	13,999	372	1,091

6. Strategic Risk

This type of risk is the risk that arises from the formulation of strategies, planning and implementation which are not suitable for or not in line with internal factors and the external environment, which may have an adverse impact on the Company's earnings, shareholders' equity or survival. In managing the strategic risk, the Company arranges for the formulation of strategies for the next three years. The strategies are subject to review at least once a year or whenever there is an outside event that may have an impact on the achievement of its business goals. The Executive Board is responsible for regularly monitoring and appraising the performance of various work units against the established targets in the annual plan.

7. Regulation Risk

The risk arises from improvements or changes in regulations, laws or requirements of the authorities concerned which might affect the Company's strategies and business operations. The impact from the regulation risk could be grouped as follows:

7.1 Preparedness for Basel II requirements

The Bank of Thailand has adopted a policy requiring financial institutions to maintain their capital in line with the Bank for International Settlements (BIS) standards for measuring the capital adequacy (Basel II) by the end of 2008. The requirement increases the operational costs in collecting information for risk assessment and in improving computer systems and human resources. The Company is in the process of preparing its database systems and conducting in-house training courses for the executives and staff

concerned so that they understand the requirements and become prepared for compliance with the standards both in terms of information and work systems.

7.2 Impact from Consolidated Supervision Regulations

The Bank of Thailand has already issued regulations in relation to consolidated supervision of financial conglomerates. The purpose is to govern financial institutions or groups of financial service businesses whose nature of business is diversified and supported by extensive networks with a view to raising their standards to a level on par with international standards. As a result, the financial institutions need to make preparations and establish concrete plans in terms of the structure of their financial business group and consolidated risk management. On the part of Thanachart Group, its growth has been attributed to the idea of establishing an integrated financial business group with Thanachart Capital Public Company Limited being the holding company. As a result, Thanachart Group is relatively ready for this round of change with no significant impact on its performance expected.

8. Capital Adequacy Risk

As of 31 December 2005, the shareholders' equity of the Company amounted to 13,703 million baht, consisting of net tier-1 capital worth 12,144 million baht and net tier-2 capital worth 1,559 million baht. Its BIS Ratio was 13.86 percent, which was higher than the minimum 8 percent required by the Bank of Thailand. The level is considered adequate to accommodate risks that may arise.

Related Party Transactions »

During the year, the Company and its subsidiaries had significant business transactions with its subsidiary, associated and related companies (related by way of common shareholders

and/or common directors). Such transactions, which were concluded on the terms and basis as determined by the Company, its subsidiaries and those companies, are summarized below:

(Unit : Million Baht)

	Consolidated		The Company Only		Pricing Policies
	2005	2004	2005	2004	(For the year 2005)
Transactions executed during the year that ended on 31 december					
Subsidiaries:					
Sales of investments in debt securities (with loss on sales of 114 million baht) (2004: with gain on sales of 26 million baht)	-	-	6,557	10,274	At market price
Purchase of investments in debt securities	-	-	-	457	
Cash paid for investment in subsidiaries	-	-	6,728	2	At par value
Transfer value of deposits in form of promissory notes	-	-	80,207	-	At the face value of the promissory notes
Transfer value of loans	-	-	535	-	At carrying value
Interest income from loans	-	-	468	544	At interest rates of 2.00-3.75 and 11.51 percent per annum respectively
Rental and other service income	-	-	142	102	At the rate determined under the contract between related parties
Fees and other income	12	8	24	13	At the rate determined under the contract between related parties
Interest expenses	-	-	2,138	133	At interest rates of 1.50-5.25 percent per annum
Rental and other service expenses	22	10	209	101	At the rate determined under the contract between related parties
Insurance expenses	-	-	7	6	As insurance policy
Associated Companies:					
Interest Income	1	1	-	-	At interest rate of 3.00 percent per annum
Other income	1	3	1	1	
Interest expenses	19	27	1	2	At interest rates of 0.50-3.75 and 11.51 percent per annum respectively
Insurance expenses	-	2	-	1	
Other expenses	42	42	28	27	
Related Companies:					
Dividend income	30	42	10	19	As declared
Interest income	78	98	16	28	At interest rates of 0.25-7.52 percent per annum
Other income	115	118	3	12	
Interest expenses	29	38	8	17	An interest rates of 0.50-6.75 and 9.00 percent per annum respectively
Project management expenses	51	48	25	25	At the rate determined under the contract between related parties
Other expenses	54	44	34	28	

The outstanding balances of the above transactions during the years 2005 and 2004 are shown below in terms

of average month end balance:

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Subsidiaries</u>				
Deposits with financial institutions	-	-	52	75
Loans and receivables	-	-	11,586	15,432
Borrowings and deposits	28	20	45,201	7,222
<u>Associated Companies</u>				
Investments in debt securities	24	19	-	-
Loans and receivables	4	1	-	-
Borrowings and deposits	187	294	12	60
<u>Related Companies</u>				
Deposits with financial institutions	326	359	87	82
Loans to financial institutions	75	36	20	20
Investments in debt and equity securities	1,219	1,071	294	614
Loans and receivables	2,041	2,457	280	283
Borrowings and deposits	782	2,162	448	1,809
Debentures	112	112	-	-

The outstanding balances of the above transactions are as follows:

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Deposits with financial institutions</u>				
Subsidiaries:-				
Thanachart Bank Public Company Limited	-	-	131	31
Related Companies:-				
Siam Commercial Bank Public Company Limited	208	558	74	123
Other related companies	6	38	-	15
Total	214	596	205	169
<u>Loans to financial institutions</u>				
Related Companies	75	34	20	20
Total	75	34	20	20

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Investments in debt securities</u>				
Associated Companies :				
MBK Public Company Limited	24	17	-	-
Related Companies	306	200	-	-
Total	330	217	-	-
<u>Loans and receivables</u>				
Subsidiaries:-				
NFS Asset Management Company Limited (Repaid by loan from Thanachart Bank Public Company Limited, a member company of Thanachart Group)	-	-	-	13,824
MAX Asset Management Company Limited	-	-	708	1,075
National Leasing Company Limited	-	-	900	634
Associated Companies:-				
MBK Public Company Limited	4	-	-	-
Related Companies:-				
Krisda Mahanakorn Public Company Limited	-	685	-	-
Other Related Companies	1,645	1,719	269	528
Total	1,649	2,404	1,877	16,061
<u>Accrued interest receivable from investments, loans and loans to financial institutions</u>				
Subsidiaries	-	-	29	41
Related Companies	10	28	1	1
Total	10	28	30	42
<u>Other assets</u>				
Subsidiaries	2	3	22	2
Associated Companies	9	6	4	-
Related Companies	44	49	12	21
Total	55	58	38	23
<u>Borrowings and deposits</u>				
Subsidiaries:-				
Thanachart Bank Public Company Limited	-	-	75,500	14,634
NFS Asset Management Company Limited	-	-	-	1,865

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
MAX Asset Management Company Limited	-	-	-	474
National Group Leasing Company Limited	-	-	-	373
N.F.S. Capital Company Limited	-	-	-	106
Other subsidiaries	27	24	-	180
Associated Companies:-				
MBK Public Company Limited	161	213	-	-
Other Associated Companies	-	81	-	-
Related Companies:-				
Thai Life Insurance Company Limited	-	700	-	-
Other Related Companies	1,142	661	-	423
Total	1,330	1,679	75,500	18,055
<u>Debentures</u>				
Related Companies	112	112	-	-
Total	112	112	-	-
<u>Accrued interest payable</u>				
Subsidiaries	-	-	-	6
Associated Companies	6	9	-	-
Related Companies	10	11	-	2
Total	16	20	-	8
<u>Other liabilities</u>				
Subsidiaries	-	-	66	36
Associated Companies	406	35	11	20
Total	406	35	77	56
<u>Guarantee Obligations</u>				
Related Companies	10	10	10	10
Total	10	10	10	10

As of 31 December 2005, the investments of the Company and its subsidiaries in related businesses amounted to 802 million baht (of which 267 million baht are investments of the Company only). The businesses are related by way of common executives and common shareholders and/or common directors.

For the year ended 31 December 2005, the interest rates charged by the Company and its subsidiaries on their loans to the related parties or companies were 0.25-7.52 percent.

For the year ended 31 December 2005, the interest rates paid by the Company and its subsidiaries on their borrowings or deposits from the related parties or companies were 0.50-6.75 percent and 9.00 percent, respectively.

For the year ended on 31 December 2005, the prices imposed by the Company and its subsidiaries on the related

parties or companies in relation to income and expenses was at the rate determined under the contract between related parties.

The Company and its subsidiaries which are financial institutions have used the Bank of Thailand's established guidelines in estimating the minimum allowance for doubtful accounts for the loans extended to related parties or companies, in the same way as in the case of the debtors in general.

The details of the investments in the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries as of 31 December 2005 are given in the Note to the Financial Statements No. 8.1.

As of 31 December 2005, the outstanding balances of the related party transactions between the Company and its subsidiaries and their staff at the level of the vice president or above, were as follows:

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Loans	42	29	7	9
Deposits	401	429	-	201

As of 31 December 2005 and 2004, the Company's loans to member companies of Thanachart Group were as follows:

Name of Company	Type of Loan	Loan Agreement Period	Interest Rate	Outstanding Balance	
				2005 Mil. Baht	2004 Mil. Baht
NFS Asset Management Company Limited	Promissory Notes	5 Years Until End of August 2005	One-year deposit rate plus 1.00 percent per annum	-	13,824
MAX Asset Management Company Limited	Long-term Loans	5 Years (Until End of August 2010) (2004: 5 Years Until End of August 2005)	Fixed interest rate at 11.51 percent per annum	708	1,075
National Leasing Company Limited	Promissory Notes	5 Years (Until End of August 2008)	One-year deposit rate plus 1.00 percent per annum	900	634
Total				1,608	15,533

Table showing nature of relationship with parties or companies which are engaged in related party transactions (information as of 31 December 2005).

Company	Nature of Relationship
NFS Asset Management Company Limited	- The Company held a 99.99 percent stake in this company. Ms. Darawan Bunnumstien (Executive) was a director (authorized signatory)
MAX Asset Management Company Limited	- The Company held a 58.45 percent stake in this company. Mr. Wichak Praditavanij (Executive) was a director (authorized signatory)
National Leasing Company Limited	- Thanachart Group Leasing Company held a 99.99 percent stake in this company.

Necessity and Rationale Supporting Related Party Transactions

- Transactions related to loans and other obligations of companies of Thanachart Group

These are normal business transactions.

- Transactions related to support services among companies of Thanachart Group

It is the policy of Thanachart Group to put each of the supporting services together in one company which will be responsible for providing services to all members of the Group. The purpose is to achieve economies of scale and economies of scope as well as maximizing benefits from the existing resources. The pricing policy in relation to the services is mainly based on the cost-plus approach. The companies that offer the supporting services are as follows:

Thanachart Bank Public Company Limited

The supporting services include operations, central operation services, debt collection services which consist of following up and collecting repayments of hire purchase loans and consumer loans.

Thanachart Legal and Appraisal Company Limited

The supporting services include legal services, preparation of agreements, bringing cases to court of law, legal enforcement, registration of copy rights and juristic acts as well as price appraisal of collateral.

Thanachart Management and Services Company Limited

The company provides supporting services related to human resources.

In this regard, the Company also gives IT services and other supporting services such as work systems and regulation

development, internal audit, E-Biz accounting, governing and monitoring compliance with established rules and regulations, human resources, operations and the central coordination unit as well as representing member companies of Thanachart Group to collect debts.

Measures or Procedures in Approving Related Party Transactions

In considering and approving related party transactions, the Company complies with the Stock Exchange of Thailand's guidelines on the related party transactions in relation to acquisition or disposal of assets. The Company also strictly adheres to the Bank of Thailand's rules in relation to giving loans to or making investments in the related parties. Those who have any interest in the deal are prohibited from participating in the consideration and approval procedures. In approving any transaction that may constitute a conflict of interest, the directors who have an interest in the related party transaction are prohibited from voting or are required not to participate in such a meeting. This is in line with Thanachart Group's regulations governing the related party transactions.

Policy and Trends on Related Party Transactions

The related party transactions between the Company and member companies of Thanachart Group or related parties are normal business transactions. The Company has no policy encouraging parties who have conflicts of interest to engage in the related party transactions. It is the Company's policy to implement the business structure reorganization plan of Thanachart Group's financial institutions, which is in line with the 'One-Presence' Policy in the Financial Sector Master Plan. It is also Thanachart Group's policy to promote supporting services between member companies of the Group.

Shareholding Structure and Management »

Shareholders

Below is the list of the Company's first ten major ordinary shareholders or groups of ordinary shareholders, the number of their shares, and the percentage of their shareholding, as of 9 January 2006 (which was the most recent closure date of the share transfer books for the purpose of determining the list of shareholders entitled to attend the Extraordinary General Meeting of Shareholders No. 1/2006).

Name of Shareholder/Group of Shareholders	As of 9 January 2006	
	Number of Shares	Shareholding (%)
1. ComLink Company Limited	133,315,400	10.00
2. State Street Bank and Trust Company	119,911,738	8.99
3. Korat Thani Company Limited	89,269,900	6.70
4. Thai NVDR Company Limited	78,846,020	5.91
5. Morgan Stanley & Co International Limited	61,946,605	4.65
6. Chase Nominees Limited 42	59,981,800	4.50
7. MBK Public Company Limited	38,000,000	2.85
8. Clearstream Nominees Ltd.	37,214,802	2.79
9. HSBC (Singapore) Nominees PTE Ltd.	20,407,567	1.53
10. Investors Bank and Trust Company	19,015,446	1.43
11. Other shareholders	675,244,725	50.65
Issued and Paid-up Shares	1,333,154,003	100.00
Thai Shareholders	697,854,023	52.35
Foreign Shareholders	635,299,980	47.65

Remarks : Investors may find the updated information on the Company's shareholding structure on Thailand Securities Depository Company's website (www.tsd.co.th).

Source : Report of the Company's Major Shareholders as of 9 January 2006, as prepared by Thailand Securities Depository Company Limited.

- Group of major shareholders which has a significant impact on the formulation of management policies
-None-
- The name of shareholder which conceal true identity
-None-

Management

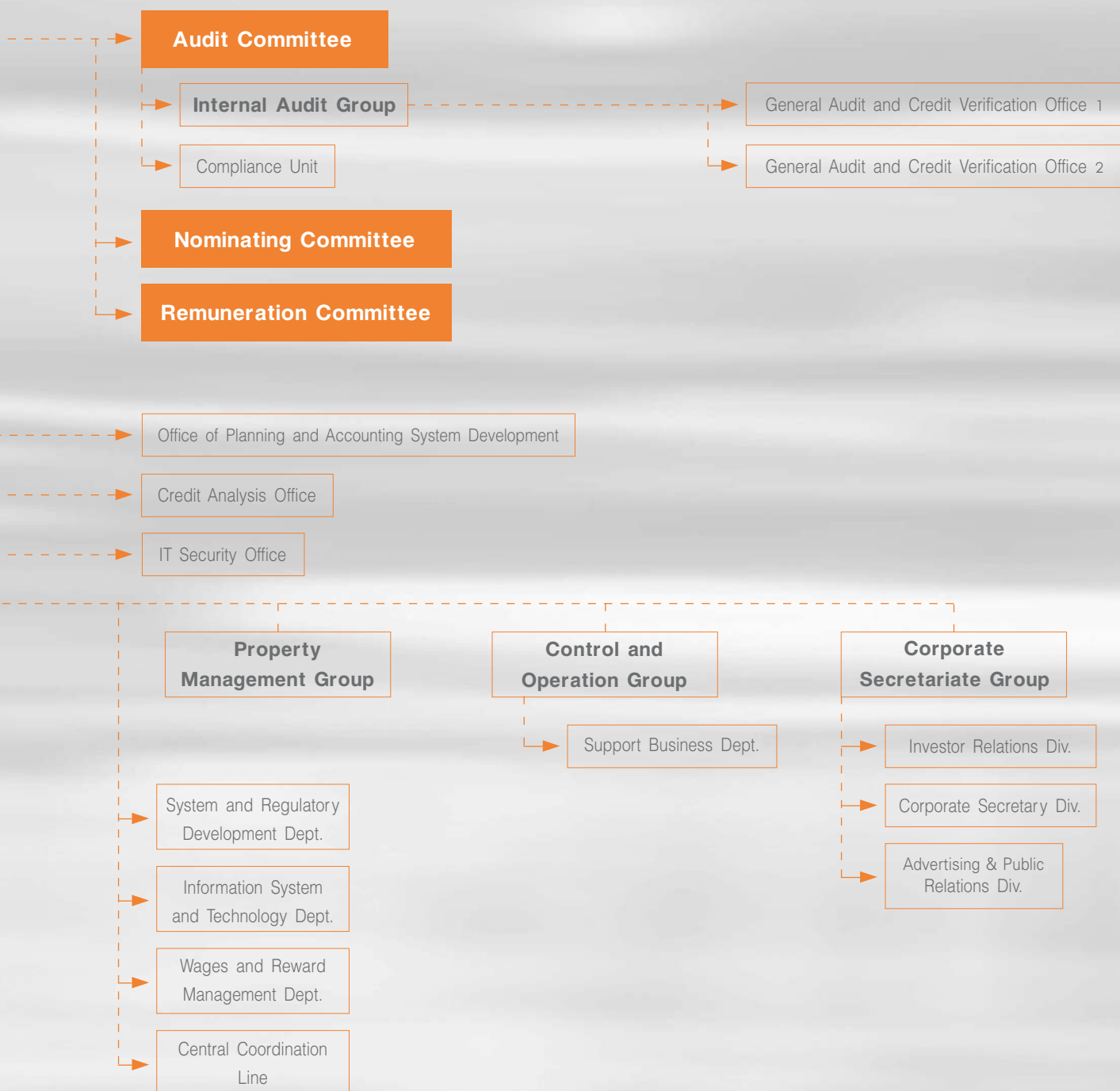
Management Structure

The Company's Management Structure consists of a number of committees, including the Board of Directors, the Executive Committee, the Audit Committee, Remuneration Committee, Nominating Committee, Corporate Governance Committee, Risk Management Committee and key business groups as shown in the Company's Organizational Structure.

Organizational Structure of Thanachart Capital Public Company Limited



- Remarks:
1. This Organizational Structure became effective on 1 January 2006
 2. Details about directors, executives and advisors are given on Pages 99-113
 3. Details about directors and executives of subsidiaries are given on Page 114



The details of each committee are as follows:

(1) The Board of Directors

The number of executive directors shall not be more than half of the Company's Board of Directors. The Board shall also have at least three independent directors who are independent from the management and have neither related interests nor business relationships with the Company. This means that the power of the Company's executive directors will be balanced by the power of the non-executive directors. As a result, the Board can fully govern and control the management.

Authority and Responsibilities of the Board of Directors

1. The Board is responsible for managing the Company in line with legal requirements, the Company's objectives and by-laws, as well as the resolutions adopted at the shareholders' meetings.

2. The Board is responsible for appointing the Executive Committee or committees to manage the Company's business affairs as assigned by the Board.

3. The Board may assign or authorize one or more directors or other persons to take any action on behalf of the Board. The Board is also authorized to appoint a number of directors, as deemed appropriate, as members of the Executive Committee, one of whom will serve as the Executive Committee Chairman. The Executive Committee is responsible for overseeing and managing the Company's business affairs as assigned by the Board of Directors. The President and Chief Executive Officer shall be an ex officio member of the Executive Committee.

Members of the Board of Directors

1. Mr. Banterng Tantivit
Chairman
2. Mr. Suphadej Poonpipat
President and Chief Executive Officer
3. Mr. Sommart Poonpakdee
Independent Director
4. Mr. Phimol Rattapat
Director and Legal Advisor

5. Rear Admiral Doctor Vitura Sangsingkeo
Independent Director

6. Mr. Somkiat Sukdheva
Independent Director

7. Mrs. Siripen Sitasuwan
Independent Director

8. Mrs. Chantima Chaturaphat
Independent Director

9. Miss Suvarnapha Suvarnaprathip*
Director

10. Mrs. Suchada Pavananunt
Director

11. Mr. Piyaphong Artmangkorn*
Director

12. Mrs. Noossara Roonsamrarn*
Director

*Remarks: *Appointed to replace the three directors, namely Miss Suvarnapha Suvarnaprathip, Mr. Piyaphong Artmangkorn and Mrs. Noossara Roonsamrarn who resigned.*

Authorized Directors (Authorized Signatories)

Any two of the following six directors, Mr. Banterng Tantivit, Mr. Suphadej Poonpipat, Miss Suvarnapha Suvarnaprathip, Mrs. Suchada Pavananunt, Mr. Piyaphong Artmangkorn and Mrs. Noossara Roonsamrarn, can jointly sign with the Company's seal affixed.

Limitations Imposed on the Directors' Authority

-None-

Secretaries to the Board of Directors

1. Mr. Vicha Kulkobkiat
2. Mrs. Natkrita P. Sawetpatcharaporn

(2) Executive Committee

The Board of Directors is responsible for appointing the Executive Committee. The Executive Committee consists of executive directors and also outside directors to balance the power and the control of the Company's business management.

Authority and Responsibilities of the Executive Committee

1. The Executive Committee is responsible for managing the Company in line with policies, targets, budgets, and plans approved by the Board of Directors, subject to legal requirements, regulations and announcements made by the state authorities concerned.

2. The Executive Committee is responsible for managing risks.

3. The Executive Committee is responsible for managing liquidity and interest rates.

4. The Executive Committee is responsible for managing the Company's business affairs, such as deposit-taking, credit extension, investments, and selling of foreclosed assets.

5. The Executive Committee is responsible for managing the internal organization, such as organizational restructuring, human resource management and administration.

6. The Executive Committee may delegate its duties and management-related authority which is within its power.

7. The Executive Committee is responsible for screening matters before forwarding them to the Board of Directors.

Members of the Executive Committee

1. Mr. Banterng Tantivit
Chairman of the Executive Committee
2. Mr. Suphadej Poonpipat
President and Chief Executive Officer
3. Miss Suvarnapha Suvarnaprathip*
Director
4. Mrs. Suchada Pavananunt
Director
5. Mr. Piyaphong Artmangkorn*
Director
6. Mrs. Noossara Roonsamrarn*
Director

*Remarks: *Replacing directors who resigned from their posts as members of the Boards of Directors and the Executive Committee*

Secretaries to the Executive Committee

1. Mr. Vicha Kulkobkiat
2. Mrs. Natkrita P. Sawetpatcharaporn

(3) Audit Committee

Recognizing the importance of good corporate governance, the Board of Directors appoints an Audit Committee. The Audit Committee serves as an important mechanism in facilitating good corporate governance by the Board and ensuring appropriate management standards and transparency, appropriate internal controls, credibility and objectivity of reporting systems which are of benefit to investors and all parties concerned. The appointment of the Audit Committee complies with requirements and qualifications stipulated by the Stock Exchange of Thailand. The Audit Committee exercises its own judgment and fulfills its duties independently and reports directly to the Board of Directors. The establishment of the scope of duties and responsibilities of the Audit Committee is in line with the Best Practice Guidelines for the Audit Committee, the details of which are clearly put in writing by the Stock Exchange of Thailand. The Audit Committee consists of two key supporting units including the Internal Audit Group and the Compliance Unit. Overall, the two units are responsible for monitoring and governing all activities of the Company, ensuring that the activities are appropriate and do not cause any damage to the shareholders.

Authority and Responsibilities of the Audit Committee

The Audit Committee is responsible for carrying out the assignments given by the Board of Directors in the following areas:

1. To review the objectivity, sufficiency, and credibility of the financial reporting process by coordinating with the external auditor and the executives responsible for preparing the quarterly and yearly financial reports.
2. To review the appropriateness and effectiveness of internal control systems and internal audit functions by coordinating with the external auditor and internal auditor, ensuring the adequacy of the internal control systems and internal audit functions.

3. To review the adequacy of the Company's risk management and to ensure that the risk management complies with the guidelines established by the Bank of Thailand as well as the Company's policies.

4. To review evidence from internal investigations when there is an observation or an inference that there might be fraud, irregularities or substantial loopholes in the Company's internal control systems and to report them to the Board of Directors for further consideration.

5. To review the Company's business operations and ensure that there is no conflict of interest, taking into consideration transactions between the Company and its subsidiaries or related parties.

6. To review the Company's business operations, ensuring that they comply with the Company's regulations and by-laws, the requirements of the Stock Exchange of Thailand and other related laws.

7. To consider audit reports and recommendations presented by the external auditor and internal auditor and to monitor the implementation of the recommendations.

8. To consider and advise the appointment of the external auditor including the auditing fee, taking into account the auditor's creditability, the adequacy of its resources, audit engagements and experience of its staff assigned to audit the Company's accounts.

9. To approve the appointment, removal, transfer or dismissal of the Head of the Internal Audit Group.

10. To take care of any other matters assigned to it by the Board of Directors or any other matters required by the Stock Exchange of Thailand or legislation.

Members of the Audit Committee

1. Mr. Sommart Poonpakdee
Chairman of the Audit Committee
2. Mrs. Siripen Sitasuwan
Member
3. Mrs. Chantima Chaturaphat*
Member

*Remarks: *During the year, Mrs. Siripen Sitasuwan resigned from the post as member of the Audit Committee, effective as from 8 August 2005. As replacement, the Company appointed Mrs. Chantima Chaturaphat, effective as from 25 August 2005*

Secretaries to the Audit Committee

1. Mr. Chatchawal Jantararungtong
2. Mr. Chusak Patcharapongsak
Assistant Secretary

(4) Remuneration Committee

The Remuneration Committee consists of three independent and non-executive directors appointed by the Board of Directors. The Remuneration Committee is responsible for determining meeting stipends and other benefits of the Board of Directors as well as those of members of various committees appointed by the Board of Directors. The Remuneration Committee is also responsible for determining the remuneration of the Chairman of the Board of Directors as well as the President and the Chief Executive Officer.

Members of the Remuneration Committee

1. Mrs. Siripen Sitasuwan
Chairperson of the Remuneration Committee
2. Mrs. Chantima Chaturaphat
Member
3. Mr. Somkiat Sukdheva
Member

Secretary to the Remuneration Committee

Mrs. Yuwapa Ngermsawat

(5) Nominating Committee

The Company occasionally appoints the Nominating Committee responsible for selecting and screening candidates to become members of the Board of Directors whenever there is a vacancy and it is necessary to appoint a new director as a replacement for the former director.

The Nominating Committee shall consist of three independent and non-executive directors. The Nominating Committee has the following authority:

1. Establishing guidelines and procedures for selecting candidates when there is a vacancy.
2. Selecting the candidates and proposing those with appropriate qualifications to the Board of Directors for consideration.

Current Members of the Nominating Committee

1. Mrs. Siripen Sitasuwan
Chairperson of the Nominating Committee

2. Mrs. Chantima Chaturaphat
Member
3. Mr. Somkiat Sukdheva
Member

Secretary to the Nominating Committee

Mrs. Natkrita P. Sawetpatcharaporn

In this regard, the current Remuneration Committee which was appointed will continue carrying out its responsibilities until further changes.

(6) Corporate Governance Committee

The Company places strong emphasis on maintaining good corporate governance for its business operations in line with the principles of good corporate governance for the listed companies. In order to disclose information about its activities related to good corporate governance in its Annual Report, the Company deems it appropriate to appoint the Corporate Governance Committee with the following responsibilities.

The Board of Directors as a whole serves as the Corporate Governance Committee responsible for establishing good corporate governance policies in line with the principles and guidelines established by the Stock Exchange of Thailand, the Securities and Exchange Commission and the Bank of Thailand. The Board of Directors has assigned two committees to carry out the following:

1. The Executive Committee is responsible for ensuring that the Company's business affairs are conducted in line with the good corporate governance policies established by the Board of Directors.
2. The Audit Committee is responsible for monitoring, reviewing and examining the implementation of the established policies on good corporate governance.

(7) Risk Management Committee

The Executive Committee is responsible for controlling, overseeing and assessing the Company's business activities. In carrying out its responsibilities, the Committee also needs to consider various risks related to the business activities. As a result, the Company has assigned the Executive Committee to also serve as the Risk Management Committee, with authority and responsibilities in the following areas:

1. To formulate a risk management policy to be proposed to the Board of Directors for consideration and approval. The policy must establish standards for monitoring and ascertaining that the risk management policy is being strictly adhered to.

2. To establish risk management measures aimed at preventing possible damages and finding solutions to problems arising from the risk.

3. To assess both internal and external factors that may significantly affect the Company's financial positions. The results of the assessment will be used to review the Company's over risk management policy.

4. To determine areas for improvement and give instructions to the risk management unit to take necessary actions aimed at enhancing the efficiency of the risk management mechanisms.

5. To monitor and control the conduct of the Company's business affairs by the Board of Directors and/or other units concerned in different areas of risk management, making sure that they comply with the requirements stipulated in the established risk management policy. To also monitor and control the consideration of the loan applications, making sure that the staff concerned comply with the Credit Policy Guidelines and the Credit Authority Guidelines established by the Executive Committee.

In line with a resolution adopted at the Executive Committee's Meeting No. 8/2004 held on 23 August 2005, the membership of the Risk Management Committee was reviewed. In order that the Company's risk management would be more efficient and that the policy established by the Company would be implemented, the following members of the Risk Management Committee were appointed : following:

1. Mr. Suphadej Poonpipat
Chairperson of the Risk Management Committee
2. Miss Suvarnapha Suvarnaprathip
Vice Chairperson of the Risk Management Committee
3. Mrs. Suchada Pavananunt
Member
4. Mr. Amorn Kitinartintrane
Member
5. Mrs. Noossara Roonsamrarn
Member

6. Mr. Piyaphong Artmangkorn
Member

Secretary to the Risk Management Committee

Mr. Kamthorn Tantisirirawat

Selection and Appointment of Various Committees

(1) Appointment of the Board of Directors

The Company does not specify the maximum number of members of the Board of Directors. However, the Company's regulations require that there shall be at least five members of the Board. There are two alternative means of appointing members of the Board of Directors, i.e. the appointment of a new director to replace the director whose term expires and the appointment of a new director to replace the director who vacates his position during the period of tenure. In this regard, the Company appoints the Nominating Committee responsible for selecting and proposing candidates with appropriate qualifications to become members of the Board of Directors. In the first case, the appointment of the new director is subject to approval at the shareholders' meeting while, in the second case, the Board of Directors is authorized to appoint the new director with appropriate qualifications to fill the vacancy. The appointment of independent directors shall also comply with the requirements stipulated by the Stock Exchange of Thailand.

In appointing the new director at the shareholders' meeting, all shareholders have equal rights in voting for the appointment. A shareholder shall have the number of votes equal to the number of shares held by the shareholder. In the past, the Company had no director representing its major shareholders.

(2) Appointment of Members of the Executive Committee

The Board of Directors shall appoint a number of persons, as deemed appropriate, as members of the Executive Committee, one of whom will serve as the Executive Committee Chairman. The Executive Committee is responsible for overseeing and managing the Company's business affairs as assigned by the Board of Directors. The President and Chief Executive Officer shall be an ex officio member of the Executive Committee.

(3) Appointment of the Audit Committee

An independent director is a qualified and independent person as defined by guidelines issued by the Stock Exchange of Thailand, i.e.

An independent director is a director who possesses all the following qualification and independence as defined by the Stock Exchange of Thailand:

1. The person holds not more than 5 percent of paid-up capital of the Company, any affiliated company, any associated company or any related company.

2. The person does not take any part in the management of the Company, affiliated company, associated company, related company or of a majority shareholder of the Company.

3. The person has no benefit, direct or indirect, or interest, in the finance and management of the Company, affiliated company, associated company, related company or majority shareholder of the Company.

4. The person is not a related person or close relative of any member of management or majority shareholder of the Company.

5. The person is not appointed as a representative to safeguard the interests of any of the Company's directors, majority shareholders or shareholders who are related to the Company's majority shareholders.

In addition, every independent director can express his/her opinion independently, free of any interest concerning personal benefit or position and free from the control of any party, and is not exposed to any circumstance that may force him to obscure an independent opinion.

In addition, The Board of Directors shall appoint at least three independent directors with qualifications required by the Stock Exchange of Thailand as members of the Audit Committee. The Audit Committee shall have authority and responsibilities as stipulated by the Stock Exchange of Thailand. Reporting directly to the Board of Directors, the Audit Committee can also exercise its own judgement and fulfill its duties independently.

(4) Appointment of the Remuneration Committee

The Board of Directors shall appoint at least three independent and non-executive directors of the Board as members of the Remuneration Committee.

Board of Directors and Management Team

Mr. Banterng Tantivit

Age (Years)

Education(s)

Experience(s)

1994 - present

Apr. 2005 - present

2003 - present

2002 - present

2001 - present

1989 - present

1987 - present

1997 - 2001

1998 - 2000

1997 - 2000

1981 - 1985

1970 - 1980

Management's Relationship with their Family none

No. of TCAP Share(s) Held none

Chairman and Chairman of Executive Committee

61

Master of Science (Finance), Sloan School of Management (M.I.T.), U.S.A.

Bachelor of Science (Electrical Engineering), Massachusetts Institute of Technology, U.S.A.

Directors Accreditation Program, Class 25/2004, Thai Institute of Directors

Chairman and Chairman of Executive Committee, Thanachart Capital Plc.

*Started working for National Finance Plc. in 1980

Chairman, Thanachart Life Assurance Co., Ltd.

Director, Siam Piwat Co., Ltd. / Director, MBK Resort Co., Ltd. /

Director, B.V. Holding Co., Ltd. / Director, Plan Estate Co., Ltd.

Chairman and Chairman of Executive Committee, Thanachart Bank Plc.

Advisor, Dusit Thani Plc. / Advisor, Pathum Ricemill & Granary Plc.

Vice Chairman, MBK Plc.

Director, Deebuk Co., Ltd. / Director, Thai Farming Co., Ltd.

Director, Secondary Mortgage Corporation (SMC)

Director, Property Loan Management Organization (PLMO)

Chairman, Association of Finance Companies

Director, The Stock Exchange of Thailand

Managing Director, Tisco Finance and Securities Plc.

Mr. Suphadej Poonpipat

Age (Years)

Education(s)

Experience(s)

1990 - present

2005 - present

2003 - present

2000 - present

1992 - present

2002 - present

2002 - 2005

Management's Relationship with their Family

No. of TCAP Share(s) Held

President & Chief Executive Officer

56

Master of Science, University of Wisconsin, U.S.A.

Bachelor of Business Administration and Accounting, Chulalongkorn University

Directors Accreditation Program, Class 8/2004, Thai Institute of Directors

President & Chief Executive Officer, Thanachart Capital Plc.

*Started working for National Finance Plc. in 1980

Director, MBK Resort Co., Ltd. / Director, Thanachart Bank Plc. /

Director, Thanachart Insurance Co., Ltd.

Director, Siam Piwat Co., Ltd. / Director, Thanachart Life Assurance Co., Ltd. /

Director, Plan Estate Co., Ltd.

Advisor, Pathum Ricemill & Granary Plc.

Director and Chairman of Audit Committee, Advance Info Service Plc.

Director, MBK Plc.

Director, New International Airport Co., Ltd.

none

none

Mr. Sommart Poonpakdee

Age (Years)

Education(s)

Experience(s)

1998 - present

1973 - 1993

1952 - 1972

1951

Management's Relationship with their Family

No. of TCAP Share(s) Held

Independent Director and Chairman of the Audit Committee

75

Certificate of Higher Accounting, Equivalent to Master Degree, Thammasat University

Independent Director and Chairman of the Audit Committee, Thanachart Capital Plc.

Executive Vice President, Siam Commercial Bank Plc. /

Vice President, Administration Dept., Siam Commercial Bank Plc. /

Vice President, Audit Dept. Chief, Audit Division, Siam Commercial Bank Plc. /

Chief Auditor, Internal Audit, Siam Commercial Bank Plc.

Senior Bank Examines Commercial Bank, Bank of Thailand / Supervision Dept.,

Bank of Thailand

Government Official, National Audit Bureau

none

none

Mr. Phimol Rattapat

Age (Years)

Education(s)

Experience(s)

2000 - present

2004 - present

2002 - present

1993 - 1995

1992

1991

1990

1988 - 1989

1986 - 1987

1984 - 1985

1982 - 1983

1976 - 1981

1960 - 1976

Management's Relationship with their Family

No. of TCAP Share(s) Held

Director and Legal Advisor

70

Barrister at Law, Barrister Association of Thailand

Bachelor of Law, Thammasat University

Directors Accreditation Program, Class 2/2003, Thai Institute of Directors

Direct or and Legal Advisor, Thanchart Capital Plc.

Chairman, Office of Public Prosecutor /

Chairman, NL Development Co., Ltd.

Director, President Bakery Plc.

Vice Supreme Prosecutor, Office of Public Prosecutor, Ministry of Justice

Permanent Secretary, Advisor, Office of Public Prosecutor

Permanent Secretary, Phra Nakorn Civil Case, Office of Public Prosecutor

Permanent Secretary, Tax Duties Case, Office of Public Prosecutor

Permanent Secretary, Thonburi Civil Case, Office of Public Prosecutor

Permanent Secretary, Provincial Prosecutor 9, Office of Public Prosecutor

Permanent Secretary, Provincial Prosecutor 5, Office of Public Prosecutor

Penalty Section Chief, Office of Public Prosecutor

Provincial Prosecutor Assistant Provincial, Office of Public Prosecutor

Prosecutor, Office of Public Prosecutor

none

none

Rear Admiral Vitura Sangsingkeo

Age (Years)

Education(s)

Experience(s)

2003 - present

1998 - present

1997 - present

1991 - present

1994 - 1997

1993 - 1994

Management's Relationship with their Family

No. of TCAP Share(s) Held

Independent Director

69

Master of Public Health, Harvard University

Doctor of Medicine, School of Medicine at Siriraj Hospital, Mahidol University

Doctor of Public Health (with Honour), Mahidol University

Diploma, National Defence College

Directors Accreditation Program, Class 29/2004, Thai Institute of Directors

Independent Director, Thanachart Capital Plc.

Independent Director, Thanachart Life Assurance Co., Ltd.

Member of the Board, Siriraj Hospital Foundation

Member of the Board, Prince Mother's Medical Volunteers Foundation

Permanent Secretary, Ministry of Public Health

Director-General, Department of Medical Services

none

none

Mr. Somkiat Sukdheva

Age (Years)

Education(s)

Experience(s)

2000 - present

2004 - present

2003 - present

2002 - present

2000 - present

1998 - present

Management's Relationship with their Family

No. of TCAP Share(s) Held

Independent Director, Member of Remuneration Committee and Nominating Committee

61

Master of Management, GIBA, Chulalongkorn University

Bachelor of Economics, Thammasat University

Directors Accreditation Program, Class 6/2003, Thai Institute of Directors

Directors Certification Program, Class 40/2004, Thai Institute of Directors

Independent Director, Member of Remuneration Committee and Nominating Committee, Thanachart Capital Plc.

Director, E.D.C. Service Co., Ltd.

Chairman, Korvac (Thailand) Co., Ltd.

Director, Chairman of Audit Committee and Chairman of Human Relation Committee, Siam City Bank Plc.

Management Partner, P.T. and S Car Care Partnership Ltd.

Director, GPO-Merieux Biologicals Co., Ltd.

none

none

Mrs. Siripen Sitasuwan**Independent Director, Member of Audit Committee,
Chairman of Remuneration Committee and
Chairman of Nominating Committee**

Age (Years)	57
Education(s)	Master of Business Administration, Wichita State University, Kansas, U.S.A. Bachelor of Art (Commerce), Chulalongkorn University Directors Certification Program, Class 33/2003, Thai Institute of Directors
Experience(s)	
2000 - present	Independent Director, Member of Audit Committee, Chairman of Remuneration Committee and Chairman of Nominating Committee, Thanachart Capital Plc.
2005 - present	Director, Payment Solution Co., Ltd. / Director, Professional Collection Co., Ltd. Director, Advance M-Pay Co., Ltd. / Director, Advance Magician Co., Ltd. Director, AIS Wireless Communications Network Co., Ltd. Director, AIS Wire Network Co., Ltd. Director, AIS International Network Co., Ltd.
2003 - present	Director, CS Loxinfo Plc. / Director, Thai Air Asia Co., Ltd. / Director, Capital O.K. Co., Ltd. / Director, SC Matchbox Co., Ltd.
2002 - present	Director, ITV Plc. / Director, Artware Media Co., Ltd.
2001 - present	Director, Tele Info Media Co., Ltd. / Director, Data Linethai Co., Ltd. / Director, Arcocyber Co., Ltd.
2000 - present	Director, Advance Contact Center Co., Ltd. / Director, Digital Phone Co., Ltd. / Director, Shin Satellite Plc. / Director, Shin Broadband Internet (Thailand) Co., Ltd. / Director, IT Applications & Services Co., Ltd. / Director, Shinee Dot Com Co., Ltd.
1999 - present	Executive Director, Shin Corporation Plc. / Director, Thanachart Insurance Co., Ltd. / Director, Merry International Investment Corporation / Director, Advance Info Service Plc. / Director, Data Network Solution Co., Ltd. / Director, Shenington Investments Pte., Ltd. / Director, AD Ventures Co., Ltd.
1998 - present	Director, Shinawatra Information Technology Co., Ltd. / Director, Advance Wireless Marketing Co., Ltd. / Director, Advance Data Network Communications Co., Ltd.
Management's Relationship with their Family	none
No. of TCAP Share(s) Held	none

Mrs. Chantima Chaturaphat**Independent Director, Member of Audit Committee, Member of Remuneration Committee and Nominating Committee**

Age (Years)	55
Education(s)	Master of Business Administration, Central State University, U.S.A. Bachelor of Art (Accounting), Chulalongkorn University Directors Certification Program, Class 40/2004, Thai Institute of Directors
Experience(s)	
1994 - present	Independent Director, Member of Audit Committee, Member of Remuneration Committee and Nominating Committee, Thanachart Capital Plc.
Jan 2006 - present	Executive Vice President, Group Head, Special Assets Group, Siam Commercial Bank Plc.
1999 - present	President and CEO, SCB Business Service Co., Ltd.
Jan 2005 - 2006	Executive Vice President, Corporate Division 3, Siam Commercial Bank Plc.
Nov - Dec 2004	Executive Vice President, Corporate Group, Siam Commercial Bank Plc.
2003 - Nov 2004	Executive Vice President, Product Division, Siam Commercial Bank Plc.
2001 - 2003	Executive Vice President, Retail Marketing Division, Siam Commercial Bank Plc.
1999 - 2001	Executive Vice President, Credit Card Division, Siam Commercial Bank Plc.
Management's Relationship with their Family	none
No. of TCAP Share(s) Held	none

Ms. Suvarnapha Suvarnaphathip***Director and Executive Director**

Age (Years)	60
Education(s)	Bachelor of Economics, Monash University Certificate, Executive Commercial Lending Training Program, Banker Trust, U.S.A. Directors Accreditation Program, Class 20/2002, Thai Institute of Directors
Experience(s)	
2005 - present	Director and Executive Director, Thanachart Capital Plc.
1989 - present	Managing Director, Thanachart Bank Plc.
2005 - present	Director, Thanachart Life Assurance Co., Ltd.
2001 - present	Director, Seacon Development Co., Ltd.
Management's Relationship with their Family	none
No. of TCAP Share(s) Held	none

Remarks: *She was considered and screened by the Nominating Committee at its meeting No. 2/2005 held on 2 August 2005. Later, she was appointed as director by the Board of Directors at its meeting No. 8/2005 held on 25 August 2005. The related registration for the new director was made at the Department of Business Development, the Ministry of Commerce, with the appointment becoming effective as from 1 September 2005.

Ms. Suchada Pavananunt

Age (Years)

Education(s)

Experience(s)

1998 - present

2005 - present

2002 - 2005

1998 - 2002

Management's Relationship with their Family

No. of TCAP Share(s) Held

Director and Executive Director

55

Bachelor of Business Administration (Finance and Banking), Chulalongkorn University
 Directors Certification Program, Class 19/2002, Thai Institute of Directors
 Graduate Diploma in Management of Public Economy, King Prajadhipok's Institute

Director and Executive Director, Thanachart Capital Plc.

*Started working for National Finance Plc. in 1980

Chairman & Chief Executive Officer, Thanachart Fund Management Co., Ltd.

Director and Managing Director, Marketing & Public Liability Group, National Finance Plc.

Director and Executive Vice President, Marketing Group, National Finance Plc.

none

none

Mr. Piyaphong Artmangkorn*

Age (Years)

Education(s)

Experience(s)

2005 - present

2001 - present

2000 - present

1998 - present

1998 - 2005

1998

1994 - 1998

Management's Relationship with their Family

No. of TCAP Share(s) Held

Director and Executive Director

48

Master of Public Administration (Taxation), University of Southern California, U.S.A.
 Bachelor of Economic (Finance and Banking), Thammasat University
 Directors Accreditation Program, Class 22/2002, Thai Institute of Directors

Director and Executive Director, Thanachart Capital Plc.

Chairman and Chairman of Executive Committee, Thanachart Securities Plc.

Executive Vice President, Thanachart Bank Plc.

Director, Thai Royal Orchid Real Estate Co., Ltd.

Director, Royal Orchid Hotel (Thailand) Plc.

Director, MBK Plc.

Executive Vice President, Treasury Group, National Finance Plc.

Senior Vice President, Treasury Group, National Finance Plc.

Senior Vice President, Treasury Dept., National Finance Plc.

none

none

Remarks: *He was considered and screened by the Nominating Committee at its meeting No. 2/2005 held on 2 August 2005. Later, he was appointed as director by the Board of Directors at its meeting No. 8/2005 held on 25 August 2005. The related registration for the new director was made at the Department of Business Development, the Ministry of Commerce, with the appointment becoming effective as from 1 September 2005.

Mrs. Noossara Roonsamrarn*

Age (Years)

Education(s)

Experience(s)

2005 - present

2004 - present

1997 - present

Management's Relationship with their Family

No. of TCAP Share(s) Held

Director and Executive Director

47

Master of Business Administration, National Institution of Development Administration
Directors Certification Program, Class 19/2002, Thai Institute of Directors

Director and Executive Director, Thanachart Capital Plc.

Director, Thanachart Fund Management Co., Ltd.

Senior Executive Vice President, Thanachart Bank Plc.

Director, Thanachart Life Assurance Co., Ltd.

none

none

Remarks: *She was considered and screened by the Nominating Committee at its meeting No. 2/2005 held on 2 August 2005. Later, she was appointed as director by the Board of Directors at its meeting No. 8/2005 held on 25 August 2005. The related registration for the new director was made at the Department of Business Development, the Ministry of Commerce, with the appointment becoming effective as from 1 September 2005.

Mr. Amorn Kitinartintranee

Age (Years)

Education(s)

Experience(s)

2003 - present

2001 - present

2000 - present

2002 - 2003

1998 - 2000

Management's Relationship with their Family

No. of TCAP Share(s) Held

Chief of Operation Committee

53

Master of Business Administration, Thammasat University

Bachelor of Business Administration, Krirk University

Directors Certification Program Class 39/2004, Thai Institute of Directors

Chief of Operation Committee, Thanachart Capital Plc.

Director, Thanachart Insurance Co., Ltd.

Chairman, Thanachart Management and Services Co., Ltd.

Senior Executive Vice President, Control and Operation Group, Thanachart Bank Plc.

Director, Executive Vice President, Control and Central Administration Group,
National Finance Plc.

none

305,000 shares (0.0228%)

Mrs. Rambha Bhoocha-oom

Age (Years)

Education(s)

Experience(s)

2000 - present

2004 - present

1999 - present

1990 - 2000

Management's Relationship with their Family

No. of TCAP Share(s) Held

Executive Vice President, Human Resources Group

55

Master of Business Administration (Marketing), Michigan State University, U.S.A.

Bachelor of Science (Economics), Fairleigh Dickinson University, U.S.A.

Executive Vice President, Human Resources Group, Thanachart Capital Plc.

Director, Thanachart Management and Services Co., Ltd.

Director, Puenpob Paet Co., Ltd.

Director and Senior Executive Vice President, Ekachart Finance Plc.

None

None

Mr. Chatchawal Jantararuangtong

Age (Years)

Education(s)

Experience(s)

2001 - present

2000 - present

1997 - 2001

Management's Relationship with their Family

No. of TCAP Share(s) Held

Senior Vice President, Audit Group

50

Master of Business Administration, Kasetsart University

Bachelor of Accounting, Thammasat University

Senior Vice President, Audit Group, Thanachart Capital Plc.

Director, Sinkahakan Co., Ltd.

First Vice President, Audit Dept., National Finance Plc.

none

none

Mr. Vicha Kulkobkiat

Age (Years)

Education(s)

Experience(s)

2003 - present

2000 - present

2000 - 2003

1997 - 2000

1995-1997

Management's Relationship with their Family

No. of TCAP Share(s) Held

Senior Vice President, Corporate Secretariate Group

48

Master of Business Administration (Finance, Investment & Banking),
University of Wisconsin - Madison, U.S.A.Bachelor of Accountancy (1st Class Honours), Chulalongkorn University

Directors Certification Program, Class 19/2002, Thai Institute of Directors

Senior Vice President, Corporate Secretariate Group, Thanachart Capital Plc.

Director, Thanachart Management and Services Co., Ltd.

Director and Executive Vice President, Securities Brokerage Group,
National Securities Co., Ltd.First Vice President, Planning & Administrative Department,
National Securities Co., Ltd.

First Vice President, Office of Development, National Finance & Securities Plc.

none

66,400 shares (0.0049%)

Mrs. Khajitphan Chunharit

Age (Years)

Education(s)

Experience(s)

2001 - present

2001

1999 - 2001

1998 - 1999

Management's Relationship with their Family

No. of TCAP Share(s) Held

Senior Vice President, Information System and Technology Department

49

Master of Science (Computer Science), West Coast University

Bachelor of Science (Chemistry), Chulalongkorn University

Senior Vice President, Information System and Technology Dept., Thanachart Capital Plc.

First Vice President, Information System and Technology Dept., National Finance Plc.

First Vice President, MIS and Office Automation Dept., National Finance Plc.

Vice President, MIS and Office Automation Dept., National Finance Plc.

none

none

Mr. Korakrit Khumruangrit

Age (Years)

Education(s)

Experience(s)

2004 - present

2005 - present

1999 - 2004

1997 - 1999

Management's Relationship with their Family

No. of TCAP Share(s) Held

Senior Vice President, Group Financial Controller

36

Bachelor of Accounting, Chulalongkorn University

Senior Vice President, Group Financial Controller, Thanachart Capital Plc.

Director, Thanachart Management & Services Co., Ltd.

Assistant Managing Director, Chief Financial Officer, Thai Zurich Insurance Co., Ltd.

Accounting Manager, Thai Zurich Insurance Co., Ltd.

none

1,400 shares (0.00010%)

Mr. Kriangkrai Phurivivattana

Age (Years)

Education(s)

Experience(s)

2001 - present

2000 - present

1999 - 2001

1993 - 1999

Management's Relationship with their Family

No. of TCAP Share(s) Held

Senior Vice President, System and Regulatory Development Department

44

Master of Business Administration, Kasetsart University

Bachelor of Science (Cooperative Economics), Kasetsart University

Senior Vice President, System and Regulatory Development Department, Thanachart Capital Plc.

Director, Bangkok Home Co., Ltd.

First Vice President, Office of System and Regulatory Development Dept., National Finance Plc.

Manager Users Support Unit, National Finance Plc.

none

none

Mrs. Kanya Sapboonrawd

Age (Years)

Education(s)

Experience(s)

2003 - present

2001 - 2002

1999-2001

1990 - 1999

1989 - 1990

Management's Relationship with their Family

No. of TCAP Share(s) Held

First Vice President, Human Resources Development Department

46

Master of Public & Private Management, National Institution of Development Administration

Bachelor of Arts (Psychology), (2nd Class Hons), Thammasat University

First Vice President, Human Resources Development Department, Thanachart Capital Plc.

Vice President, Human Resources Development Department, National Finance Plc.

Assistant Vice President, Human Resources Development Department, National Finance Plc.

Division Manager, Training & Public Relations, Dhana Siam Finance Plc.

Chief of Business Trainer, Krungthai Bank Plc.

none

none

Mr. Sanong Khumnuch

Age (Years)

Education(s)

Experience(s)

2002 - present

2001 - present

2000 - present

2002 - 2002

1999 - 2000

1997 - 1998

Management's Relationship with their Family

No. of TCAP Share(s) Held

Senior Vice President, Central Coordination Line

44

Master of Business Administration (Finance), Thai Chambers of Commerce University

Bachelor of Law, Sukhothai Thammathirat University

Bachelor of Accounting, Ramkhamhaeng University

Senior Vice President, Central Coordination Line, Thanachart Capital Plc.

Director, Thanachart Legal & Appraisal Co., Ltd. /

Director, Glas Haus Building Co., Ltd.

Director, Thanachart Management and Services Co., Ltd.

First Vice President, Legal and Appraisal Dept., National Finance Plc.

First Vice President, Business Support Dept., Ekachart Finance and Securities Plc.

Senior Vice President, Office of The President, Thanapol Finance and Securities Plc.

none

none

Mr. Wichak Praditavanij

Age (Years)

Education(s)

Experience(s)

2002 - present

2000 - present

1999 - present

Management's Relationship with their Family

No. of TCAP Share(s) Held

First Vice President, Consumer Finance Department

40

Master of Business Administration (Finance), Saint Louis University

Master of Accounting, Chulalongkorn University

Bachelor of Business Administration, Rajamangala Institute of Technology

Certified Public Accountant No. 6871

First Vice President, Consumer Finance Department, Thanachart Capital Plc.

Director, Max Asset Management Co., Ltd.

Director, Thiravanit Co., Ltd.

none

none

Mr. Patana Boonsuk

Age (Years)

Education(s)

Experience(s)

1999 - present

1998 - 1999

1997 - 1998

Management's Relationship with their Family

No. of TCAP Share(s) Held

Vice President, Compliance Unit

46

Master of Business Administration, Kasetsart University

Bachelor of Accounting, Thammasat University

Vice President, Compliance Unit, Thanachart Capital Plc.

Senior Manager, National Finance Plc.

Manager, Finance Dept., National Insurance Co., Ltd.

none

none

Mr. Chusak Patcharapongsak

Age (Years)

Education(s)

Experience(s)

2003 - present

1999 - 2003

1984 - 1990

Management's Relationship with their Family

No. of TCAP Share(s) Held

Vice President, General Audit and Credit Verification Office 1

43

Bachelor of Business Administration, General Management (First Class Honors), Sukhothai Thammathirat University

Vice President, General audit and Credit Verification Office 1, Thanachart Capital Plc.

Assistant Vice President, General Audit Dept., National Finance Plc.

Assistant Regulation Unit, Siam Commercial Bank Plc.

none

none

Ms. Rommanee Jenpinit

Age (Years)

Education(s)

Experience(s)

2001 - present

2000 - 2001

1999 - 2000

1992 - 1999

Management's Relationship with their Family

No. of TCAP Share(s) Held

First Vice President, Office of Planning and Accounting System Development

45

Bachelor of Business Administration, Sukhothai Thammathirat University

First Vice President, Office of Planning and Accounting System Development, Thanachart Capital Plc.

First Vice President, Accounting Dept., Ekachart Finance Plc.

First Vice President, Accounting & Budgeting Dept., National Finance Plc.

Vice President, Accounting & Budgeting Dept., National Finance Plc.

none

none

Mr. Chanchai Nantajitkasem

Age (Years)

Education(s)

Experience(s)

2004 - present

2003 - 2004

2002 - 2003

1999 - 2000

1996 - 1999

Management's Relationship with their Family

No. of TCAP Share(s) Held

Vice President, General Audit and Credit Verification Office 2

49

Bachelor of Accounting, Thammasat University

Vice President, General Audit and Credit Verification Office 2, Thanachart Capital Plc.

Vice President, Internal Audit Dept., National Finance Plc.

Vice President, Internal Audit Dept., Thanachart Bank Plc.

Vice President, NPL Debt Management Dept., National Finance Plc.

Executive Vice President, Cen Leasing Co., Ltd.

none

1,400 shares (0.00010%)

Mr. Siripong Pansanit

Age (Years)

Education(s)

Experience(s)

2003 - present

2002 - 2003

Management's Relationship with their Family none

No. of TCAP Share(s) Held

Vice President, Strategic Planning Office

42

Master of Business Administration (Financial Management), National Institute of Development Administration

Bachelor of Accountancy (Costing), Chulalongkorn University

Vice President, Strategic Planning Office, Thanachart Capital Plc.

Vice President, Thanachart Bank Plc.

Ms. Darawan Bunnunstien

Age (Years)

Education(s)

Experience(s)

2005 - present

2005 - present

2004 - 2005

2004

2001 - 2004

Management's Relationship with their Family None

No. of TCAP Share(s) Held

First Vice President, Debt Restructuring Department

44

Bachelor of Political Science, Thammasat University

First Vice President, Debt Restructuring Dept., Thanachart Capital Plc.

Director, NFS Asset Management Co., Ltd.

Vice President, Office of Corporate Debt Restructuring, National Finance Plc.

Vice President, Corporate Debt Restructuring Dept. 1, National Finance Plc.

Vice President, Debt Resolution Group, National Finance Plc. (Temporary in charge

Vice President, Debt Restructuring Dept. 3, NFS Asset Management Co., Ltd.)

800 shares (0.00006%)

Advisor Team

Mr. Phimol Rattapat

Age (Years)

Education(s)

Experience(s)

2000 - present

2004 - present

2002 - present

1993 - 1995

1992

1991

1990

1988 - 1989

1986 - 1987

1984 - 1985

1982 - 1983

1976 - 1981

1960 - 1976

Management's Relationship with their Family none

No. of TCAP Share(s) Held none

Director and Legal Advisor

70

Barrister at Law, Barrister Association of Thailand

Bachelor of Law, Thammasat University

Directors Accreditation Program, Class 2/2003, Thai Institute of Directors

Director and Legal Advisor, Thanachart Capital Plc.

Chairman, Office of Public Prosecutor /

Chairman, NL Development Co., Ltd.

Director, President Bakery Plc.

Vice Supreme Prosecutor, Office of Public Prosecutor, Ministry of Justice

Permanent Secretary, Advisor, Office of Public Prosecutor

Permanent Secretary, Phra Nakorn Civil Case, Office of Public Prosecutor

Permanent Secretary, Tax Duties Case, Office of Public Prosecutor

Permanent Secretary, Thonburi Civil Case, Office of Public Prosecutor

Permanent Secretary, Provincial Prosecutor 9, Office of Public Prosecutor

Permanent Secretary, Provincial Prosecutor 5, Office of Public Prosecutor

Penalty Section Chief, Office of Public Prosecutor

Provincial Prosecutor Assistant Provincial, Office of Public Prosecutor

Prosecutor, Office of Public Prosecutor

Mr. Sutin Nontakaew

Age (Years)

Education(s)

Experience(s)

2002 - present

1959 - 1989

Management's Relationship with their Family none

No. of TCAP Share(s) Held none

Legal Advisor

76

Bachelor of Law, Thammasat University

Legal Advisor, Thanachart Capital Plc.

Head of Judge Panel, Supreme Court, Ministry of Justice

Mr. Somkid Tiatrakul

Age (Years)

Education(s)

Experience(s)

2002 - present

1990 - present

1971 - 2001

Management's Relationship with their Family none

No. of TCAP Share(s) Held none

Accounting System Advisor

57

Master of Business Administration, Kasetsart University

Bachelor of Commerce and Accounting, Chulalongkorn University

Accounting System Advisor, Thanachart Capital Plc.

Managing Director, Somkid & Associate Business Advisor Co., Ltd.

Executive Director, SGV Na Thalang Co., Ltd.

Ms. Jerdsiri Sukserm

Age (Years)

Education(s)

Experience(s)

2001 - present

1999 - 2001

1992 - 1999

1985 - 1992

1982 - 1985

Management's Relationship with their Family none

No. of TCAP Share(s) Held none

Computer Audit Advisor

57

Bachelor of Accounting, Thammasat University

Diploma Programming Technology, Central Data Institute, Australia

Computer Audit Advisor, Thanachart Capital Plc.

Senior Manager, Human Resources Dept., Siam Commercial Bank Plc.

Manager, Computer Audit Dept., Siam Commercial Bank Plc.

Assistant Manager, Audit Dept., Siam Commercial Bank Plc.

Chief, Data Compilation Group, Siam Commercial Bank Plc.

Mr. Vichit Yarnamorn

Age (Years)

Education(s)

Experience(s)

2001 - present

1983 - 2002

1981 - 1983

1978 - 1981

1967 - 1978

Management's Relationship with their Family none

No. of TCAP Share(s) Held none

Information System and Technology Advisor

60

Master of Science (Computer Science), University of IOWA, U.S.A.

Bachelor of Commerce and Accounting, Chulalongkorn University

Information System and Technology Advisor, Thanachart Capital Plc.

Executive Vice President, Technology & Operation Group, Siam Commercial Bank Plc.

Manager of Systems Development, Shell (Thailand) Co., Ltd.

Manager of Management Information & Computer Center, Summit Industrial Co., Ltd.

Assistant Director, Information Compilation Center of Thailand, National Statistics Office

Details about Directors and Executive of the Company's Subsidiaries and Associated Company as of 31 December 2005

Names	TCAP	Subsidiaries																		Associated Companies	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
Mr. Banterng Tantivit	X //	X																X	XX		
Mr. Suphadej Poonpipat	A ///	XX //				XXX												XXX	XXX		
Mr. Sommart Poonpakdee	XXX																				
Mr. Phimol Rattapat	XXX																				
Rear Admiral Vitura Sangsingkeo	XXX																	XXX			
Mr. Somkiat Sukdheva	XXX																				
Mrs. Siripen Sitasuwan	XXX					XXX															
Mrs. Chantima Chaturaphat	XXX																				
Miss Suvarnapa Suvarnaprathip	XXX /	B				XXX															
Mrs. Suchada Pavananunt	XXX /							X //													
Mr. Piyaphong Artmangkorn	XXX /	C			X //														XXX		
Mrs. Noossara Roonsamrarn	XXX /	C				XXX		XXX													
Mr. Amorn Kitinartintranee	D					XXX								X							
Mrs. Rambha Bhoocha-oom	D													XXX						XXX	
Mr. Kriangkrai Phurivivattana	E											XXX									
Mr. Chatchawal Jantararuangtong	E										XXX										
Mr. Vicha Kulkobkiat	E													XXX							
Mrs. Khajitphan Chunharit	E																				
Mr. Sanong Khumnuch	E													XXX	XXX						
Mr. Korakrit Khumruangrit	E													XXX							

Notes : x Chairman xx Vice Chairman xxx Director
 / Executive Director // Chairman of Executive Board /// Vice Chairman of Executive Board
 A President & CEO B Managing Director C Executive Vice President
 D Executive Vice President E Senior Vice President

List of Subsidiaries and Associated Companies

Subsidiaries

- | | |
|---|--|
| 1. Thanachart Bank Public Company Limited | 11. Bangkok Home Company Limited |
| 2. NFS Asset Management Company Limited | 12. Thanachart Group Leasing Company Limited |
| 3. MAX Asset Management Company Limited | 13. Thanachart Management and Services Company Limited |
| 4. Thanachart Securities Public Company Limited | 14. Thanachart Legal and Appraisal Company Limited |
| 5. Thanachart Insurance Company Limited | 15. NASSET Property Fund 6 |
| 6. Pasara Company Limited | 16. Thanachart SPV 01 Company Limited |
| 7. Thanachart Fund Management Company Limited | 17. Thanachart Life Assurance Company Limited |
| 8. NFS Capital Company Limited | Associated Companies |
| 9. Thiravanit Company Limited | 18. MBK Public Company Limited |
| 10. Sinkahakan Company Limited | 19. Puenpob Paet Company Limited |

List of Executives in Accordance with the Definition of the Securities and Exchange Commission (SEC)

1. Mr. Suphadej Poonpipat	President & Chief Executive Officer
2. Mr. Amorn Kitinartintrane	Chief of Operation Committee, Control and Operation Group
3. Mrs. Rambha Bhoocha-oom	Executive Vice President, Human Resources Group
4. Mr. Kiangkrai Phurivivattana	Senior Vice President, System and Regulatory Development Department
5. Mr. Chatchawal Jantararungtong	Senior Vice President, Audit Group
6. Mr. Vicha Kulkobkiat	Senior Vice President, Corporate Secretariate Group
7. Mrs. Khajitphan Chunharit	Senior Vice President, Information System and Technology Department

Remuneration for the Board of Directors and Management

(a) Financial Remuneration

In 2005, the Company paid 17,854,578.02 baht in total to five committees as remuneration in the form of meeting stipends, position allowances for directors, and directors' performance allowances (based on the Company's performance in 2004), which could be summarized as follows:

(Unit : Baht)

Name of the Committee Member	Remuneration of Each Committee						
	Meeting Stipends for the Board of Directors	Position Allowances for the Board of Directors	Meeting Stipends for the Executive Committee	Meeting Stipends for the Audit Committee	Meeting Stipends for the Remuneration Committee	Meeting Stipends for the Nominating Committee	2004 Annual Performance Allowances for Directors
1. Mr. Banterng Tantvit	360,000	690,000	240,000	-	-	-	1,435,704.26
2. Mr. Suphadej Poonpipat	180,000	345,000	120,000	-	-	-	717,852.16
3. Mrs. Suchada Pavanant	180,000	345,000	120,000	-	-	-	717,852.16
4. Mrs. Chantima Chauraphat**	135,000	345,000	60,000	20,000	20,000	10,000	717,852.16
5. Mr. Wirasak Chiraset*	105,000	201,250	70,000	-	-	-	717,852.16
6. Mr. Sommart Poonpakdee***	180,000	345,000	-	600,000	-	-	717,852.16
7. Mrs. Supreeya Saengudomlert*	105,000	201,250	-	120,000	-	-	717,852.16
8. Mrs. Siripen Sitasuwan	165,000	345,000	-	140,000	45,000	30,000	717,852.16
9. Mr. Somkiat Sukdheva	180,000	345,000	-	-	30,000	20,000	717,852.16
10. Mr. Phimol Rattapat	180,000	345,000	-	-	-	-	717,852.16
11. Mr. Bundit Cheevadhanarak*	120,000	230,000	80,000	-	-	-	717,852.16
12. Rear Adm Vitura Sangsingkeo	180,000	345,000	-	-	-	-	717,852.16
13. Miss Suvarnapha Suvarnaprathip**	60,000	115,100	40,000	-	-	-	-
14. Mrs. Noossara Roonsamran**	60,000	115,100	40,000	-	-	-	-
15. Mr. Piyaphong Artmangkorn**	60,000	115,100	40,000	-	-	-	-
Total for Each Committee	2,250,000	4,427,500	810,000	880,000	95,000	60,000	9,332,078.02

Meeting attendance of Members of Each Committee in 2005

(Unit : Meetings)

Name of the Committee Member	Total Meetings of the Board of Directors (12)	Total Meetings of the Executive Committee (12)	Total Meetings of the Audit Committee (8)	Total Meetings of the Remuneration Committee (3)	Total Meetings of the Nominating Committee (2)
1. Mr. Banterng Tantivit	12	12			
2. Mr. Suphadej Poonpipat	12	12			
3. Mrs. Suchada Pavananunt	12	12			
4. Mrs. Chantima Chauraphat*/**	9	6	1	2	1
5. Mr. Wirasak Chiraset*	7	7			
6. Mr. Sommart Poonpakdee***	12		8		
7. Mrs. Supreeya Saengudomlert*	7		6		
8. Mrs. Siripen Sitasuwan	11		7	3	2
9. Mr. Somkiat Sukdheva	12			3	2
10. Mr. Phimol Rattapat	12				
11. Mr. Bundit Cheevadhanarak*	8	8			
12. Rear Adm Vitura Sangsingkeo	12				
13. Miss Suvarnapha Suvarnaprathip**	4	4			
14. Mrs. Noossara Roonsamrarn **	4	4			
15. Mr. Piyaphong Artmangkorn**	4	4			

Notes: * Mrs. Chantima Chauraphat
Mrs. Supreeya Saengudomlert

Resigned her position as director, effective 1 August 2005.

Resigned her positions as director and member of the Audit Committee, effective 8 August 2005.

Mr. Wirasak Chiraset

Resigned his positions as director and member of the Executive Committee, effective 8 August 2005.

Mr. Bundit Cheevadhanarak

Resigned his positions as director and member of the Executive Committee, effective 1 September 2005.

** Miss Suvarnapha Suvarnaprathip,
Mrs. Noossara Roonsamrarn and
Mr. Piyaphong Artmangkorn

Appointed as directors and members of the Executive Committee, replacing the ones who resigned, effective 1 September 2005.

Mrs. Chantima Chauraphat

Appointed as member of the Audit Committee, effective 25 August 2005.

*** Mr. Sommart Poonpakdee

Remuneration of the Chairman of the Audit Committee was in the form of position allowance.

(b) Total Remuneration

The Company made payments worth 44,852,813 baht in total to nine members of the Company's executives. The payments included salaries, allowances, and provident fund, as well as other remuneration of the Company's Board of Directors and Executive Board. The total payments did not include those made to Senior Vice President of the Accounting Group. In 2004, the Company made payments to the members of the Executive Committee in the form of meeting stipends with details shown in Financial Remuneration (a).

(c) Other Remuneration

The Company delivered no remuneration to the directors and the executives other than the aforementioned financial remuneration.

Corporate Governance

In 2005, Thanachart Capital Public Company Limited in conducting its business affairs, complied with the fifteen principles of good corporate governance established by the Stock Exchange of Thailand with details given under the subject of Good Corporate Governance on Pages 22-29 of this Annual Report.

Supervision of the Use of Insider Information

(1) Policy on the Use of Insider Information by Executives

The Company issued a notification related to established guidelines on buying or selling shares of Thanachart Capital Public Company Limited and the use of insider information by its employees. In summary, the executives and/or employees are prohibited from buying or selling the shares of Thanachart Capital Public Company Limited on the dates from 14 to 23 of the month following the end of each quarter. As well, anyone having access to insider information which is not yet disclosed to the public and which may have an impact on changes in the Company's share prices is prohibited from buying or selling the Company's shares for one's own interests or those of others. If it is not certain whether the acquired information will have any impact, the Compliance Unit should be consulted first.

(2) Supervision

The Company's executives are required to report the number of their shares in Thanachart Capital Public Company Limited to the Compliance Unit every quarter.

(3) Punishments

Any executive who violates or does not comply with the established policy on the use of insider information will be subject to the judgement of the Disciplinary Committee in line with the disciplinary measures stipulated in the Company's rules and regulations.

(4) Scope of Responsibilities of the Disciplinary Committee

1. Consider and investigate cases related to legal violations, non-compliance with regulations, or serious violations. If there is a valid case, consider imposing punishment or disciplinary action on the employee who is alleged to commit the violations, in line with the Company's regulations.

2. Consider and establish punishment in line with the seriousness of the case.

3. Submit its resolution to the President and Chief Executive Officer for approval.

4. The Chairman of the Disciplinary Committee is required to appoint member(s) of the Committee to be responsible for making sure that the punishment carried out is in line with the Committee's resolution.

Human Resources

As of 31 December 2005, the Company had 629 employees, consisting of 260 male employees and 369 female employees. The details of the number of employees in each key work unit are as follows:

Work Unit	Number of Employees
Internal Audit Group	79
Compliance Unit	11
Wage & Salary Office	6
Special Advisor & Senior Specialist in Accounting and Tax	8
Credit Analysis Office	1
IT Security Office	10
Lending Business Group	26
Hire Purchase Business Group	3
Debt Resolution Group	33
Branch Business Department	2
Treasury Group	16
Human Resources Group	77

Work Unit	Number of Employees
Accounting Group	55
Property Management Group	1
Control and Operation Group	31
Corporate Secretariate Group	33
System and Regulatory Development Department	66
Information System and Technology Department	132
Central Coordination Group	39
Total	629

Staff Remuneration

In 2005, the Company's remuneration for the staff in the form of salaries, living allowances, welfare, contributions to the provident fund and others amounted to 429 million baht.

Changes in the Number of Employees/Labor Disputes

Over the past three years, the Company has had no labor dispute. As a result, there has been no significant impact on the Company's total number of employees.

The Company's Human Resource Development Policies

Every employee is a valuable resource and plays a crucial role in the success of the organization. As a result, the Company places strong emphasis on and commits itself to continuous development of its human resources at every level. The aim is to enhance the employees' competence, skills and experience so they can more efficiently carry out their duties related to the delivery of integrated financial services and provide customers with the highest satisfaction possible. For 2005, the Company adopted key human resource development policies as follows:

The Company supports the development of modern management strategies and leadership among its executives. It has established continuous training road maps for its entry-level executives, middle-level executives and senior executives. It also places emphasis on creation of networking among the executives so that they will gain the necessary corporate vision both inside and outside the Company and so that they have an insightful understanding of the changes that are taking place. The executives participate in training activities organized by well-known institutions, both local and overseas.

In making preparations for effectively accommodating

Thanachart Group's business expansion, the Company develops the potential of its human resources so that they are able to deliver financial services with quality and professional standards on a par with international standards. The curricula are designed to cover both knowledge and skills required specifically for their respective responsibilities ('hard skills') as well as other supporting skills ('soft skills') that will help make the staff more efficient in carrying out their responsibilities. These skills include, among others, investment knowledge, information about Thanachart Group's available products and services, efficient audit, personality development, and team work.

The Company is determined to raise its staff's moral and ethical standards as well as their level of professionalism to the established work standards. It supports and promotes the staff's development so that they will be able to gain appropriate professional licenses, including licenses from the Securities and Exchange Commission and the Stock Exchange of Thailand which allows them to work with investors and become financial advisors. Licenses from the Insurance Department of the Ministry of Commerce enables staff to work as life assurance brokers and/or agents and as non-life insurance brokers and/or agents, and prepares them to become a Certified Internal Auditor (CIA).

The Company also inculcates in every staff member the importance of regular practices in line with the principles of good corporate governance as well as the policies and requirements established by the authorities. It also inculcates in every staff member the importance of the knowledge about customers and risk management.

Importantly, the Company also encourages every staff member to acquire new knowledge continuously in an efficient

manner through self-learning systems and by making use of various media such as VDOs, CD-ROMs and video conferences. It also promotes knowledge sharing among the staff, aimed at transforming the Company into a learning organization.

Internal Control

The Company places strong emphasis on having good internal control systems. The Internal Audit Group serves as a key mechanism in developing and reviewing internal control systems so that they are appropriate and adequate in view of the changing environment. The Internal Audit Group also reviews the effectiveness of the internal control systems of the Company and its subsidiaries and ensures that any problems or defects found in the internal control systems are addressed continuously and properly, in order to prevent any damage to the Company and its subsidiaries. The Internal Audit Group also ensures that the Company's assets are efficiently used and that the Company's business affairs are conducted in line with legal requirements, the regulations of the authorities concerned, and the Company's rules and regulations. At the same time, the Company pays great attention to recommendations and opinions made by the auditors and the Bank of Thailand's auditing staff assigned to the Company. The recommendations and opinions are used to make the Company's internal controls, operations and risk management practices more efficient and more effective. To enable the Internal Audit Group to audit the Company's business activities independently and to balance its powers fully, the Company requires that the Internal Audit Group report its auditing results directly to the Audit Committee.

Three members of the Audit Committee attended the Board of Directors' Meeting No. 2/2006 held on 23 February 2006. The Board of Directors assessed the Company's internal control systems based on the report of the Audit Committee and the internal control system evaluation report that was prepared by the Executive Committee and the Senior Vice-President of the Accounting Group in line with the evaluation framework established by the Securities and Exchange Commission. The Board of Directors was of the opinion that the internal control systems in the different areas of the Company including organization and environment, risk management, the management's operation controls, information and communications systems, as well as follow-up systems, were adequately tight and effective in preventing risk and damage that might be caused to the Company and members of Thanachart Group.

Dividend Payment Policy

(1) Dividend Payment Policy of the Company

In considering dividend payments, the Company takes into consideration its performance and the long-term benefits of the shareholders. The dividend payments must also receive approval at the shareholders' meeting. However, the Board of Directors may pay an interim dividend to shareholders occasionally when it considers that the Company has adequate profit to make the payment. The Board of Directors is required to report the interim dividend payment to the shareholders at their next meeting.

The details of the Company's dividend payments in 2005 are as follows:

- At the Annual General Meeting of the Shareholders for the Year 2005 which was held on 28 April 2005, the shareholders adopted a resolution approving the equal dividend payment of 0.40 baht per share or 633,261,601.20 baht in total to both the ordinary and preferred shareholders holding 1,333,154,003 shares on 27 May 2005. The dividend was for the second half of the year from 1 July to 31 December 2004. Taking into consideration the interim dividend payment of 0.30 baht per share or 399,946,200.90 baht in total, which was made on 26 November 2004, for the period from 1 January to 30 June 2004, of which the resolution was adopted at the Board of Directors' Meeting No. 10/2004, the total dividends paid for the performance in 2004 amounted to 933,207,802.10 baht or 0.70 baht per share in total.
- At the Board of Directors' Meeting No. 10/2005 held on 27 October 2005, the Board adopted a resolution approving payments of an interim dividend of 0.30 baht per share to shareholders on 25 November 2005 for the performance of the first half of the year from 1 January to 31 June 2005. The payments were paid to both ordinary shareholders and preferred shareholders at the same rate. The total payments amounted to 399,946,200.90 baht with 1,333,154,003 shares receiving the dividends.

(2) Dividend Payment Policy of the Company's Subsidiaries

The dividend payment of the subsidiaries is subject to a resolution to be adopted by shareholders or by the Board of Directors of the respective subsidiaries (depending on the case). Each time before making the dividend payment, the subsidiaries are required to appropriate at least five percent of the net profit as reserve to such an extent that the reserve amounts to ten percent or more of their capital.



The net earnings of the Company and its subsidiaries in 2005 amounted to 3,104 million baht, representing an increase of 121 million baht from the previous year.





Overview

On 22 April 2005, the Ministry of Finance gave its approval to the business structure reorganization plan of Thanachart Group's financial institutions. After completion of the structural reorganization of the Company, Thanachart Bank Public Company Limited would be the Group's only financial institution in line with the "One-Presence" Policy in the Financial Sector Master Plan. The key part of the structural reorganization was the transfer by the Company of its finance business to Thanachart Bank which was the Company's subsidiary. And the Company was required to return its finance business license within one year of the Ministry of Finance granting the approval. The Company would become a holding company while it remained the flagship of Thanachart Group. The structural reorganization plan was implemented in the following stages:

- **May 2005** The hire purchase business was transferred with the Company still keeping the original hire purchase accounts who continued making their installment payments to the Company until the last installment was paid while Thanachart Bank would give loans to new hire purchasers.
- **July 2005** The Company transferred its deposits worth about 47,524 million baht in the form of promissory notes issued to members of the general public.
- **October 2005** The Company transferred its claims to agreements or contracts of loans which were not non-performing and which were not hire purchase contracts or welfare loan contracts or consumer loans. The claims were transferred at a price of about 535 million baht which included the outstanding balances of the loans and the accrued interest receivable. The Company would transfer to the Bank the claims to agreements or contracts of the remaining loans in the future.
- **November 2005** The Company transferred to the Bank additional deposits worth about 32,279 million baht in the form of promissory notes issued to corporate clients.

In 2005, the net earnings of the Company and its subsidiaries amounted to 3,104 million baht, representing an increase of 121 million baht or 4.1 percent from the previous year. The net earnings per share amounted to 2.33 baht. The increase in the net earnings was mainly due to the impressive growth of 36.4 percent in the Company's automobile hire

purchase portfolios, which resulted in an increase of 33.4 percent in income from automobile hire purchase loans. On the performance of the Bank only, its earnings declined as a result of transfers of the hire purchase business from Thanachart Capital Public Company Limited to the Bank. Taking into consideration the expense and income recognition in line with the applied accounting principles, the Bank recognized as expenses the commission and expenses charged on hire purchase immediately on the date which the transaction was executed, while it recognized income from hire purchase in line with the installment payments received, using the sum of the years' digits method. As a result, during the initial period, the Bank would have a high level of operating costs while it would have a low level of recognized income. It was also necessary for the Bank to incur expenses in the form of allowances for doubtful accounts for its hire purchase loans, in addition to expenses as a result of business expansion. Thanachart Insurance Company's business also expanded remarkably with its net premium income increasing 62.5 percent from the previous year. However, since it was necessary for the company to set aside a relatively high level of insurance allowance, which would be gradually recognized income later in line with the accounting principles, the company's earnings were relatively low. In relation to another development, because of securities trading volatility in the capital market and the slowdown of companies getting listed, the earnings of Thanachart Securities Public Company Limited declined drastically.

As of the end of 2005, the consolidated assets of the Company and its subsidiaries amounted to 228,073 million baht, representing an increase of 43,029 million baht or 23.3 percent from 2004. The increase was mainly attributable to the increase in the automobile hire purchase portfolios which grew by 32,377 million baht or 36.4 percent. While net investments fell by 17.6 percent, the total deposits from the public amounted to 160,137 million baht, representing an increase of 26,942 million baht or 20.2 percent from 2004.

On the quality of assets, as of 31 December 2005, the non-performing loans of the Company and its subsidiaries amounted to 10,129 million baht, representing a decrease of 1,027 million baht or 9.2 percent from 2004, with the non-performing loans in 2005 accounting for 6.2 percent of the consolidated total loans, compared to 8.6 percent in 2004.

On allowance for doubtful accounts, the Company and its subsidiaries set aside 6,957 million baht for doubtful accounts allowance, which consisted of allowances worth 4,821 million baht for specific loans and allowances worth 2,136 million baht for future risk.

The BIS Ratio of the Company as of the end of 2005 was 13.9 percent which was higher than the minimum 8.00 percent required by the Bank of Thailand.

Financial Position and Performance of Thanachart Capital Public Company Limited and Its Subsidiaries

The details of the financial position and the performance of Thanachart Capital Public Company Limited and its subsidiaries as of the end of 2005 compared with the end of 2004 in accordance with the consolidated financial statements were as follows:

Financial Position

The financial position of the Company and its subsidiaries as of the end of 2005 was as follows:

(1) Assets

The consolidated assets of the Company and its subsidiaries increased by 23.3 percent from 185,044 million baht as of the end of 2004 to 228,073 million baht as of the end of 2005. The assets mainly consisted of 1) 156,035 million baht in loans, receivables and accrued interest, which accounted for 68.4 percent of the company's total assets, up

from 66.2 percent of total assets in the previous year, due to remarkable growth in hire purchase portfolios, and 2) 33,203 million baht in net investments which accounted for 14.6 percent of total assets, down from 21.8 percent of the total assets in the previous year, due to the huge sale of government and state-enterprise bonds as well as debt instruments of the private sector.

(2) Quality of Assets

2.1 Loans, Receivables and Accrued Interest

The loans, receivables and accrued interest of the Company and its subsidiaries, classified by type of business, increased by 25.4 percent from 129,944 million baht as of the end of 2004 to 162,961 million baht as of the end of 2005. Noteworthy was the concentration on retail debtors in the hire purchase portfolios, which accounted for 74.4 percent of the total loans, receivables and accrued interest. This was attributable to the dramatic growth of the automobile hire purchase portfolios in line with the policy of Thanachart Capital Public Company Limited, aimed at maintaining its leadership position in the new automobile hire purchase business as well as gaining larger market share in the used automobile hire purchase business. However, the loans in other business sectors decreased from the previous year. Of the total loans, receivables, and accrued interest, these business sectors including manufacturing and commerce, public utilities and services, as well as retail housing loans accounted for 4.4 percent, 6.3 percent and 6.8 percent respectively.

Outstanding Balances of Loans, Receivables and Accrued Interest, Classified by Type of Business

(Unit : Million Baht)

	31 December 2005	Percent	31 December 2004	Percent
1. Manufacturing and Commerce	7,082	4.4	7,138	5.5
2. Real Estate and Construction	5,113	3.1	5,008	3.9
3. Public Utilities and Services	10,281	6.3	10,701	8.2
4. Retail Loans				
4.1 Hire Purchases	121,251	74.4	88,874	68.4
4.2 Housing Loans	11,120	6.8	11,824	9.1
5. Others	8,616	5.3	7,103	5.5
	163,463	100.3	130,648	100.6
Less Intra-Gains from Transfers of Loans	(502)	(0.3)	(704)	(0.6)
Total	162,961	100.0	129,944	100.0

As of the end of 2005, the hire purchase portfolios amounted to 121,251 million baht, accounting for 74.4 percent of total loans. Compared with the hire purchase portfolios of 88,874 million baht in the previous year, the hire purchase portfolios increased 36.4 percent.

In terms of the number of cars bought on hire purchase, the hire purchase portfolios as of the end of 2005 amounted to 426,065 units, representing an increase of 128,877 units from the previous year. As a result, the Company's earnings in the form of interest income from hire purchases in 2005 increased considerably.

The loans, receivables and accrued interest of the Company and its subsidiaries, classified by the remaining

period of the contract, mainly consisted of loans and receivables with the term of over one year accounting for 145,659 million baht, the loans and receivables with the term of less than one year accounted for 10,618 million baht, while the loans and receivables which were considered as call loans accounted for 7,186 million baht.

As of 31 December 2005, the Company and its subsidiaries which were financial institutions under the supervision of the Bank of Thailand included a finance company, a bank and an asset management company, whose loans and receivables were classified under the Bank of Thailand's guidelines as follows:

(Unit : Million Baht)

	Debt Balance/ Book Value		Debt Balance after Collateral		Minimum Percentage Required by BOT ⁽¹⁾	Allowance for Doubtful Accounts			
						Minimum Amount to be Provided under		Amount Provided in the Account	
						under			
						BOT's Guidelines			
	2005	2004	2005	2004		2005	2004	2005	2004
<u>Loans, receivables and accrued interest receiabies (including loans to financial institutions) ⁽²⁾</u>									
Normal	137,636	109,208	116,844	87,801	1	1,168	878	2,579	2,521
Special mention	10,290	7,022	9,645	6,402	2	193	128	193	128
Substandard	1,553	1,141	576	585	20	115	117	115	117
Doubtful	1,119	1,178	419	608	50	210	304	210	304
Bad debts	2,442	1,757	1,045	516	100	1,045	516	1,045	516
Total	153,040	120,306	128,529	95,912		2,731	1,943	4,142	3,586
Additional allowances for possible uncollected debts	-	-						693	1,106
	153,040	120,306						4,835	4,692

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

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

(Unit : Million Baht)

	Debt Balance/ Book Value		Debt Balance after Collateral		Minimum Percentage Required by BOT ⁽¹⁾	Allowance for Doubtful Accounts			
	2005	2004	2005	2004		Minimum Amount to be Provided under BOT's Guidelines		Amount Provided in the Account	
	2005	2004	2005	2004		2005	2004	2005	2004
<u>Loans, receivables and accrued</u>									
<u>interest of NFS Asset Management</u>									
<u>Co., Ltd., which were transferred</u>									
<u>from Thanachart Group</u>									
Normal	882	967	574	615	1	8	6	278	311
Special mention	57	-	2	-	2	-	-	-	-
Substandard	1,479	1,855	38	300	20	8	60	451	649
Doubtful	67	141	2	22	50	1	11	1	22
Bad debts	2,720	3,947	711	1,136	100	711	1,136	764	1,212
Total	5,205	6,910	1,327	2,073		728	1,213	1,494	2,194
Additional allowances for possible uncollected debts	-	-						33	33
	5,205	6,910						1,527	2,227
Total	158,245	127,216							
Allowances for share of loss from debt restructuring	(189)	(254)							
Minus: intra-gains	(502)	(704)							
Total	157,554	126,258							
<u>Investments in receivables</u>									
<u>transferred to loans and receivables</u>									
Normal	74	100	38	40	1	-	-	5	7
Special mention	156	-	1	-	2	-	-	4	-
Substandard	61	89	15	16	20	3	3	20	21
Doubtful	9	19	3	5	50	2	3	3	10
Bad debts	344	568	111	122	100	111	122	159	157
Total	644	776	168	183		116	128	191	195
Total loans, receivables and accrued interest	158,198	127,034						6,553	7,114

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

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

The allowance for doubtful accounts of the Company and its subsidiaries as of the end of 2005 amounted to 6,957 million baht, consisting of allowances worth 4,821 million baht for specific loans and allowances worth 2,136 million baht for future risk. The details of the allowances for doubtful accounts of the Company and its subsidiaries, classified by types of loans, were as follows:

(Unit : Million Baht)

	31 December 2005	% to NPL	31 December 2004	% to NPL
Hire Purchase	2,150	150.9	1,473	139.8
Others	2,671	30.7	3,372	33.4
Allowances for future risk	2,136	-	2,799	-
Total	6,957	68.7	7,644	68.5

The allowance for doubtful accounts of the member companies of Thanachart Group amounted to 6,957 million baht in total, accounting for 68.7 percent. Classified by company, the details of the allowance for doubtful accounts were as follows:

(Unit : Million Baht)

	31 December 2005	% to NPL	31 December 2004	% to NPL
Thanachart Capital Plc.	3,245	216.6	3,589	254.7
Thanachart Bank Plc.	1,591*	44.4	1,104	42.1
Thanachart Securities Plc.	320	100.3	434	99.8
NFS Asset Management Co., Ltd.	1,533	36.1	2,233	37.6
MAX Asset Management Co., Ltd.	184	46.2	188	28.6
Others	84	95.5	96	109.1
Total	6,957	68.7	7,644	68.5

Remarks: *Allowance for doubtful accounts of Thanachart Bank amounted to 1,591 million baht, consisting of allowance worth 1,566 million baht for specific loans and allowance worth 25 million baht for other loans in general.

In this regard, the allowance for doubtful accounts of the Company and its subsidiaries was adequate because of their policy aimed at setting aside allowances for doubtful accounts at a rate higher than the minimum requirement established by the supervising authority.

Non-Performing Loans (NPL)

The non-performing loans of the Company and its subsidiaries which were financial institutions (the Bank and the

asset management companies) amounted to 10,129 million baht as of the end of 2005, a decrease of 1,027 million baht from the previous year. The ratio of non-performing loans to total loans and receivables of the Company and its subsidiaries amounted to 6.2 percent, a decrease from 8.6 percent in 2004. The details of the non-performing loans of the Company and its subsidiaries, classified by type of loan, were as follows:

(Unit : Million Baht)

	% of the Group's		% of the Group's	
	31 December 2005	Total Loans	31 December 2004	Total Loans
Hire Purchase	1,425	0.9	1,054	0.8
Others*	8,704	5.3	10,102	7.8
Total	10,129	6.2	11,156	8.6

Remarks: *Most non-performing loans were those of asset management companies.

The details of non-performing loans (whose income recognition was stopped) of the member companies of Thanachart Group, classified by company with comparison to the total loans of Thanachart Group, were as follows:

(Unit : Million Baht)

	% of the Group's		% of the Group's	
	31 December 2005	Total Loans	31 December 2004	Total Loans
Thanachart Capital Plc.	1,498	0.9	1,409	1.1
Thanachart Bank Plc.	3,582	2.2	2,622	2.0
Thanachart Securities Plc.	319	0.2	435	0.3
NFS Asset Management Co., Ltd.	4,244	2.6	5,944	4.6
MAX Asset Management Co., Ltd.	398	0.2	658	0.5
Others	88	0.1	88	0.1
Total	10,129	6.2	11,156	8.6

The losses of the Company and its subsidiaries from debt restructuring in 2005 amounted to 430 million baht, an increase from a loss of 78 million baht in 2004. The losses included 422 million baht from the restructuring of loans and receivables and an allowance worth 8 million baht for additional losses from debt restructuring.

As of the end of 2005, the reversal of bad debts and doubtful accounts of the Company and its subsidiaries amounted to 723 million baht, consisting of the reversal of bad debt and doubtful accounts from loans and receivables for the amount of 650 million baht and the amortization of revaluation allowance for debt restructuring during the year for the amount of 73 million baht.

Transfers of NPL to TAMC

In the period from 2001 to 2003, the Company and its subsidiaries entered into agreements with Thai Asset Management Corporation (TAMC) to sell their loans and receivables worth 3,417 million baht, for which they received payments in the form of promissory notes. The promissory notes were recorded as long-term investments in held-to-maturity debt securities. As of 31 December 2005, the promissory notes

issued by Thai Asset Management Corporation (TAMC) as a result of transferring non-performing loans to TAMC amounted to 2,411 million baht. These were non-negotiable promissory notes with a term of 10 years (2004: 3,001 million baht in the consolidated financial statements in the form of promissory notes issued in exchange for transfers of non-performing loans). However, the amount paid in the form of promissory notes may still be increased or decreased after TAMC reviews the prices, appraises the collateral values or adjusts the price.

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

determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the receivables.

As at 31 December 2005, the Company and its subsidiary companies are still unable to estimate the exact amount of such losses. However, the Company and its subsidiary companies have estimated their share of losses which may arise from the management of non-performing assets at approximately 344 million baht. Such losses have been shown as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified by the type of promissory note (2004: 318 million baht). During the year 2005, the Company and its subsidiary companies recognized interest income worth 26 million baht on TAMC's promissory notes and already received repayment under promissory notes and interest for the amount of 620 million baht.

2.2 Investments in Securities

As of the end of 2005, the net investments amounted to 33,203 million baht, representing a decrease of 7,071 million baht or 17.6 percent from the previous year. This was partly due to the decrease of the investments in debt instruments from 27,643 million baht as of the end of 2004 to 22,883 million baht as of the end of 2005, representing a decrease of 17.2 percent. This was in line with the Company's policy aimed at selling investments in government bonds and debentures issued by the private sector, in order to mitigate the risk from interest rate fluctuations of the debt instruments. In 2005, the gains of the Company and its subsidiaries on investments amounted to 240 million baht, representing a decrease of 350 million baht or 59.3 percent from the previous year. The details of the investments were as follows:

(Unit : Million Baht)

	31 December 2005	Percent	31 December 2004	Percent
1. Debt Instruments*	22,883	68.9	27,643	68.6
2. Equity Instruments	8,551	25.8	10,535	26.2
3. Investments in Receivables	1,769	5.3	2,096	5.2
Total Investments	33,203	100.0	40,274	100.0

Remarks: *Consisting of treasury bills and bonds of the Bank of Thailand accounting for 19.0 percent of the total investments in debt instruments, government bonds (with maturity of less than five years) accounting for 25.5 percent, government bonds (with maturity of more than five years) accounting for 48.0 percent, and debentures of the private sector accounting for 7.5 percent.

The investments of the Company and its subsidiaries concentrated on debt instruments with combined value amounting to 22,883 million baht, accounting for 68.9 percent of the total investments, while their investments in equity instruments

amounted to 8,551 million baht, accounting for 25.8 percent.

The Company and its subsidiaries set aside adequate allowances for change in value as well as impairment for each type of investment with details as follows:

(Unit : Million Baht)

	2005		2004	
	Cost/ Amortized Costs	Fair Value	Cost/ Amortized Costs	Fair Value
Current Investment:				
Trading securities				
Government and state enterprise securities	264	264	201	201
Domestic marketable equity securities	52	53	8	8
Total	316	317	209	209
Add: Allowance for change in value	1		-	
	317		209	

(Unit : Million Baht)

	2005		2004	
	Cost/ Amortized Costs	Fair Value	Cost/ Amortized Costs	Fair Value
Available-for-sale securities				
Government and state enterprise securities	337	337	2,031	2,028
Private debt securities	203	204	15	15
Domestic marketable equity securities	10	12	58	81
Total	550	553	2,104	2,124
Add: Allowance for change in value	3		20	
	553		2,124	
Held-to-maturity debt securities-due within 1 year				
Government and state enterprise securities	4,948		4,853	
Private debt securities	20		-	
Total	4,968		4,853	
Total current investments-net	5,838		7,186	
Long-term Investments:				
Available-for-sale securities				
Government and state enterprise securities	330	319	974	970
Private debt securities	522	509	695	690
Domestic marketable equity securities	5,394	5,326	6,748	7,040
Total	6,246	6,154	8,417	8,700
Add (Less): Allowance for change in value	(92)		283	
	6,154		8,700	
Held-to-maturity debt securities				
Government and state enterprise securities	15,647		18,765	
Private debt securities	400		55	
Foreign debt securities	579		388	
Total	16,626		19,208	
Less: Allowance for impairment	(344)		(322)	
	16,282		18,886	
Other Investments				
Investments in receivables purchased	2,008		2,286	
Investments in property funds	1,259		1,371	
Domestic non-marketable equity securities	366		393	
Total	3,633		4,050	
Less: Allowance for impairment	(355)		(307)	
	3,278		3,743	
Total long-term investments - net	25,714		31,329	

2.3 Property Foreclosed

As of the end of 2005, the Company's net foreclosed property amounted to 8,145 million baht, representing an increase of 856 million baht from 2004. This was mainly due to successful debt restructuring (settlement through transfers of property) and bidding at foreclosure auctions. During 2005, the gains on property foreclosed of the Company and its subsidiaries amounted to 248 million baht while the allowance for impairment in relation to the property foreclosed amounted to 725 million baht, representing an increase of 66 million baht from 2004.

(3) Liquidity

In 2005, the net cash flows used in operating activities of the Company and its subsidiaries amounted to 3,838 million baht, the net cash flows from investing activities amounted to 8,335 million baht while the net cash flows used in financing activities amounted to 980 million baht. As a result, the cash and cash equivalents as of the end of 2005 amounted to 5,534 million baht, representing an increase of 3,518 million baht from the end of 2004.

The cash flows used in operating activities mainly consisted of an increase of 28,493 million baht in loans and receivables, an increase of 9,100 million baht in securities purchased under resale agreements, an increase of 26,943 million baht in borrowings and deposits from the public, an increase of 7,577 million baht in borrowings and deposits from banks and financial institutions, and an increase of 960 million baht in liability payable on demand. The loss from operating activities before changes in operating assets and liabilities amounted to 2,961 million baht, mainly due to amortization of deferred hire purchase and deferred income for the amount of 7,450 million baht.

The cash flows from investing activities consisted of a decrease of 9,163 million baht in long-term investments, 127 million baht in cash received from dividend payments of subsidiary and associated companies and 63 million baht in cash received from disposal of equipment.

The cash flows used in financing activities consisted of payments of 932 million baht as dividends to ordinary shareholders, 34 million baht in cash for debenture redemption and 17 million baht as dividends to minority shareholders.

(4) Capital Expenditure

In 2005, the Company and its subsidiaries invested 886 million baht in land, premise and equipment, representing an increase of 111.5 percent from the previous year. The expenditure consisted of 494 million baht in installation of decorations and equipment, 153 million baht in decorations-in-process, 52 million baht in vehicles, 41 million baht in premises and premise improvements and 146 million baht in land.

(5) Sources of Funds

Capital Structure

The sources of the funds of the Company and its subsidiaries consisted of two sources including liabilities and shareholders' equity. As of the end of 2005, the funds of the Company and its subsidiaries from the liabilities amounted to 204,687 million baht, accounting for 89.7 percent of the total liabilities and shareholders' equity, while the funds from shareholders' equity amounted to 23,386 million baht, accounting for 10.3 percent of the total liabilities and shareholders' equity. As a result, the ratio of liabilities to shareholders' equity was 8.8 times. In other words, the liabilities were 8.8 times the shareholders' equity, an increase from 7.6 times in 2004.

Liabilities

The liabilities of the Company and its subsidiaries as of the end of 2005 mainly consisted of borrowings and deposits from the public worth 160,137 million baht, accounting for 83.1 percent of the total borrowings, deposits and debentures; borrowings and deposits from financial institutions worth 24,978 million baht, accounting for 13.0 percent of the total borrowings, deposits and debentures; and other debt instruments worth 7,522 million baht, accounting for 3.9 percent of the total borrowings, deposits and debentures.

(Unit : Million Baht)

	31 December 2005	Percent	Increase (Decrease) in Percent	31 December 2004	Percent
From public	160,137	83.1	20.2	133,195	84.2
From financial institutions	24,978	13.0	43.8	17,372	10.9
From foreign countries	-	-	(100.0)	87	0.1
Debentures and other debt instruments	7,522	3.9	(0.4)	7,556	4.8
Total	192,637	100.0	21.8	158,210	100.0

Shareholders' Equity

As of the end of 2005, the shareholders' equity of the Company and its subsidiaries amounted to 23,386 million baht, representing an increase of 8.8 percent from 21,494 million baht as of the end of 2004. This was attributable to the net earnings from their operations, which resulted in unappropriated earnings of 3,104 million baht for 2005. The minority interest amounted to 33 million baht, the decrease in surplus from revaluation of assets amounted to 19 million baht and refunds of dividends paid to shareholders having no right to dividends amounted to 1 million baht. Their retained earnings in the form of appropriated-statutory reserves amounted to 155 million baht with dividends worth 933 million baht paid to the shareholders. The revaluation deficit on investments increased by 259 million baht and the minority interest-equity attributable to minority shareholders of subsidiaries-decreased by 35 million baht. As of the end of 2005, the BIS ratio (Capital-to-Risk-Asset Ratio) amounted to 13.9 percent, which was higher than the minimum 8.0 percent required by the Bank of Thailand, with the Ratio of the Tier I Capital to Risk Assets amounting to 12.3 percent, which was higher than the minimum 4.0 percent required by the Bank of Thailand.

Obligations

As of 31 December 2005, the off-balance-sheet obligations of the Company and its subsidiaries amounted to 53,415 million baht, representing an increase of 230.0 percent from the same period in the previous year. These included obligations worth 48,373 million baht under interest rate swap agreements. Other obligations amounted to 3,195 million baht, consisting of 249 million baht as aval to promissory notes and loan guarantees, 963 million baht in other guarantees and 635 million baht as letters of credit.

Operation Results

The consolidated earnings of the Company and its subsidiaries for the year 2005 amounted to 3,104 million baht, representing an increase of 121 million baht or 4.1 percent from the previous year. The earnings consisted of the following key components:

Interest and Dividend Income

In 2005, the total interest and dividend income of the Company and its subsidiaries amounted to 10,935 million baht, representing an increase of 1,824 million baht or 20.0 percent from the previous year. The earnings consisted of the following three sub-components:

1) The interest from loans and deposits of the Company and its subsidiaries increased by 16.7 percent from 2,484 million baht in 2004 to 2,898 million baht in 2005. This was mainly due to the increase in interest income from transactions between banks and the money market as well as from loan repayments by customers.

2) The interest income from hire purchases in 2005 grew by 33.4 percent or 1,761 million baht from the previous year to 7,028 million baht. This was mainly due to the Company's successful expansion of hire purchases for both new and used automobiles.

3) The interest and dividend income from investments in 2005 amounted to 1,009 million baht, representing a decrease of 25.8 percent from the previous year. This was in line with the Company's policy of selling off investments, which was aimed at mitigating the risk arising from interest rate volatility.

Interest Expenses

As of the end of 2005, the borrowings and deposits of the Company and its subsidiaries increased by 34,427 million baht or 21.8 percent from 158,210 million baht in 2004 to 192,637 million baht. On the other hand, the interest expenses related to borrowings and deposits increased by 1,101 million baht or 33.1 percent from 3,326 million baht in 2004 to 4,427 million baht in 2005. This was mainly due to the increase in the borrowings and deposits as well as the rising interest rates in line with the prevailing market situation.

Bad Debts and Doubtful Accounts

In 2005, the reversal of bad debts and doubtful accounts as well as the revaluation allowance amortization of the Company and its subsidiaries amounted to 723 million baht. In comparison, the net bad debts and doubtful accounts in 2004 amounted to 1,415 million baht. This was mainly due to successful debt restructuring and partial settlement of the debts of the Company and its subsidiaries as well as the transfer of hire purchase business to Thanachart Bank, after which the Bank would start providing hire purchase loans to new accounts.

Non-Interest Income

In 2005, the non-interest income of the Company and its subsidiaries amounted to 5,151 million baht, representing an increase of 202 million baht or 4.1 percent from the previous year. This was attributable to a number of factors as follows:

1) Insurance premium and life insurance premium income amounted to 1,770 million baht, representing an increase of 1,086 million baht or 158.8 percent from the previous year.

2) The discounted income on insurance premiums amounted to 512 million baht, represented an increase of 132 million baht or 34.2 percent from the previous year.

3) Gains on property foreclosed amounted to 248 million baht, representing an increase of 79 million baht or 46.8 percent from the previous year.

4) Share of profits from investments in subsidiary and associated companies amounted to 192 million baht, representing an increase of 35 million baht or 22.3 percent from the previous year.

5) Gains on debt settlement/property transferred of debts amounted to 469 million baht, representing a decrease of 719 million baht or 60.5 percent from the previous year.

6) Gains on investments amounted to 240 million baht, representing a decrease of 350 million baht or 59.3 percent from the previous year.

7) brokerage fees amounted to 524 million baht, representing a decrease of 168 million baht or 24.3 percent from the previous year.

Non-Interest Expenses

In 2005, non-interest expenses amounted to 7,844 million baht, representing an increase of 2,813 million baht or 55.9 percent from the previous year. The expenses mainly consisted of the premise and equipment expenses and personnel expenses which increased by 50.5 percent and 30.3 percent, respectively. This was due to the expansion of the Bank's branch network. As of the end of 2005, the Bank had 66 branches in total, compared to only 13 branches as of the end of the previous year. This led to increases in premise and equipment expenses and personnel expenses. The commission and expenses charged on other hire purchase increased by 45.6 percent, which varied according to the remarkable growth of the automobile hire purchase business of the Company and its subsidiary whose details were given earlier. The insurance and life insurance expenses increased by 897 million baht or 185.3 percent from the previous year. As of the end of 2005, the number of employees of the Company and its subsidiaries increased by 1,720 or 45.2 percent from 3,809 in 2004 to 5,529. This was mainly due to the substantial expansion of the Company and its subsidiaries to cope with the expected growth in business activities.

Net Earnings of the Company's Subsidiaries

(Unit : Million Baht)

	2005	2004	Increase (Decrease) in Percent
Thanachart Bank Plc.	362	551	(34.3)
Thanachart Securities Plc.	121	292	(58.6)
Thanachart Fund Management Co., Ltd.	36	65	(44.6)
Thanachart Insurance Co., Ltd.	58	55	5.5
Thanachart Life Assurance Co., Ltd.	101	(57)	277.2
NFS Asset Management Co., Ltd.	576	285	102.1
MAX Asset Management Co., Ltd.	73	498	(85.3)

Thanachart Capital Public Company Limited

The details of the financial position and performance of Thanachart Capital Public Company Limited in accordance with the financial statements of the Company only were as follows:

Analysis of Financial Position

(1) Assets

As of the end of 2005, the Company's total assets amounted to 116,936 million baht, representing a decrease of 18,793 million baht or 13.8 percent from the end of 2004. This was mainly due to the transfers of hire purchase business and deposits by the public and corporate clients in the form of promissory notes as well as claims to loan agreements, to Thanachart Bank Public Company Limited, with the related details given earlier.

The main components of the assets consisted of 1) net loans, receivables and accrued interest worth 79,907 million baht, accounting for 68.3 percent of the total assets, a decrease of 22.6 percent from 103,178 million baht in the previous year as a result of the 9.9 percent decrease in hire purchase portfolios from the previous year; 2) net investments worth 24,734 million baht, accounting for 21.2 percent of total assets, an increase of 3.2 percent from 23,959 million baht in the previous year.

In 2005, the Company sold its investments in government bonds and debt instruments of the private sector. As it planned to return its finance business license to the authority, there was no need for the Company to hold government bonds to maintain liquidity and to mitigate the risk arising from the fluctuations of the interest rates offered by the debt instruments. As well, the Company exercised its rights in subscribed new shares issued by its subsidiary Thanachart Bank Public Company Limited for the amount of 6,478 million baht in total. As a result, the investments in the subsidiary and associated companies increased by 55.6 percent from 13,999 million baht as of the end of 2004 to 21,780 million baht.

(2) Quality of Assets

2.1 Loans, Receivables and Accrued Interest

As of the end of 2005, the Company's loans, receivables and accrued interest amounted to 83,152 million baht, representing a decrease of 23,615 million baht or 22.1 percent from the previous year. This was mainly due to the transfers of the hire purchase business to Thanachart Bank since May 2005 as indicated earlier. The Company's hire purchase portfolios amounted to 79,937 million baht, accounting for 96.13 percent of the total loans, representing a decrease of 9.9 percent from 88,699 baht as of the end of 2004. New hire purchase loans in 2005 amounted to 26,667 million baht, representing a decrease of 50.4 percent from 53,754 million baht in the previous year. The total number of cars bought on hire purchase amounted to 318,456 units as of the end of 2005, representing an increase of 21,920 units from the previous year.

Most of the loans, receivables and accrued interest which amounted to 79,203 million baht and accounted for 95.3 percent of the total loans, receivables and accrued interest had a maturity of more than one year. While the loans, receivables and accrued interest with a maturity of less than one year amounted to 3,602 million baht and accounted for 4.3 percent of the total loans, receivables and accrued interest, those at call amounted to 347 million baht and accounted for 0.4 percent.

As of 31 December 2005, the details of the Company's classified loans and allowances against the loans and receivables under the Bank of Thailand's guidelines were as follows:

(Unit : Million Baht)

	Debt Balance/ Book Value		Debt Balance after Collateral		Minimum Percentage Required by BOT ⁽¹⁾	Allowance for Doubtful Accounts			
						Minimum Amount to be Provided under BOT's Guidelines		Amount Provided in the Account	
	2005	2004	2005	2004		2005	2004	2005	2004
<u>Loans, receivable and accrued interest receivable</u> (including loans to financial institutions) ⁽²⁾									
Normal	72,664	98,614	72,113	97,716	1 ⁽³⁾	705	822	2,115	2,465
Special mention	8,949	6,678	8,641	6,376	2	173	127	173	127
Substandard	467	801	454	536	20	91	107	91	107
Doubtful	375	279	359	278	50	179	139	179	139
Doubtful of loss	645	330	620	314	100	620	314	620	314
Total	83,100	106,702	82,187	105,220		1,768	1,509	3,178	3,152
Additional allowance for possible uncollectible debts	-	-						66	436
	83,100	106,702						3,244	3,588
<u>Investments in receivables transferred to loans and receivable</u>									
Normal	24	34	24	25	1	-	-	1	1
Substandard	2	-	-	-	20	-	-	-	-
Doubtful of loss	9	-	-	-	100	-	-	-	-
Total	35	34	24	25		-	-	1	1
Total loans, receivable, and accrued interest receivable	83,135	106,736						3,245	3,589

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

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

⁽³⁾ Excluding loans to subsidiary companies, which were accounted for under the equity method.

As of the end of 2005, the Company's total allowance for doubtful accounts amounted to 3,245 million baht, consisting of allowance worth 1,768 million baht for specific loans in compliance with the Bank of Thailand's requirement imposed on classified loans and allowance worth 1,477 million baht for future risk. As a result, the Company's allowance for doubtful accounts was well above the minimum

level required by the Bank of Thailand. This was in line with the Company's conservative provisioning policy and helped protect against all areas of risk that might have significant impacts on the Company's performance. It would also help establish the stability of the Company's performance in the long run. The details of the Company's allowance for doubtful accounts classified by type of loans were as follows:

	31 December 2005		31 December 2004	
	Million Baht	% of NPL	Million Baht	% of NPL
Hire Purchase Loans	1,699	126.3	1,465	139.8
Others	69	45.1	43	11.9
Allowance for future risk	1,477	-	2,081	-
Total	3,245	216.6	3,589	254.7

Non-Performing Loans

As of the end of 2005, the Company's non-performing loans amounted to 1,498 million baht, accounting for 1.8 percent of the total loans and receivables. The non-performing loans did not include those which already entered debt restructuring agreements or those reclassified as normal or special mention accounts. Most of the non-performing loans were hire purchase loans which accounted for 1,345 million baht or about 1.62 percent of the total loans and receivables.

The non-performing loans as of the end of 2005 were 89 million baht or 6.3 percent higher than 2004.

As of 31 December 2005, the Company had 318,153 debtors in total. Of the debtors, 12 had their debts restructured, with remaining debts worth 325 million baht. However, taking into account their collateral, the debts net of collateral value amounted to 32 million baht. During 2005, the Company entered into a debt restructuring agreement with four debtors whose book value before debt restructuring amounted to 273 million baht.

As of the end of 2005, the reversal of the Company's bad debts and doubtful accounts was 346 million baht, of which the whole amount was bad debts and doubtful accounts from loans.

Transfers of NPLs to TAMC

During the period from 2001 to 2003, the Company entered into agreements with Thai Asset Management Corporation (TAMC) for the sale of the Company's loans and receivables, for which the Company already received payments worth 587 million baht in a form of promissory notes issued by TAMC. The notes were recorded as long-term investments in held-to-maturity debt securities. As of 31 December 2005, the non-transferable, 10-year promissory notes issued by Thai Asset Management Corporation (TAMC) for transfers of non-performing loans amounted to 531 million baht (compared with

promissory notes worth 567 million baht for transfers of non-performing loans in 2004). However, the amounts paid in the form of promissory notes may still be increased or reduced after TAMC reviews the prices, appraises the collateral values, or adjusts the prices.

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

As of 31 December 2005, the Company was still unable to estimate the exact amount of such losses. However, the Company estimated its share of losses which might arise from management of non-performing assets at approximately 119 million baht as the debtors already negotiated the restructuring of their debts with TAMC. Such losses were shown as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified by the type of promissory notes (compared with 93 million baht in the Company's financial statements as of the end of 2004). During 2005, the Company recognized interest income worth 5 million baht on promissory notes and receivables from the transfers of non-performing loans to TAMC. It also received 42 million baht as repayment of the principal amount and interest for the loans in the form of promissory notes.

2.2 Investments in Securities

The net investments in securities as of the end of 2005 amounted to 24,734 million baht, which was 775 million baht or 3.2 percent higher than at the end of 2004. Most of the increase was in the form of investments in subsidiary and associated companies. The investments increased by 55.6 percent from 13,999 million baht as of the end of 2004 to 21,780 million baht. It subscribed and paid for new shares issued by its subsidiary Thanachart Bank Public Company

Limited and reduced its investments in debt instruments by 89.5 percent from 8,432 million baht as of the end of 2004 to 885 million baht as of the end of 2005. As the Company planned to return its finance business license to the authority, there was no need for the Company to hold government bonds and debentures to maintain liquidity and to mitigate the risk arising from the fluctuations of the interest rates offered by the debt instruments.

(Unit : Million Baht)

	31 December 2005	Percent	31 December 2004	Percent
Debt Instruments	885	3.6	8,432	35.2
Equity Instruments	23,323	94.3	15,093	63.0
Investments in Receivables	526	2.1	434	1.8
Total Investments	24,734	100.0	23,959	100.0

Most of the Company's investments in equity securities was in the form of investments in subsidiary and associated companies, which accounted for 21,780 million baht or 88.1 percent of the net investments. The investments were in line with the investment policy aimed at supporting the Company's main business operations. Most of the subsidiary and associated companies were engaged in financial services which gave rise to the availability of a full range of integrated financial services. These companies included Thanachart Bank Public Company

Limited, Thanachart Securities Public Company Limited, Thanachart Fund Management Company Limited, Thanachart Life Assurance Company Limited, Thanachart Insurance Company Limited, NFS Asset Management Company Limited, MAX Asset Management Company Limited and Thanachart Group Leasing Company Limited. Of the Company's total investments in subsidiaries and associated companies, the investments in Thanachart Bank Public Company Limited accounted for 15,180 million baht or 69.70 percent, the highest amount of the investments.

Shareholdings and Value of Investments in Subsidiary and Associated Companies

(Unit : Million Baht)

Company	2005			2004		
	Equity Stake (Percent)	Investment Value	Percent	Equity Stake (Percent)	Investment Value	Percent
Thanachart Securities Plc.	100.0	2,271	10.4	100.0	2,233	15.9
Thanachart Bank Plc.	99.8	15,180	69.7	98.9	8,355	59.7
Thanachart Fund Management Co., Ltd.	75.0	130	0.6	75.0	149	1.1
Thanachart Insurance Co., Ltd.	70.0	275	1.3	70.0	268	1.9
Thanachart Life Assurance Co., Ltd.	100.0	628	2.9	50.0	232	1.6
NFS Asset Management Co., Ltd.	100.0	429	2.0	100.0	-	-
MAX Asset Management Co., Ltd.	58.5	768	3.5	58.5	736	5.3
Others	-	2,099	9.6	-	2,026	14.5
Total		21,780	100.0		13,999	100.0

The Company set aside adequate allowance for change in value and allowance for impairment with details for each type of investment as follows:

(Unit : Million Baht)

	2005		2004	
	Cost/ Amortised Cost	Fair Value	Cost/ Amortised Cost	Fair Value
Current Investment:				
Trading securities				
Government and state enterprise securities	-	-	-	-
Domestic marketable equity securities	-	-	-	-
Total	-	-	-	-
Add: Allowance for change in value	-	-	-	-
	-	-	-	-
Available-for-sale				
Government and state enterprise securities	-	-	3	3
Private debt securities	-	-	-	-
Domestic marketable equity securities	7	9	58	81
Total	7	9	61	84
Add: Allowance for change in value	2		23	
	9		84	
Held-to-maturity debt securities-				
due within 1 year				
Government and state enterprise securities	-		30	
Private debt securities	-		-	
Total	-		30	
Total current investments - net	9		114	
Long-term investments :				
Available-for-sale securities				
Government and state enterprise securities	-	-	933	927
Private debt securities	-	-	-	-
Domestic marketable equity securities	1,357	1,390	766	870
Total	1,357	1,390	1,699	1,797
Add (Less): Allowance for change in value	33		98	
	1,390		1,797	
Held-to-maturity debt securities				
Government and state enterprise securities	1,004		7,563	
Private debt securities	-		1	
Foreign debt securities	-		-	
Total	1,004		7,564	
Less: Allowance for impairment	(119)		(93)	
	885		7,471	

(Unit : Million Baht)

	2005		2004	
	Cost/		Cost/	
	Amortised Cost	Fair Value	Amortised Cost	Fair Value
Other investments				
Investments in receivables purchased	546		452	
Investments in property fund	-		-	
Non-marketable domestic equity securities	235		235	
Total	781		687	
Less: Allowance for impairment	(111)		(109)	
	670		578	
Total long-term investments - net	2,945		9,846	

2.3 Property Foreclosed

The Company's net property foreclosed amounted to 3,260 million baht as of the end of 2005, representing an increase of 99 million baht or 3.1 percent from the end of 2004. During 2005, the property foreclosed increased by 1,482 million baht while the property foreclosed worth 1,371 million baht was sold. The net gains on property foreclosed amounted to 114 million baht, consisting of the realized gains worth 127 million baht from selling the property foreclosed and an allowance worth 13 million baht to cover any impairment in the property foreclosed.

In managing the property foreclosed, the Company employed companies with experience in maintaining, developing and selling real estate to assist it in managing assets in line with the policies established by the Company. The related details on the policies and how the property was managed are given on page 38 and pages 56-59 under Nature of Business Operations of each business group.

(3) Liquidity

In 2005, the net cash flows from operating activities of the Company amounted to 1,135 million baht, the net cash flows used in investing activities amounted to 209 million baht while the net cash flows used in financing activities amounted to 932 million baht. As a result, the cash and cash equivalents as of the end of 2005 amounted to 812 million baht, representing a decrease of 6 million baht from the end of 2004.

The net cash flows worth 1,135 million baht from operating activities mainly consisted of loss worth 4,874 million baht from operating activities before changes in operating assets and liabilities, as a result of amortisation worth 6,310 million baht of deferred hire-purchase and deferred income, a share of gains worth 1,504 million baht on investment under equity method, an increase of 4,000 million baht in securities purchased under resale agreements and a decrease of 28,668 million baht in loans and receivables.

The cash flows worth 209 million baht used in investing activities consisted of a decrease of 6,495 million baht in investment securities, dividends worth 286 million baht received from subsidiary and associated companies, with cash worth 6,728 million baht paid for purchase of investments in subsidiary companies and cash worth 318 million baht paid for purchase of equipment.

All the cash worth 932 million baht used in financing activities was for dividend payments.

(4) Capital Expenditure

In 2005, the Company invested 318 million baht in land, premise and equipment, representing an increase of 19.6 percent from the previous year. The expenditure consisted of 134 million baht in decorations-in-process, 161 million baht in installation of decorations and equipment, 11 million baht in premises and 12 million baht in vehicles.

(5) Sources of Funds

Capital Structure

The sources of the funds of the Company consisted of two sources including liabilities and shareholders' equity. As of the end of 2005, the funds of the Company from the liabilities amounted to 94,297 million baht, accounting for 80.6 percent of the total liabilities and shareholders' equity, while the funds from shareholders' equity amounted to 22,639 million baht, accounting for 19.4 percent of the total liabilities and shareholders' equity. As a result, the ratio of liabilities to shareholders' equity was 4.2 times. In other words, the liabilities were 4.2 times the shareholders' equity, a decrease from 5.5 times in 2004.

Liabilities

The liabilities of the Company as of the end of 2005 mainly consisted of borrowings and deposits from the financial institutions worth 75,700 million baht, accounting for 81.6 percent of the total borrowings, deposits and debentures, borrowings and deposits from the public worth 11,634 million baht, accounting for 12.5 percent of the total borrowings, deposits and debentures, as well as other debentures and debt instruments worth 5,473 million baht, accounting for 5.9 percent of the total borrowings, deposits and debentures.

	31 December 2005		31 December 2004	
	Million Baht	Percent	Million Baht	Percent
From public	11,634	12.5	90,963	80.4
From financial institutions	75,700	81.6	16,615	14.7
From foreign countries	-	-	87	0.1
Debentures and other debt instruments	5,473	5.9	5,473	4.8
Total	92,807	100.0	113,138	100.0

Table showing borrowings and deposits classified by the remaining period of contract:

	2005		2004	
	Million Baht	Percent	Million Baht	Percent
At call	75,500	86.5	17,303	16.1
Not over 1 year*	1,169	1.3	62,658	58.2
Over 1 year	10,665	12.2	27,704	25.7
Total borrowings and deposits	87,334	100.0	107,665	100.0

* Including matured contracts.

Shareholders' Equity

As of the end of 2005, the shareholders' equity of the Company amounted to 22,639 million baht, representing an increase of 9.1 percent from 20,744 million baht as of the end of 2004. This was attributable to the net earnings from their operations in 2005, which resulted in unappropriated earnings of 3,104 million baht. The surplus from revaluation of assets decreased by 19 million baht and refunds of dividends paid to shareholders having no right to dividends amounted to 1 million baht. Their retained earnings in the form of appropriated-statutory reserves amounted to 155 million baht with dividends worth 933 million baht paid to the shareholders. The revaluation deficit on investments increased by 259 million baht. As of the end of 2005, the BIS ratio (Capital-to-Risk- Asset Ratio) amounted to 13.9 percent, which was higher than the minimum 8.0 percent required by the Bank of Thailand, with the Ratio of the Tier I Capital to Risk Assets amounting to 12.3 percent, which was higher than the minimum 4.0 percent required by the Bank of Thailand.

Obligations

As of 31 December 2005, the off-balance-sheet obligations of the Company amounted to 21,734 million baht, representing an increase of 216.2 percent from the same period in the previous year. The obligations under interest rate swap agreements amounted to 21,723 million baht. The avals to bills and guarantees to loans amounted to 10 million baht while other guarantees amounted to 1 million baht.

(6) Relationship between Sources and Uses of Funds

As of 31 December 2005, the Company's sources of funds consisted of 1) borrowings and deposits, most of which were at call, amounting to 75,500 million baht, followed by those with a maturity of over one year amounting to 10,655 million baht and those with a maturity of less than one year

amounting to 1,169 million baht and 2) debentures with a maturity of more than one year amounting to 77,904 million baht.

There is a problem of mismatch between the sources and uses of funds. For example, the borrowings and deposits at call are higher than the loans at call. This results in a liquidity risk which arises from the Company's inability to repay its debts or honor its obligations when they become due, as it is unable to convert its assets into cash or to mobilize adequate funds or to mobilize funds with an acceptable cost. This would have an impact on the Company's earnings and shareholders' equity. In addition, there was an interest rate risk arising from the mismatching between the period used in determining new interest rates (for contracts with floating interest rates) and the duration of contracts (for contracts with fixed interest rates) in relation to assets, liabilities and off-balance-sheet items, as a result of changes in market interest rates. In the event that the market interest rates are on a rising trend, if the Company extends a long-term loan with a fixed-term rate that makes use of a short-term source of funds, the Company might be faced with a decrease in earnings in the future. This is because the deposit rates rise over a short-term period while the interest rates of the loan remains constant throughout the duration of a long-term contract. However, the Company has already put in place measures aimed at managing the risk in a careful and cautious manner. In particular, it entered into contracts aimed at hedging the interest rate risk. Importantly, both the Company's loans and receivables normally renewed their contracts when they were due. As a result, there was a trend that the loans and receivables would stay at the Company longer than the duration stated in the contract. Moreover, the Company had debentures worth 5,473 million baht with a maturity of more than one year. These debentures also served as an additional source of funds with a term of over one year.

(Unit : Million Baht)

Items	On call	Below 1 year	Above 1 year	Not specified	Total
Financial Assets					
Cash and deposits of financial institutions	812	-	-	-	812
Securities purchased under resale agreements	-	7,200	-	-	7,200
Investments	546	-	1,004	23,379	24,929
Loans to financial institutions & loans and receivables (before inter-company gains from transfers of assets)	1,740	3,491	77,904	-	83,135
Total	3,098	10,691	78,908	23,379	116,076
Financial Liabilities					
Borrowings and deposits	75,500	1,169	10,665	-	87,334
Debentures	-	-	5,473	-	5,473
Total	75,500	1,169	16,138	-	92,807

The Company's interest rate spread decrease from 4.3 percent in 2004 to 4.00 percent in 2005.

(7) Capital-to-Risk-Asset Ratio

The Company complied with the Bank of Thailand's regulation which required it to maintain the Capital-to-Risk-Asset Ratio at the minimum level of 8.0 percent and the Tier-1-Capital-to-Risk-Asset Ratio at the minimum level of 4.0 percent. As of the end of 2005, the Company's capital in accordance with the law amounted to 13,703 million baht, which accounted for 13.9 percent of risk assets. Of the capital, the Tier-1 capital amounted to 12,144 million baht and accounted for 12.3 percent of the risk assets, which was higher than the Bank of Thailand's minimum requirement.

Annual General Meeting of the Shareholders, the shareholders adopted a resolution approving a dividend to be paid to ordinary shareholders and preferred shareholders at 0.40 baht per share. And on 27 October 2005, at the meeting of the Board of Directors, the Board adopted a resolution approving an interim dividend for ordinary shareholders and preferred shareholders at 0.30 baht per share. In summary, the Company paid the total dividends of 933 million baht in 2005. The rate of the dividend payments in 2004 amounted to 31.3 percent of net earnings while the rate of return for shareholders decreased from 14.9 percent in 2004 to 14.3 percent in 2005.

Interest and Dividend Income

In 2005, the Company's earnings before corporate income tax amounted to 3,649 million baht, representing an increase of 200 million baht or 5.8 percent from the previous year. The net earnings after corporate income tax amounted to 3,104 million baht, representing an increase of 121 million baht or 4.1 percent. This was mainly due to the increase in net interest income as a result of the significant increase in hire purchase loans. The Company's earnings per share increased from 2.24 baht in 2004 to 2.33 baht in 2005. On 28 April 2005, at the

In 2005, the Company's interest and dividend income amounted to 7,447 million baht, representing an increase of 971 million baht or 15.0 percent from the previous year. Most of the income was from hire purchase loans, which increased by 20.3 percent from 5,245 million baht in 2004 to 6,310 million baht in 2005. The income from loans and deposits increased by 19.1 percent from 756 million baht in 2004 to 901 million baht in 2005, while the income from interest and dividends from investments decreased by 50.3 percent from 476 million baht in 2004 to 236 million baht in 2005. This was

in line with the Company's policy aimed at reducing its investments. As it planned to return its finance business license to the authority, there was no need for the Company to hold government bonds and debentures to maintain liquidity and to mitigate the risk arising from the fluctuations of the interest rates.

Interest Expenses

In 2005, the Company's interest expenses on borrowings and deposits amounted to 3,716 million baht, representing an increase of 1,498 million baht or 67.5 percent from the previous year. This was mainly due to the rising lending rates in line with the prevailing market situation.

Bad Debts and Doubtful Accounts

In 2005, the reversal of bad debts and doubtful accounts of the Company amounted to 346 million baht, while the allowance for bad debts and doubtful accounts amounted to 988 million baht in 2004. This was due to the transfers of hire purchase business to Thanachart Bank Plc. The Bank would give hire purchase loans to new customers.

Non-Interest Income

The Company's non-interest income amounted to 2,389 million baht, representing a decrease of 573 million baht or 19.4 percent from the previous year. This was due to a decrease of 123.6 percent in gains from investments from the gains of 174 million baht in 2004 to the loss of 41 million baht in 2005. The Company's held-to-maturity debt securities were sold. As it planned to return its finance business license to the authority, there was no need for the Company to hold government bonds and debentures to maintain liquidity and to mitigate the risk arising from the fluctuations of the interest rates.

The Company's non-interest income mainly consisted of share of profits in investments in subsidiaries and associated companies, which amounted to 1,504 million baht, representing a decrease of 436 million baht or 22.5 percent from the previous year. The details related to the share of key profits (losses) accounted for by equity method, in subsidiaries and associated companies in 2005, were as follows:

(Unit : Million Baht)

Company	2005			2004		
	Equity Stake (%)	Share of profits (losses)	(%)	Equity Stake (%)	Share of profits (losses)	(%)
Thanachart Securities Plc.	100.0	120.4	8.0	100.0	296.0	15.3
Thanachart Bank Plc.	99.8	513.3	34.1	98.9	807.9	41.6
Thanachart Fund Management Co., Ltd.	75.0	26.0	1.7	75.0	47.2	2.4
Thanachart Insurance Co., Ltd.	70.0	(14.3)	(1.0)	70.0	48.7	2.5
Thanachart Life Assurance Co., Ltd.	100.0	113.4	7.5	50.0	(37.5)	(1.9)
NFS Asset Management Co., Ltd.	100.0	626.6	41.7	100.0	359.5	18.5
MAX Asset Management Co., Ltd.	58.5	35.3	2.4	58.5	286.4	14.8
Others	-	83.6	5.6	-	132.3	6.8
Total		1,504.3	100.0		1,940.5	100.0

Non-Interest Expenses

In 2005, the Company's non-interest expenses amounted to 2,816 million baht, an increase of 31 million baht or 1.1 percent from the previous year. The non-interest expenses

included premise and equipment expenses worth 460 million baht, representing an increase of 38.7 percent from the previous year, contributions worth 360 million baht to the Financial Institutions Development Fund, representing an

increase of 3.2 percent from the previous year, expenses worth 531 million baht charged on hire purchase, representing an increase of 36.5 percent from the previous year in line with the increase in the Company's automobile hire purchase portfolios, the personnel expenses worth 429 million baht, representing a decrease of 18.9 percent from the previous year. The decrease in the personnel expenses was due to the fact that the Company transferred both its hire purchase business and the supporting staff involved in the hire purchase business to Thanachart Bank in the second quarter of 2005.

Thanachart Bank Public Company Limited

Analysis of financial position for the year ended 31 December 2005, compared to the financial position for the year ended 31 December 2004

Financial Position

Assets

As of 31 December 2005, the Bank's total assets amounted to 195,479 million baht, representing an increase of 122,534 million baht or 168 percent from 2004. This could be attributable to the increases in interbank and money market items as well as loans. The major changes in key items of assets were as follows:

- The interbank and money market items which paid interest amounted to 74,745 million, representing an increase of 60,324 million baht or 418 percent from 2003. Most were related to loans extended to Thanachart Capital Public Company Limited, the Bank's major shareholder, which was part of Thanachart Group's business structure reorganization plan. The plan was approved by the Ministry of Finance.

- The securities purchased under resale agreements amounted to 12,500 million baht, representing an increase of 5,100 million baht or 69 percent from the previous year. The net investments amounted to 17,415 million baht, representing a decrease of 1,758 million baht or 9 percent from the previous year. This was due to the decrease in investments as a result of redemption of the private debt securities and disposals of part of unit trusts of mutual funds and shares of listed companies held by the Bank.

- The loans amounted to 83,197 million baht, representing an increase of 52,174 million baht or 168 percent from the previous year. The loans included hire purchase loans after the hire purchase business was transferred to the Bank. (The Bank started giving hire purchase loans in May 2005, with the existing hire purchase accounts remaining at Thanachart Capital Company.) In this regard, as of the end of 2005, the Bank's hire purchase portfolios accounted for 48 percent of its total loans, which was the highest when compared to its other types of loans. Previously at the end of 2004, housing loans commanded the largest share of the Bank's total loan portfolios.

Liabilities and Shareholders' Equity

As of 31 December 2005, the Bank's total liabilities amounted to 180,179 million baht, representing an increase of 116,135 million baht or 181 percent from the previous year. The major items of the liabilities and shareholders' equity consisted of the following:

- The total deposits amounted to 149,015 million baht, representing an increase of 103,996 million baht or 231 percent from the previous year. This was partly due to transfers of deposits worth about 80,000 million baht from Thanachart Capital Plc. Most of the deposits were deposits with a maturity of less than one year. They accounted for 76.9 percent of the Bank's total deposits, representing an increase from 67.9 percent in the previous year.

- The total borrowings amounted to 24,992 million baht, consisting of short-term borrowings worth 286 million baht and long-term borrowings worth 24,706 million baht. The short-term borrowings increased by 24 million baht from the previous year while the long-term borrowings increased by 8,279 million baht or 50.4 percent from the previous year. Most of the borrowings were long term. The purpose was to adjust the Bank's financial structure in line with the increased use of funds and to accommodate the implementation of Thanachart Group's business structure reorganization plan in line with the 'One-Presence' Policy in the Financial Sector Master Plan.

- The shareholders' equity amounted to 15,300 million baht, representing an increase of 6,400 million baht or 72

percent from 2004. This was due to the Bank's increase of its paid-up capital by 6,482 million baht. As a result, its paid-up capital increased from 8,102 million baht to 14,584 million baht.

Asset Quality

Classified Loans and Allowance for Doubtful Accounts

As of 31 December 2005, the Bank's loans and receivables which were classified in line with the Bank of Thailand's guidelines amounted to 158,745 million baht, representing an increase of 113,107 million baht or 248 percent from the previous year. These loans included those extended to Thanachart Capital Plc, which was the Bank's holding company, and other member companies of Thanachart Group. The Bank would gradually receive repayments for the loans as Thanachart Capital Plc got repaid for their existing hire purchase loans which were given before the hire purchase business was transferred to Bank in line with Thanachart Group's business structure reorganization plan.

The Bank set aside 1,835 million baht as allowance for doubtful accounts in line with the outstanding balance of the loan portfolios as of 31 December 2005. Of the allowance, 1,335 million baht was for loans classified as normal accounts. The Bank also set aside 26 million baht as allowance in addition to the minimum requirement. As a result, the Bank's total allowance for doubtful accounts amounted to 1,861 million baht, representing an increase of 592 million baht from the previous year. The ratio of the Bank's total allowance for doubtful accounts to the allowance in line with the Bank of Thailand's requirement was 101.4 percent. On the other hand, the ratio of the total allowance for doubtful accounts to loans and accrued interest receivable was 1.2 percent.

Non-Performing Loans (NPL)

As of 31 December 2005, the Bank's non-performing loans amounted to 3,582 million baht, representing an increase of 960 million baht or 37 percent from 2004. This was partly due to using a qualitative standard which took into consideration the cash flows of the debtors in addition to their

payment records under the Bank of Thailand's guidelines. However, the debtors were still repaying their loans on time.

The ratio of the non-performing loans to the total loans was 2.3 percent, representing a decrease from 5.8 percent as of the end of the previous year. This was due to the significant increase in loan portfolios classified in line with the Bank of Thailand's requirement, in terms of hire purchase loans, loans extended to Thanachart Capital Plc. The allowance for doubtful accounts amounted to 1,861 million baht which accounted for 52.0 percent.

Capital Fund

As of 31 December 2005, the Bank's capital fund amounted to 17,401 million baht, with Tier I capital of 15,491 million baht and Tier II capital of 2,037 million baht. The BIS Ratio (Capital-to-Risk-Asset Ratio) was 17.3 percent, representing a slight decrease from 26.3 percent as of the end of 2004. However, it was still well above the minimum BIS Ratio of 8.5 percent required by the Bank of Thailand.

Operation Results

In 2005, the Bank registered a significant growth in terms of increases in interest income and dividends worth 2,982 million baht and non-interest income worth 616 million baht. On the other hand, its expenses also increased in terms of allowance for doubtful accounts, personnel expenses, commission and expenses charged on hire purchase, and other expenses. As a result, the Bank's net earnings amounted to 362 million baht, representing a decrease of 189 million baht or 34 percent from the previous year. This was mainly due to the increase in hire purchase loan portfolios, which resulted in an increase in allowances for doubtful accounts. The loans classified as normal accounts in line with the Bank of Thailand's requirements increased considerably. The operational expenses in relation to opening of new branches and other expenses also increased. The related details were as follows:

Income

In 2005, the Bank's interest income and dividends amounted to 5,309 million baht, representing an increase of 2,982 million

baht or 128 percent from the previous year. This was mainly due to increases of 2,236 million baht in interest income in relation to interbank and money market items as well as the income of 597 million baht from hire purchase loans and finance leases whose income would be gradually recognized as installments paid in accordance with the related contracts.

The non-interest income in 2005 amounted to 868 million baht, representing an increase of 616 million baht or 244 percent from the previous year. This was mainly due to the increase of 241 million baht in fees and charges as well as discounted income on insurance premium as a result of giving hire purchase loans. In addition, gain on investment amounted to 134 million baht and other income amounted to 109 million baht.

Expenses

The Bank's total interest expenses increased from 1,213 million baht in 2004 to 2,838 million baht in 2005, representing an increase of 134 percent. This was mainly due to the increase in interest expenses for deposits in line with the growth in deposits transferred from Thanachart Capital Plc as well as the increase in interest rates in line with the market situation.

On non-interest expenses, in 2005, the Bank's allowance for doubtful accounts in relation to hire purchase loans and other types of loans was mostly allowance for loans classified as normal accounts in line with the Bank of Thailand's requirements. The allowance for this year alone amounted to 543 million baht. Moreover, the Bank's losses from debt restructuring amounted to 63 million baht while its other non-interest expenses amounted to 2,372 million baht.

Thanachart Securities Public Company Limited

Analysis of financial position for the year ended 31 December 2005, compared to the financial position for the year ended 31 December 2004

Financial Position

Assets

As of the end of 2005, the company's total assets amounted to 3,694 million baht, representing an increase of 25 percent from the previous year. This was mainly due to increases in securities business receivables and securities trading accounts between securities companies. The company also made additional investments in office furniture and equipment.

Liabilities

As of the end of 2005, the company's total liabilities amounted to 1,423 million baht, representing an increase of 100 percent from the previous year. This was mainly due to increases in securities business payables and borrowings from banks as well as borrowings for transactions related to securities sold under repurchase agreements.

Shareholders' Equity

The shareholders' equity as of the end of 2005 amounted to 2,271 million baht, representing an increase of 39 million baht or 2 percent from the previous year. This was due to the increase in the annual net earnings worth 121 million baht while the revaluation surplus in investments decreased by 82 million as a result of the falling market price of the investments.

Liquidity

The company's net cash payments amounted to 64 million baht. The company invested 83 million baht in assets related to office decorations and opening of new branches.

Net Capital Ratio (NCR)

As of the end of 2005, the company's Net Capital Ratio (NCR) was 139 percent, a decrease from 225 percent in 2004. This was mainly due to increases in securities business receivables and payables. However, the Ratio was still well above the minimum level of 7 percent required by the Office of the Securities and Exchange Commission (SEC).

Analysis of Operation Results

In 2005, the company's net earnings amounted to 121 million baht, representing a decrease of 171 million baht or 59

percent from the previous year. This was mainly due to the decrease in overall income and the increase in expenses related to business operations. The performance of the company could be summarized as follows:

Income

The company's total income amounted to 729 million baht, representing a decrease of 198 million baht or 21 percent from the previous year. Its securities brokerage fees amounted to 524 million baht, fees for other services amounted to 73 million baht and gains from selling securities amounted to 10 million baht, representing a decrease of 24 percent, 27 percent and 61 percent from the previous year respectively. In addition, the company's interest income and dividends amounted to 81 million baht and its interest on margin loans amounted to 36 million baht, representing an increase of 8 million baht and 9 million baht, respectively from the previous year.

Costs and Expenditure

In 2005, the company's costs and expenses related to business operations amounted to 578 million baht, representing an increase of 38 million baht or 7 percent from 540 million baht in the previous year, which accounted for 79 percent of total income. The major component of the increased expenses was expenses related to premises and equipment which increased by 35 million baht or 40 percent from the previous year. This was due to opening of new branches in Bangkok and in the provinces.

Thanachart Fund Management Company Limited

Analysis of financial position for the year ended 31 December 2005, compared to the financial position for the year ended 31 December 2004

Financial Position

Assets

As of the end of 2005, most of the company's assets were made of cash and deposits with financial institutions (accounting for 64.08 percent of the total assets). This was mainly due to the nature of its business and the authority's regulations that required the company to invest only in the form

of deposits at financial institutions, government bonds and state enterprises.

The company's assets amounted 200.73 million baht as of the end of 2005, representing a decrease of 32.28 million baht or 13.85 percent from the previous year.

Liabilities

As of the end of 2004, the total liabilities were relatively low when compared with the total assets (accounting for 15.70 percent of the total assets). The liabilities consisted of trade accounts payable, finance leases payable and accrued expenses.

As of the end of 2005, the company's liabilities amounted to 40.13 million baht, representing a decrease of 8.62 million baht or 25.23 percent from 2004.

Shareholders' Equity

As of the end of 2005, the shareholders' equity amounted to 169.21 million baht, representing a decrease of 23.66 million baht or 12.27 percent.

The company's dividends for performances in 2004 which were paid in 2005 amounted to 60 million baht, which were higher than the dividends of 50 million baht paid for performances in 2003.

The return on equity in 2005 was 21.46 percent, representing a decrease when compared to 33.52 percent in 2004. As a result, the net earnings were lower in 2005.

Operation Results

In 2005, the company's net earnings amounted to 36.32 million baht, representing a decrease of 28.33 million baht or 43.82 percent from 2004. As a result, the net earnings per share amounted to 3.63 baht. The details of the analysis of its operation results were as follows:

Income

The company's total income in 2005 amounted to 246.96 million baht, representing a decrease of 13.50 million baht or 5.18 percent from the previous year. Its main income consisting of fund management fees, registration fees and fees for selling and buying back unit trusts amounted to 241.80 million baht, representing a decrease of 15.22 million baht 5.92 percent from the previous year.

Costs and Expenditure

The fee and service expenses which were the fees paid by the company to supporters for sale and repurchase of unit trusts amounted to 14.17 million baht, representing a decrease of 1.86 million baht or 11.60 percent from the previous year.

The operating expenses amounted to 196.47 million baht, representing an increase of 45.32 million baht or 29.98 percent from the previous year. This was due to the increase in the number of personnel and personnel expenses, the welfare support expenses which were higher than 2004, payments for executives retiring in 2004, and the advertising and sales promotion expenses in addition to the advertising and public relations expenses for promoting sales of unit trusts.

The company's operating profit margin in 2005 was 14.71 percent, representing a decrease from 35.79 percent in 2004, while its net profit margin in 2005 was 14.71 percent, representing a decrease from 24.82 percent in 2004.

Thanachart Insurance Company Limited

Analysis of financial position for the year ended 31 December 2005, compared to the financial position for the year ended 31 December 2004

Financial Position

Assets

As of the end of 2005, the company's total assets amounted to 1,721.04 million baht, representing an increase of 435.15 million baht or 33.8 percent from the previous year. This was mainly due to the increase in investments. As of 31 December 2005, the total investments amounted to 1,160.45 million baht, representing an increase of 239.27 million baht or 25.9 percent from the previous year. The investments consisted of investments in securities worth 959.67 million baht as well as cash and deposits at financial institutions for the amount of 200.78 million baht.

Liabilities

As of the end of 2005, the company's liabilities amounted to 1,292.77 million baht, representing an increase of 389.42

million baht or 43.1 percent from the previous year. This was partly due to the increase of 267.87 million baht in the unearned premium reserve as a result of the growth in insurance premium income.

Shareholders' Equity

As of the end of 2005, the shareholder's equity amounted to 428.27 million baht, representing an increase of 45.74 million baht or 11.9 percent from the previous year. The return on equity in 2005 was 13.42 percent, down from 14.59 percent in 2004.

Cash Flows and Liquidity

In 2005, the cash flows from operating activities amounted to 240 million baht while the cash flows from investing activities amounted to 55 million baht, consisting of interest income and dividends worth 29 million baht and gains worth 26 million baht from securities investments. There was no cash flow from financing activities as the company's working capital and long-term investments were still adequate for the current business expansion.

On liquidity in 2005, it was still the company's investment policy to mitigate the risk arising from the increasing interest rates. As a result, it gradually reduced its long-term investments and increased its short-term investments, aimed at mitigating the interest rate risk. Focus was given to investments in instruments with high liquidity. As a result, the company's liquidity in business operations was relatively high.

Operation Results

In 2005, the company's net earnings amounted to 57.51 million baht, representing an increase of 2.31 million baht or 4.2 percent from the previous year. The net earnings per share amounted to 1.92 baht. This was due to the increase in insurance premium income and gain on investment. The performance of the company could be summarized as follows:

Income

The company's total income amounted to 1,352.29 million baht, representing an increase of 521.74 million baht or 62.8 percent from the previous year. The underwriting income amounted to 1,293.18 million baht, representing an increase of 497.40

million baht or 62.5 percent from the previous year. This was mainly due to the remarkable success in enlarging the client base for all the company's insurance products as a result of the continued economic recovery. The strong consumer confidence in the economy also led to higher consumption and investment, which in turn resulted in the overall growth of the insurance industry. In 2005, the company's earnings from underwriting amounted to 239.43 million baht, representing an increase of 36.57 million baht or 18.0 percent.

Costs and Expenditure

In 2005, the total indemnities amounted to 519.35 million baht, representing an increase of 192.90 million baht or 59.1 percent from the previous year. This was mainly due to the overall growth of the company's insurance business. As a result, the loss ratio in 2005 amounted to 52.7 percent, up from 49.8 percent in 2004.

The operating expenses amounted to 216.88 million baht, representing an increase of 49.20 million baht or 29.3 percent from the previous year. This was mainly due to the restructuring of the internal organization aimed at accommodating market growth and enabling the company to deliver quality services that cater to the needs of every customer and every customer group.

Thanachart Life Assurance Company Limited

Analysis of financial position for the year ended 31 December 2005, compared to the financial position for the year ended 31 December 2004

Financial Position

Assets

As of the end of 2005, the company's total assets amounted to 3,770 million baht, representing an increase of 7 percent from the previous year. This was due to the increase in investments in securities, which accounted for 92 percent of the Company's total assets. The investments in securities amounted to 3,455 million baht, representing an increase of 5 percent from the previous year. The investments were in

compliance with the investment regulation stipulated by the Department of Insurance.

Liabilities

As of the end of 2005, the company's liabilities amounted to 3,243 million baht, representing an increase of 9 percent from the previous year. This was due to the life premium reserve which increased every year. The life premium reserve accounted for 97 percent of the total liabilities. As of 31 December 2005, the company's life premium reserve amounted to 3,132 million baht, representing an increase of 9 percent from the previous year. According to the Department of Insurance's requirements, the life insurance company has to set aside a reserve for the life insurance policies which are still in force, so that the company is able to meet the financial obligations to its policy holders.

Shareholders' Equity

As of the end of 2005, the shareholders' equity amounted to 526 million baht, representing an increase of 3 million baht or 1 percent from the previous year. The return on equity in 2005 was 19.22 percent, up from 9.97 percent in 2004.

Operation Results

In 2005, the company's net earnings amounted to 101 million baht, compared to the net loss of 57 million baht in the previous year. The net earnings per share amounted to 2.02 baht. The details of the analysis of its operation results were as follows:

Income

In 2005, the total premium written amounted to 826 million baht, representing a decrease of 321 million baht or 28 percent from the previous year. This was due to the 30 percent decrease in premium written for group life insurance as some group policies matured.

Costs and Expenditure

In 2005, the underwriting expenses amounted to 680 million baht, representing a decrease of 446 million baht or 40 percent from the previous year. The major items of expenses included the following:

The life premium reserve calculated by actuaries in line with the Ministry of Commerce promulgation in relation to rules and regulations governing the provisioning of premiums as premium reserve, amounted to 257 million baht, representing a decrease of 60 percent from the previous year. This was due to the 30 percent decrease in the group life insurance (mortgage protection) and the 31 percent decrease in premium income for the term group life insurance.

The benefit payments of life policy holders amounted to 345 million baht, representing a decrease of 9 percent from the previous year. Most of the payments, about 79 percent, were indemnities paid for death. In 2005, claims for death indemnities decreased by 59 million baht or 18 percent from the previous year.

The staff remuneration and bonus in 2005 amounted to 76 million baht, representing a decrease of 28 million baht or 27 percent from the previous year. The staff remuneration and bonus directly varied with the premium income.

The operating expenses amounted to 197 million baht, representing a decrease of 22 million baht from the previous year. This was due to the company's cost containment policy.

MAX Asset Management Company Limited

Analysis of financial position for the year ended 31 December 2005, compared to the financial position for the year ended 31 December 2004

Financial Position

Assets

The company's total assets decreased from 2,932 million baht as of the end of 2004 to 2,370 million baht as of the end of 2005, representing a decrease of 19 percent. This was mainly due to the decrease of 458 million baht in cash and deposits at financial institutions, which was used to repay borrowings and the related interest, and due to the decrease in investments and loans by 165 million baht and 80 million baht respectively as a result of debt restructuring.

Liabilities

The total liabilities decreased from 1,607 million baht as of the end of 2004 to 1,023 million baht as of the end of 2005, representing a decrease of 36 percent. This was mainly due to the reduction of accrued tax by 118 million baht and repayments of borrowings worth 440 million baht.

Shareholders' Equity

The shareholders' equity increased from 1,280 million baht as of the end of 2004 to 1,347 million baht as of the end of 2005, representing an increase of 5.2 percent. The return on equity for 2005 was 5.4 percent, down from 38.9 percent in 2004.

Operation Results

In 2005, the company's net earnings amounted to 73 million baht, representing a decrease of 425 million baht or 85 percent from the previous year. The net earnings per share amounted to 1.28 baht. The details of the analysis of the operation results were as follows:

Income

In 2005, the company's total income amounted to 154 million baht, representing a decrease of 552 million baht or 78 percent from the previous year. This was due to the decrease of 323 million baht in interest income and dividends, mainly because in 2005, the number of new debtors which were engaged in debt restructuring decreased and most debtors which undertook the debt restructuring already closed their accounts with only a few remaining accounts gradually making their repayments. The earnings from loans, sale of properties foreclosed and gains from securities investments also decreased. As a result, the non-interest income decreased by 228 million baht.

Costs and Expenditure

The interest expenses decreased by 37 million baht or 25 percent, mainly because the company already repaid borrowings worth 440 million baht. The operating expenses in 2005 amounted to 34 million baht, which was close to the expenses in 2004.

The allowance for bad debts and doubtful accounts decreased by 4 million baht from the previous year. The allowance for bad debts and doubtful accounts amounted to 55 percent, which was above the minimum requirement established by the Bank of Thailand. After the company set aside the allowance, its BIS Ratio (Capital-to-Risk-Asset Ratio) was 53 percent, which was higher than the minimum level of 8.5 percent required by the Bank of Thailand.

NFS Asset Management Company Limited

Analysis of financial position for the year ended 31 December 2005, compared to the financial position for the year ended 31 December 2004

Financial Position

Assets

As of the end of 2005, the company's total assets amounted to 12,316 million baht, representing a decrease of 4,241 million baht or 26 percent. The assets were made up to cash and deposits worth 95 million baht at financial institutions, investments worth 4,026 million baht in securities and debt instruments, net investments worth 1,403 million baht in the form of promissory notes issued by TAMC, net investments worth 2,004 million baht in receivables, net loans worth 1,846 million baht, property foreclosed 2,898 million baht and other assets worth 44 million baht.

Liabilities

As at the end of 2005, the total liabilities amounted to 11,321 million baht, representing a decrease of 4,769 million baht or 30 percent from the previous year. The liabilities mainly consisted of borrowings worth 11,000 million baht from Thanachart Bank Public Company Limited. During 2005, the company repaid 4,824 million baht in total to Thanachart Capital Public Company Limited and Thanachart Bank Public Company Limited.

Shareholders' Equity

As of the end of 2005, the shareholders' equity amounted to 995 million baht, representing an increase of 529 million

baht or 114 percent from the previous year. This was due to net earnings of 576 million baht in 2005. The return on equity in 2005 was 58 percent.

Operation Results

In 2004, the company's net earnings amounted to 576 million baht, representing an increase of 293 million baht from the net earnings of 283 million baht in the previous year. This was due to debt settlements, gains from debt restructuring, closure of restructured loan accounts which reduced allowance for doubtful accounts, and gains from securities investments. The details of the analysis of its operation results were as follows:

Income

In 2005, the interest income and dividends amounted to 473 million baht, representing a decrease of 42 million baht or 8 percent from the previous year. Most of the interest income was from debt settlements. The total non-interest income in 2005 amounted to 482 million baht, representing a decrease of 725 million baht or 60 percent from the previous year. The non-interest income was from gains from debt restructuring which decreased by 718 million baht from 1,126 million baht in 2004 to 408 million baht in 2005, as well as from gains from selling the company's securities investments which amounted to 28 million baht, representing a decrease of 47 million baht or 63 percent from the previous year.

Costs and Expenditure

The interest expenses amounted to 483 million baht, representing a decrease of 14 million baht or 3 percent from the previous year. This was due to the repayments of borrowings worth 4,824 million baht while the borrowing rates were rising. The allowance for bad debts and doubtful accounts decreased by 440 million baht or 171 percent from the previous year. The allowance was higher than the minimum level imposed by the Bank of Thailand. The operating expenses amounted to 109 million baht, representing a decrease of 3 million baht or 3 percent from the previous year.

FACTORS AND INFLUENCES THAT MAY HAVE AN IMPACT ON THE COMPANY'S PERFORMANCE AND FINANCIAL POSITION IN THE FUTURE

In 2005, the Company changed its status from that of a company primarily engaged in finance business to a holding company that holds shares in other companies. Currently, the Company is the parent company of Thanachart Group consisting of companies that are engaged in integrated financial services including the banking business, securities brokerage services, fund management, insurance business, life assurance business, and non-performing loan management. As a result, the main factors and influences that may have an impacts on the opportunities and challenges of the performance and financial position of the Company and its subsidiaries could be summarized as follows:

Economic Conditions

Economic conditions are important factors that have an impact on the Company's future performance. If the economy continues to grow steadily, investments both by the private sector and the public sector will increase and public consumption will also grow. The developments will give rise to opportunities for the business operations of the Company and its subsidiaries in many areas such as lending, securities trading, as well as insurance and assurance underwriting. As a result, the Company and its subsidiaries will be able to achieve their established goals. However, if the economy does not grow as expected, the income and financial position of the Company and its subsidiaries could be adversely affected.

Competition

The competition in the finance services business is expected to become increasingly intense as a result of the increase in the number of operators such as commercial banks, securities brokerage companies, and mutual fund management companies. Importantly, each operator is expected to expand in the market and compete for customers, using a number of strategies aimed at gaining larger market share. The keener competition may have an impact on the income and operational costs of the Company and member companies of the Group.

Changes in Rules and Regulations of the Governing Authorities

Some changes in the rules and regulations of the government authorities, including the Ministry of Finance, the Bank of Thailand, the Securities and Exchange Commission, and the Department of Insurance of the Ministry of Commerce may give rise to opportunities for the member companies of the Group to expand their financial activities while some may face constraints on their business operations. As a result, the changes in the rules and regulations may have both positive and negative impacts on the operations of the Company and its subsidiaries. The changes are beyond the control of the Company and cannot be anticipated as to their direction and impact.

However, the Company has already established operational measures aimed at coping with the above factors by focusing on business activities in which the Company and the member companies of the Group have expertise as well as focusing on managing various types of risk including credit risk, price risk, foreign exchange risk, liquidity risk and risk from investments in subsidiaries and associated companies. The details of risk management measures are given under the heading entitled "Risk Factors" on pages 72 - 84. Moreover, as a parent company of Thanachart Group, the Company plays an important role in establishing goals and formulating strategies for all businesses of Thanachart Group so that their operations will move along in the same direction and all companies in the Group will co-operate in developing and offering new financial products and services to customers on behalf of the Group. The objective is to enhance competitiveness such as co-operation in increasing distribution channels while the focus is still given to the delivery of quality services to customers.

Future Project

In 2005, after the Company returned the finance business license to the authority and became the holding company of Thanachart Group, the Company continued operating in line with the established business plan for 2006-2008 with focus given to development of information technology in order that the Company would be able to keep pace with the progress of

information technology development. Apart from its project on research and development of information technology, the Company does not have any other future project that may have significant impacts.

Transfers of Finance Business

Thanachart Capital Public Company Limited would transfer its hire purchase business to Thanachart Bank, after which the Bank would continue giving hire purchase loans right away without interruption to the on-going business. For any other business currently engaged by the Company, if such business had to be operated by a financial institution, the business would need to be transferred to Thanachart Bank which would replace the Company in operating the business. All the transfers had to be completed before the Company returned its finance business license to the authority.

Transfers of Thanachart Capital Plc.'s Deposits in the Form of Promissory Notes

The Company would gradually arrange for its customers who make deposits in the form of promissory notes issued by the Company, to make their deposits at the Bank instead. The Company would also transfer its repayment obligations in relation to the promissory notes, to Thanachart Bank which would replace the Company in making the repayments when the promissory notes matured. The details of the related procedures to be undertaken would be in line with the approval given by the Bank of Thailand and the Ministry of Finance.

Actions to be taken in relation to Thanachart Capital Plc.'s financial assets and liabilities

(1) Assets in terms of normal loans with the exception of hire purchase loans and consumer loans

The claims to the loans would be transferred to Thanachart Bank or the loans would be refinanced with the effect that Thanachart Bank would replace the Company as lender, whichever to be deemed more appropriate.

(2) Assets in terms of existing hire purchase loans or other types of loans other than those mentioned in Item (1)

These loans would remain with Thanachart Capital Public Company Limited.

(3) Assets which are not financial assets

(3.1) Work system and assets, personnel, and office premises

Staff, work systems and other assets that supported hire purchase activities and other finance business, in which the Bank would replace the Company, would remain where they were. However, they would provide services under the name of Thanachart Bank instead. The organizational structure of Thanachart Bank would be adjusted accordingly to accommodate such businesses. In this regard, it was understood that the staff of both organizations would not be affected by the adjustments of the organizational structure.

(3.2) Other assets and liabilities

They would remain with the Company.

Return of Finance Business License of Thanachart Capital Plc.

The Company was required to return its finance business license to the authority within one year after the Ministry of Finance gave its approval to the business structure reorganization plan of Thanachart Group's financial institutions.

Apart from the changes in business operations in line with the business structure reorganization plan of Thanachart Group's financial institutions, the Company does not have any other future project that may have significant impacts.

Business Goals

2006 Business Plan: Towards Growth and Stability

During the course of business operations in 2005, Thanachart Group implemented the business structure reorganizing plan of its financial institutions in line with the "One-Presence" Policy in the Financial Sector Master Plan. All the key areas of the plan were successfully implemented and completed. These included transfers of hire purchase business and deposit-taking services from Thanachart Capital

Plc. to Thanachart Bank Plc. As a result, Thanachart Group is now fully prepared for aggressive business expansion aimed at catering to the needs of customers and investors.

In line with Thanachart Group's business plan for the next three years from 2006 to 2009, the Group's conduct of business affairs will place emphasis on the vision in three critical areas, namely universal banking, customer centric and synergy. The details of the vision framework for each area are as follows:

Universal Banking

It means having integrated financial services together with extensive networks of service outlets and service processes that allow all customers nationwide to make use of the available services with convenience and satisfaction. The Group is determined to develop financial services as well as on-line services that meet all the financial needs of the customers. It will step up its efforts to open new branches and foreign exchange offices and to install more ATMs, aimed at building up extensive networks of service outlets accessible to customers nationwide. The Group will also develop each service distribution channel so that it is able to offer all the Group's financial services.

Customer Centric

It means making changes to the way the Group's financial products are presented and how they cater to all financial needs of each group of customers.

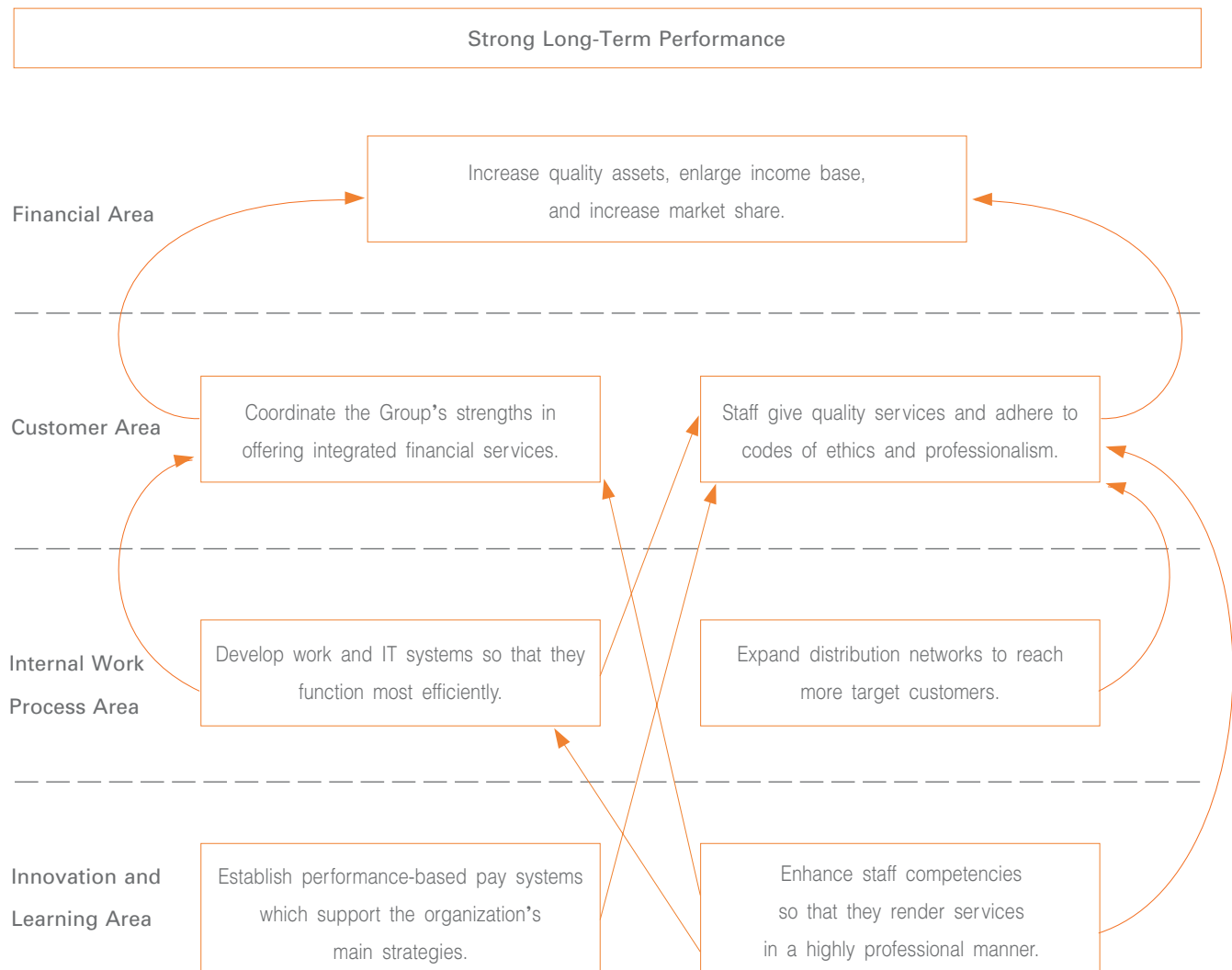
Synergy

It means working together in an integrated manner as a team among all member companies of Thanachart Group and the supporting staff from the frontline level to the management level. This will lead to an aggressive business expansion in line with Thanachart Group's strategic plans. To achieve this, the Company will develop its human resource so that they acquire knowledge and skills in all types of the Group's businesses. With the support of the knowledge and skills, they will be able to offer all the Group's financial products that cater to the specific needs of the target customers. The Group also plans to develop the customer relationship management (CRM) system aimed at capturing larger market shares through its cross-selling and up-selling activities.

As regards their business plans for 2005-2007, Thanachart Capital Public Company Limited and all member companies of Thanachart Group participated in the following business planning activities:

- Jointly conduct Thanachart Group's SWOT analysis.
- Study strategies of the Group's business operations in four key areas including finance, customers, internal work process as well as innovation and learning, using the technique of balanced scorecard. Also analyze key success factors in order to establish key goals for member companies of Thanachart Group and to formulate key strategies for the Group's business operations from 2005-2007 as follows:

Key Strategies for Thanachart Group's Business operations from 2005-2007



In order that Thanachart Group's business operations achieve the established goals, Thanachart Capital Plc. as the Group's parent company has drawn up CEO's six-point agenda which will serve as key missions for top executives of each of the Group's businesses. The agenda is concerned with establishment of strategic goals, developing of a learning organization, and creation of positive images for customers and investors, which will help enhance the Group's competitiveness and long-term benefits. These six points include the following:

1. Achieve financial targets as envisaged in the business plan for the next three years.
2. Step up efforts to create innovative products and to enlarge customer bases and to render excellent services.

3. Establish basic infrastructure systems and key supporting systems to facilitate more efficient business operations.

4. Create a proactive culture that enables and encourages its staff to develop knowledge and competency.

5. Ensure that the conduct of business affairs is in compliance with the rules and regulations established by the authorities concerned. And operate businesses by adhering to good corporate governance principles.

6. Promote the positive images and good reputation of Thanachart Group to customers and investors.

Report of the Audit Committee »

In 2005, a member of the Audit Committee was appointed to replace the member who resigned. At present, the Audit Committee of Thanachart Capital Public Company Limited which is the holding company of Thanachart Group consists of:

1. Mr. Sommart Poonpakdee, Chairman of the Audit Committee
2. Mrs. Siripen Sitasuwan, Member
3. Mrs. Chantima Chaturaphat, Member
4. Mr. Chatchawal Jantararuangtong, Secretary
5. Mr. Chusak Patcharapongsak, Assistant Secretary

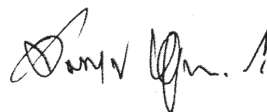
In 2005, the Audit Committee held eight meetings with the Internal Audit Group and the Compliance Unit to consider the annual audit plan and audit reports of various work units of Thanachart Capital Public Company Limited as well as its subsidiaries which have no audit committee. The Audit Committee also held meetings with the auditor and the Accounting Group to consider quarterly and annual financial statements.

Having attended the meetings, the Audit Committee is of the opinion that the Company's conduct of business affairs is in compliance with the legal requirements and the regulations of the authorities concerned as well as the Company's rules and regulations. There is no transaction that gives rise to a conflict of interest. The operation systems have sufficiently tight internal controls. In addition, the Audit Committee is of the opinion that the Company's prepared financial statements disclose accurate, complete and reliable information.

As regards risk management, the Audit Committee has assigned the Risk Management Committee and the Risk Management Office to be responsible for ensuring that the risks are managed in line with the risk management policies and guidelines approved by the Board of Directors. The Audit Committee is of the opinion that the Company's established risk management systems are comprehensive and subject to continuous reviews and adjustments. As a result, the Company's risk management systems are considered timely and efficient.

In 2005, the Audit Committee gave its approval for Ernst & Young Office Limited to act as the Company's auditor as it was of the opinion that the auditor was well supported by qualified personnel with knowledge and experience and that its auditing fees were at a reasonable level. For 2006, the Audit Committee considers it appropriate that the Company proposes to its shareholders that Ernst & Young remain as the Company's auditor.

Throughout 2005, the Audit Committee carried out its responsibilities with good co-operation from the management as well as the staff of all the units concerned.



Sommart Poonpakdee
Chairman of the Audit Committee

Report of Independent Auditor >>

National Finance Public Company Limited and Its Subsidiary Companies
As at 31 December 2005 and 2004

To The Board of Directors and Shareholders of

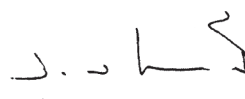
National Finance Public Company Limited

I have audited the accompanying consolidated balance sheets of National Finance Public Company Limited as at 31 December 2005 and 2004, and the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for the years then ended, and the separate financial statements of National Finance Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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 National Finance Public Company Limited and its subsidiary companies and of National Finance Public Company Limited as at 31 December 2005 and 2004 and the results of their operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the financial statements referred to above, I draw attention to the plan for the financial business restructuring of the Thanachart Group, as described in Note 1 to the financial statements, which is approved by the Ministry of Finance and currently being implemented.



Ruth Chaowanagawi

Certified Public Accountant (Thailand) No. 3247

Ernst & Young Office Limited

Bangkok : 23 February 2006



FINANCIAL STATEMENTS

Balance Sheets »

National Finance Public Company Limited and Its Subsidiary Companies
As at 31 December 2005 and 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
ASSETS					
CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS	4	5,534,393,032	2,016,744,315	811,571,573	817,512,184
LOANS TO FINANCIAL INSTITUTIONS - Net	5	177,283,068	315,494,680	19,400,000	19,400,000
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	6	19,700,000,000	10,600,000,000	7,200,000,000	3,200,000,000
INVESTMENTS					
Current investments - Net	7	5,838,033,733	7,185,729,593	8,687,958	114,199,403
Long-term investments - Net	7	25,714,103,186	31,329,017,215	2,944,895,141	9,845,753,230
Investments in subsidiary and associated companies	8	1,651,305,657	1,759,442,726	21,780,437,475	13,998,779,777
Net investments		33,203,442,576	40,274,189,534	24,734,020,574	23,958,732,410
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		163,920,465	-	-	-
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE	9				
Finance business loans and receivable		160,366,136,079	127,960,620,125	83,114,934,098	106,714,645,408
Securities business receivable		2,355,890,901	1,830,633,652	-	-
Total loans and receivable		162,722,026,980	129,791,253,777	83,114,934,098	106,714,645,408
Accrued interest receivable		239,194,089	152,561,128	36,525,524	52,305,469
Total loans, receivable					
and accrued interest receivable		162,961,221,069	129,943,814,905	83,151,459,622	106,766,950,877
Less : Allowance for doubtful accounts	10	(6,914,239,097)	(7,562,098,292)	(3,244,646,946)	(3,588,825,036)
Less : Revaluation allowance for debt restructuring	11	(189,062,423)	(254,402,729)	(5,412)	(5,908)
Net loans, receivable					
and accrued interest receivable		155,857,919,549	122,127,313,884	79,906,807,264	103,178,119,933
PROPERTY FORECLOSED - Net	13	8,144,539,193	7,289,001,373	3,260,212,829	3,161,307,184
LAND, PREMISES AND EQUIPMENT - Net	14	1,304,242,072	665,877,098	585,279,793	407,835,880
INTANGIBLE ASSETS - LEASEHOLD RIGHT AND SOFTWARE		342,242,032	211,153,636	206,388,699	187,328,689
GOODWILL		3,406,691	4,645,488	-	-
AMOUNT BY WHICH VALUE OF INVESTMENTS IS					
LOWER THAN BOOK VALUE		(31,253,534)	(11,965,356)	-	-
ACCRUED INTEREST RECEIVABLE		200,566,309	201,413,688	19,564,868	68,172,696
VALUE ADDED TAX RECEIVABLE		2,324,184,801	486,918,330	-	440,058,065
OTHER ASSETS	15	1,148,114,287	862,734,653	192,508,344	290,584,120
TOTAL ASSETS		228,073,000,541	185,043,521,323	116,935,753,944	135,729,051,161



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

Balance Sheets (Continued) >>

National Finance Public Company Limited and Its Subsidiary Companies
As at 31 December 2005 and 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY					
BORROWINGS AND DEPOSITS	16				
From public		160,137,304,930	133,194,658,440	11,634,000,000	90,963,086,689
From financial institutions		24,977,372,726	17,371,928,069	75,700,134,654	16,615,391,612
From foreign countries		135,111	86,953,322	-	86,818,212
Total borrowings and deposits		185,114,812,767	150,653,539,831	87,334,134,654	107,665,296,513
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	17	200,000,000	-	-	-
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		25,438,892	239,628,576	-	-
SECURITIES BUSINESS PAYABLE		1,057,862,946	341,975,489	-	-
LIABILITIES UNDER COMMERCIAL PAPERS SOLD	18	285,760,000	261,926,200	-	-
DEBENTURES	19	7,521,520,000	7,555,520,000	5,473,000,000	5,473,000,000
ACCRUED INTEREST PAYABLE		1,255,047,454	929,183,887	102,953,487	435,118,874
INSURANCE PREMIUM PAYABLE		595,554,266	368,593,121	112,331,618	362,594,870
LIABILITIES PAYABLE ON DEMAND		997,155,289	37,496,605	-	-
VALUE ADDED TAX PAYABLE		242,731,511	14,695,016	229,894,212	-
CORPORATE INCOME TAX PAYABLE		470,714,418	439,690,837	299,646,985	217,449,696
UNEARNED PREMIUM RESERVE		704,370,473	436,502,144	-	-
LIFE PREMIUM RESERVE		3,131,826,050	-	-	-
OTHER LIABILITIES	20	3,084,615,348	2,271,041,433	744,963,769	681,197,148
PROVISION FOR LOSS ON INVESTMENTS IN					
A SUBSIDIARY COMPANY	8	-	-	-	150,154,622
TOTAL LIABILITIES		204,687,409,414	163,549,793,139	94,296,924,725	114,984,811,723

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

Balance Sheets (Continued) >>

National Finance Public Company Limited and Its Subsidiary Companies
As at 31 December 2005 and 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
SHAREHOLDERS' EQUITY					
Share capital	21				
Registered					
19,546 preference shares of Baht 10 each and					
2,333,134,457 ordinary shares of Baht 10 each					
(2004 : 19,576 preference shares of Baht 10 each and					
2,333,134,427 ordinary shares of Baht 10 each)		23,331,540,030	23,331,540,030	23,331,540,030	23,331,540,030
Issued and paid up					
19,546 preference shares of Baht 10 each					
(2004 : 19,576 preference shares of Baht 10 each)		195,460	195,760	195,460	195,760
1,333,134,457 ordinary shares of Baht 10 each					
(2004 : 1,333,134,427 ordinary shares of Baht 10 each)		13,331,344,570	13,331,344,270	13,331,344,570	13,331,344,270
		13,331,540,030	13,331,540,030	13,331,540,030	13,331,540,030
Share premium		2,065,644,888	2,065,644,888	2,065,644,888	2,065,644,888
Surplus from revaluation of assets of an associated company		540,420,162	559,034,746	540,420,162	559,034,746
Revaluation surplus on investments	22	321,008,326	516,529,076	321,008,326	516,529,076
Revaluation deficit on investments	22	(1,151,186,364)	(1,087,818,408)	(1,151,186,364)	(1,087,818,408)
Retained earnings					
Appropriated - statutory reserve	23	523,975,925	368,770,961	523,975,925	368,770,961
Unappropriated		7,007,426,252	4,990,538,145	7,007,426,252	4,990,538,145
Equity attributable to Company's shareholders		22,638,829,219	20,744,239,438	22,638,829,219	20,744,239,438
Minority interest - equity attributable to minority					
shareholders of subsidiaries		746,761,908	749,488,746	-	-
TOTAL SHAREHOLDERS' EQUITY		23,385,591,127	21,493,728,184	22,638,829,219	20,744,239,438
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		228,073,000,541	185,043,521,323	116,935,753,944	135,729,051,161
OFF-BALANCE SHEET ITEMS - CONTINGENCIES	36.1				
Avals to bills and guarantees of loans		249,200,000	698,171,729	10,000,000	10,000,000
Letter of credits		635,370,238	-	-	-
Other contingencies		52,531,581,282	15,488,223,734	21,724,366,747	6,862,666,747



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

Statements of Earnings »

National Finance Public Company Limited and Its Subsidiary Companies
For the Years Ended 31 December 2005 and 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
INTEREST AND DIVIDEND INCOME					
Loans and deposits		2,897,525,363	2,483,941,984	900,756,926	756,025,439
Hire purchase and financial lease		7,028,429,412	5,266,990,253	6,309,982,220	5,244,520,754
Investments		1,008,736,560	1,359,808,403	236,477,481	475,895,495
Total interest and dividend income		10,934,691,335	9,110,740,640	7,447,216,627	6,476,441,688
EXPENSES ON BORROWINGS					
Interest and discounts		4,425,630,891	3,325,251,371	3,716,344,076	2,217,973,941
Fees and charges		984,535	1,051,671	-	-
Total expenses on borrowings		4,426,615,426	3,326,303,042	3,716,344,076	2,217,973,941
Net interest and dividend income		6,508,075,909	5,784,437,598	3,730,872,551	4,258,467,747
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS					
(BAD DEBT AND DOUBTFUL ACCOUNTS)	25	723,375,971	(1,414,824,418)	345,896,264	(987,706,118)
REVERSAL LOSS ON DEBT RESTRUCTURING					
(LOSS ON DEBT RESTRUCTURING)	26	(429,817,482)	(78,427,539)	-	1,771,906
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		6,801,634,398	4,291,185,641	4,076,768,815	3,272,533,535
NON-INTEREST INCOME					
Brokerage fees		523,584,027	692,274,262	-	-
Gain (loss) on investments	27	240,482,876	589,688,637	(41,327,235)	173,686,749
Share of profits from investments in subsidiary and associated companies accounted for under equity method - net		191,897,442	156,918,912	1,504,309,252	1,940,535,825
Fees and charges		377,957,786	412,843,949	27,628,196	19,613,883
Discounted income on insurance premium		517,980,740	386,156,273	262,488,147	382,059,256
Gains on debt settlement/property transferred in settlement of debts		468,527,631	1,187,963,222	49,486,884	4,531,828
Insurance premium/Life insurance premium income		1,770,339,941	684,096,525	-	-
Gains on property foreclosed	28	248,115,019	169,215,878	114,302,652	64,826,257
Other income		811,708,745	670,308,467	471,970,531	376,581,937
Total non-interest income		5,150,594,207	4,949,466,125	2,388,858,427	2,961,835,735

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

Statements of Earnings (Continued) >>

National Finance Public Company Limited and Its Subsidiary Companies
For the Years Ended 31 December 2005 and 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
OPERATING EXPENSES					
Personnel expenses	29	1,924,210,917	1,476,757,780	429,017,792	529,298,517
Premises and equipment expenses		875,512,067	582,229,268	460,177,362	331,757,831
Taxes and duties		335,403,359	235,810,432	76,270,420	118,512,017
Directors' remuneration	30	30,940,575	29,181,922	17,854,578	16,688,924
Fund contributed to the					
Financial Institutions Development Fund		557,190,937	530,452,472	360,316,776	348,957,170
Commission and expenses charged on hire-purchase		1,218,904,124	836,470,940	530,924,564	836,470,940
Insurance/Life insurance expenses		1,381,228,258	483,801,133	-	-
Other expenses		1,520,425,578	855,961,037	941,763,323	603,840,544
Total operating expenses		7,843,815,815	5,030,664,984	2,816,324,815	2,785,525,943
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST		4,108,412,790	4,209,986,782	3,649,302,427	3,448,843,327
CORPORATE INCOME TAX	31	(971,606,845)	(989,364,715)	(545,203,132)	(466,037,973)
EARNINGS BEFORE MINORITY INTEREST		3,136,805,945	3,220,622,067	3,104,099,295	2,982,805,354
MINORITY INTEREST IN NET EARNINGS IN					
SUBSIDIARY COMPANIES		(32,706,650)	(237,816,713)	-	-
NET EARNINGS FOR THE YEAR		3,104,099,295	2,982,805,354	3,104,099,295	2,982,805,354
EARNINGS PER SHARE	33				
Basic earnings per share		2.33	2.24	2.33	2.24
Diluted earnings per share		2.33	2.24	2.33	2.24



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

Statements of Changes in Shareholders' Equity »

National Finance Public Company Limited and Its Subsidiary Companies
For the Years Ended 31 December 2005 and 2004

(Unit : Baht)

	CONSOLIDATED									
	Issued and fully paid up		Surplus from revaluation		Revaluation surplus (deficit)		Retained earnings			Minority interest
							Appropriated – statutory reserve	Unappropriated	interest	
	Preference shares	Ordinary shares	Share premium	of assets	on investments	statutory reserve				Total
Balance - as at 1 January 2004	197,760	13,331,342,270	2,065,644,888	428,266,054	(152,134,195)	219,630,693	3,354,338,983	528,687,765	19,775,974,218	
Appropriated earnings of 2003 - dividend paid	-	-	-	-	-	-	(1,199,838,603)	-	(1,199,838,603)	
Reversal of dividend on shares held by foreign shareholders (not right to receive dividend)	-	-	-	-	-	-	2,372,679	-	2,372,679	
Increase in surplus from revaluation of assets	-	-	-	130,768,692	-	-	-	-	130,768,692	
Increase in revaluation deficit on investments	-	-	-	-	(419,155,137)	-	-	-	(419,155,137)	
Conversion of preference shares to ordinary shares	(2,000)	2,000	-	-	-	-	-	-	-	
Transfer of retained earnings to statutory reserve	-	-	-	-	-	149,140,268	(149,140,268)	-	-	
Decrease in minority interest in subsidiary companies	-	-	-	-	-	-	-	(17,015,732)	(17,015,732)	
Net earnings for the year 2004	-	-	-	-	-	-	2,982,805,354	237,816,713	3,220,622,067	
Balance - as at 31 December 2004	195,760	13,331,344,270	2,065,644,888	559,034,746	(571,289,332)	368,770,961	4,990,538,145	749,488,746	21,493,728,184	
Dividend paid (Note 21)	-	-	-	-	-	-	(933,207,802)	-	(933,207,802)	
Reversal of dividend on shares held by shareholders (not right to receive dividend)	-	-	-	-	-	-	1,201,578	-	1,201,578	
Decrease in surplus from revaluation of assets	-	-	-	(18,614,584)	-	-	-	-	(18,614,584)	
Increase in revaluation deficit on investments	-	-	-	-	(258,888,706)	-	-	-	(258,888,706)	
Conversion of preference shares to ordinary shares (Note 21)	(300)	300	-	-	-	-	-	-	-	
Transfer of retained earnings to statutory reserve	-	-	-	-	-	155,204,964	(155,204,964)	-	-	
Decrease in minority interest in subsidiary companies	-	-	-	-	-	-	-	(35,433,488)	(35,433,488)	
Net earnings for the year 2005	-	-	-	-	-	-	3,104,099,295	32,706,650	3,136,805,945	
Balance - as at 31 December 2005	195,460	13,331,344,570	2,065,644,888	540,420,162	(830,178,038)	523,975,925	7,007,426,252	746,761,908	23,385,591,127	

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

Statements of Changes in Shareholders' Equity (Continued) >>

National Finance Public Company Limited and Its Subsidiary Companies
For the Years Ended 31 December 2005 and 2004

(Unit : Baht)

	THE COMPANY ONLY						
	Issued and fully paid up		Share premium	Retained earnings			Minority interest
	Preference shares	Ordinary shares		Surplus from revaluation of assets	Revaluation surplus (deficit) on investments	Appropriated statutory reserve	
Balance - as at 1 January 2004	197,760	13,331,342,270	2,065,644,888	428,266,054	(152,134,195)	219,630,693	-
Appropriated earnings of 2003 - dividend paid	-	-	-	-	-	3,354,338,983	-
Reversal of dividend on shares held by foreign shareholders (no right to receive dividend)	-	-	-	-	-	(1,199,838,603)	-
Increase in surplus from revaluation of assets	-	-	-	130,768,692	-	-	-
Decrease in revaluation surplus on investments	-	-	-	-	(419,155,137)	-	-
Conversion of preference shares to ordinary shares (2,000)	(2,000)	2,000	-	-	-	-	-
Transfer of retained earnings to statutory reserve	-	-	-	-	-	149,140,268	-
Net earnings for the year 2004	-	-	-	-	-	(149,140,268)	-
Balance - as at 31 December 2004	195,760	13,331,344,270	2,065,644,888	559,034,746	(571,289,332)	4,990,538,145	-
Dividend paid (Note 21)	-	-	-	-	-	(933,207,802)	-
Reversal of dividend on shares held by shareholders (no right to receive dividend)	-	-	-	-	-	1,201,578	-
Decrease in surplus from revaluation of assets	-	-	-	(18,614,584)	-	-	-
Increase in revaluation deficit on investments	-	-	-	-	(258,888,706)	-	-
Conversion of preference shares to ordinary shares (Note 21) (300)	(300)	300	-	-	-	-	-
Transfer of retained earnings to statutory reserve	-	-	-	-	-	155,204,964	-
Net earnings for the year 2005	-	-	-	-	-	3,104,099,295	-
Balance - as at 31 December 2005	195,460	13,331,344,570	2,065,644,888	540,420,162	(830,178,038)	523,975,925	-
						7,007,426,252	-
						22,638,829,219	

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

Statements of Cash Flows >>

National Finance Public Company Limited and Its Subsidiary Companies
For the Years Ended 31 December 2005 and 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Cash flows from operating activities				
Net earnings	3,104,099,295	2,982,805,354	3,104,099,295	2,982,805,354
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities :-				
Minority interest in earnings of subsidiary companies	32,706,650	237,816,713	-	-
Share of gain on investment under equity method	(191,897,442)	(156,918,912)	(1,504,309,252)	(1,940,535,825)
Depreciation and amortisation	239,931,286	160,440,969	115,544,148	76,322,330
Bad debt and doubtful accounts and loss on debt restructuring	293,558,489	1,493,251,957	(345,896,264)	985,934,212
Increase in provision for impairment of property foreclosed	66,381,347	68,838,139	12,671,886	42,526,675
Increase in provision for diminution in value of equipment/other assets	280,299,702	117,289,855	278,003,392	111,816,087
Increase (decrease) in provision for impairment/revaluation of investments	68,504,159	(44,523,973)	26,906,565	34,991,518
Amortisation of deferred gain on disposal of property foreclosed	(153,457,159)	(109,600,026)	(6,660,925)	(58,682,371)
Amortisation of surplus/discounts on investments in debt securities and negotiable certificates of deposit	176,373,104	124,070,299	21,683,366	46,289,643
Amortisation of goodwill/amount by which value of investments is lower than book value	(9,937,260)	(2,100,373)	-	-
Increase in unearned premium reserve/ life insurance premium reserve	536,880,550	116,715,943	-	-
Gain on debt settlement/property transferred in settlement of debt	(91,653,516)	(367,675,957)	(34,352,499)	-
Loss (gain) on disposal of equipment	(4,888,723)	(905,013)	(3,735,330)	272,722
Decrease (increase) in accrued interest and dividend receivable	(93,712,530)	275,717,466	64,387,773	163,165,869
Amortisation of deferred hire-purchase and deferred income	(7,450,094,174)	(5,298,356,189)	(6,309,982,220)	(5,244,481,088)
Decrease (increase) in accrued other income receivable	(89,736,665)	-	39,480,060	-
Increase (decrease) in accrued interest payable	325,863,567	(13,418,590)	(332,165,387)	(632,127)
Earnings (loss) from operating activities before changes in operating assets and liabilities	(2,960,779,320)	(416,552,338)	(4,874,325,392)	(2,800,207,001)

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

Statements of Cash Flows (Continued) >>

National Finance Public Company Limited and Its Subsidiary Companies
For the Years Ended 31 December 2005 and 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Decrease (increase) in operating assets				
Loans to financial institutions	286,935,559	58,795,395	-	-
Securities purchased under resale agreements	(9,100,000,000)	(9,800,000,000)	(4,000,000,000)	(3,200,000,000)
Investment in trading securities	(106,781,836)	250,922,681	-	-
Trading transactions with securities companies	(163,920,465)	123,541,510	-	-
Loans and receivable	(28,493,479,971)	(19,516,138,143)	28,668,173,511	(21,410,072,619)
Property foreclosed	1,673,858,576	1,104,360,358	1,315,557,547	690,619,987
Other assets	(2,210,271,371)	6,446,287	220,617,689	232,068,992
Intangible assets	(111,675,385)	-	(11,431,575)	(28,852,103)
Increase (decrease) in operating liabilities				
Borrowings and deposits from public	26,942,646,490	10,495,314,301	(79,329,086,689)	7,480,751,146
Borrowings and deposits from banks and financial institutions	7,577,257,236	9,145,196,728	59,084,743,042	11,608,906,436
Borrowings and deposits from foreign	(86,818,211)	(6,436,570)	(86,818,212)	(6,436,570)
Securities sold under repurchase agreements	200,000,000	(3,750,000,000)	-	(3,250,000,000)
Trading transactions with securities companies	(214,189,684)	14,444,895	-	-
Securities business payable	715,887,457	(917,733,486)	-	-
Liabilities under commercial papers sold	23,833,800	(150,000,000)	-	-
Liability payable on demand	959,658,684	(47,203,292)	-	-
Other liabilities	1,229,986,175	857,713,772	147,830,031	491,936,119
Net cash flows from (used in) operating activities	(3,837,852,266)	(12,547,327,902)	1,135,259,952	(10,191,285,613)
Cash flows from investing activities				
Decrease (increase) in long-term investments	9,163,457,289	14,564,510,044	6,495,408,781	11,029,265,388
Cash received from disposal of investments/capital reduction of subsidiary companies	117,831,517	-	-	-
Cash paid for purchase of investments in subsidiary companies - Net	(249,997,000)	-	(6,728,099,490)	(1,699,930)
Cash received from dividend payment of subsidiary and associated companies	127,259,694	111,136,707	285,601,098	1,017,551,603
Cash paid for purchase of land and equipment	(886,581,159)	(419,379,944)	(318,093,246)	(265,872,387)
Cash received from disposal of equipment	63,310,623	1,318,848	55,988,518	416,253
Net cash flows from (used in) investing activities	8,335,280,964	14,257,585,655	(209,194,339)	11,779,660,927

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

Statements of Cash Flows (Continued) >>

National Finance Public Company Limited and Its Subsidiary Companies
For the Years Ended 31 December 2005 and 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Cash flows from financing activities				
Cash received from minority interest for share capital issuance of subsidiaries	3,467,810	-	-	-
Cash paid for debenture redemption	(34,000,000)	-	-	-
Dividend paid	(932,006,224)	(1,197,465,924)	(932,006,224)	(1,197,465,924)
Dividend paid to minority interest	(17,241,567)	(14,741,660)	-	-
Net cash flows from (used in) financing activities	(979,779,981)	(1,212,207,584)	(932,006,224)	(1,197,465,924)
Net increase in cash and cash equivalents	3,517,648,717	498,050,169	(5,940,611)	390,909,390
Cash and cash equivalents at beginning of the year	2,016,744,315	1,518,694,146	817,512,184	426,602,794
Cash and cash equivalents at ending of the year	5,534,393,032	2,016,744,315	811,571,573	817,512,184
Supplemental cash flows information :-				
Cash paid during the year for				
Interest	4,071,579,901	3,337,439,795	4,048,509,463	2,218,606,068
Corporate income tax	956,922,142	823,830,985	462,998,733	252,186,791
Non-cash transactions				
Conversion of preference shares to ordinary shares	300	2,000	300	2,000
Property foreclosed transferred from loans and receivable, other receivable and investment in receivables purchased	2,621,154,251	1,386,402,512	1,427,526,316	558,697,110
Investment in promissory notes transferred from TAMC	-	189,605,700	-	-
Loans and receivable transferred from investment in receivables purchased	217,017,911	439,133,748	140,612,342	22,637,265
Investment in securities transferred from loans and receivable	19,701,445	185,204,851	-	-

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

1. GENERAL INFORMATION AND A PLAN FOR A FINANCIAL BUSINESS RESTRUCTURING WITHIN THE THANACHART GROUP

The Company was incorporated as a public limited company under Thai laws and operates its business in Thailand under the license granted by the Ministry of Finance to operate finance businesses. The Company's registered address is 444 MBK Tower, 10th-11th and 15th-20th Floor, Phayathai Road, Wangmai, Pathumwan, Bangkok. The Company has sixteen provincial lending offices nationwide. Thirteen of these provincial lending offices have received approval from the Ministry of Finance to upgrade to branches. However, as at 31 December 2005, the Company has ceased its branch's operations.

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

During the year 2004, the Annual General Meeting of Shareholders of the Company approved the financial business restructuring plan of the Thanachart Group, whereby the businesses of the Company and Thanachart Bank Public Company Limited are to form One-Presence, in accordance with the Financial-Sector Master Plan. The principal means of restructuring will be through the transfer of the finance business operations to Thanachart Bank, a subsidiary company, and the Company will return its finance business license to the Ministry of Finance within one year after the approval of the financial restructuring plan. The Company will maintain its status as the holding company and remain the parent company of the Thanachart Group (holding not less than 50 percent of the registered and paid-up share capital of each of the group companies).

On 22 April 2005, the Ministry of Finance approved the One-Presence restructuring plan proposed by the Thanachart Group, and the Company is currently implementing the plan. Transfer transactions already completed are as follow:-

- a) May 2005: Hire-purchase business operations were transferred, with the Company maintaining existing hire-purchase agreements and receiving installments from customers until the agreements mature, while Thanachart Bank lends to new customers.
- b) July 2005: The Company transferred all Baht 47,524 million of its deposits of individual customers in the form of promissory notes.
- c) October 2005: The Company transferred rights in performing lending agreements or loan agreements, excluding hire-purchases receivable, welfare loans and consumer loans, at the amount of the principal and outstanding interest, totaling Baht 535 million.
- d) November 2005: The Company transferred additional deposits of juristic customers in the form of promissory notes amounting to Baht 32,279 million to Thanachart Bank.
- e) November to December 2005: Thanachart Bank called for payment of additional share capital and registered the change in its paid-up capital from Baht 8,102 million to Baht 14,584 million.

The Company is to transfer the remaining rights in loans and receivable to Thanachart Bank in the future.

On 30 January 2006, the Extraordinary Meeting of the Shareholders of the Company approved the change of the Company's name to "Thanachart Capital Public Company Limited", and the Company intends to change its name after the return of its finance business license.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements include the balance sheets as at 31 December 2005 and 2004 and the related statements of earnings for the years then ended of National Finance Public Company Limited (hereinafter referred to as "the Company") and the following subsidiary companies (hereinafter referred to as "the subsidiary companies") as follows:-

	Percentage of shares held by the Company		Percentage of shares held by the subsidiary companies	
	2005	2004	2005	2004
<u>Subsidiary companies directly held by the Company</u>				
Thanachart Bank Plc.	99.36	98.89	-	-
N.F.S. Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	58.45	58.45	-	-
Thanachart Securities Plc. (Formerly known as "National Securities Plc.")	100.00	100.00	-	-
Thanachart Insurance Co., Ltd. (Formerly known as "National Insurance Co., Ltd.")	70.00	70.00	9.94	9.89
Pasara Co., Ltd.	100.00	100.00	-	-
Thanachart Fund Management Co., Ltd. (Formerly known as "National Asset Management Co., Ltd.")	75.00	75.00	-	-
N.F.S. Capital Co., Ltd.	100.00	100.00	-	-
Thiravanit Co., Ltd.	99.90	99.90	-	-
Sinkahakarn Co., Ltd.	95.12	95.12	-	-
Bangkok Home Co., Ltd.	99.87	99.87	-	-
Thanachart Group Leasing Co., Ltd. (Formerly known as "National Group Leasing Co., Ltd.")	100.00	100.00	-	-
Thanachart Management and Services Co., Ltd.	100.00	100.00	-	-
Thanachart Legal and Appraisal Co., Ltd.	100.00	100.00	-	-
Thanachart Property Fund ๘ (Formerly known as "Nasset Property Fund ๘")	99.80	99.80	0.06	0.06
Thanachart SPV ๐1 Co., Ltd.	100.00	100.00	-	-
Thanachart Life Assurance Co., Ltd. (Formerly known as "Zurich National Life Assurance Co., Ltd.")	100.00	50.00	-	-

	Percentage of shares held by the Company		Percentage of shares held by the subsidiary companies	
	2005	2004	2005	2004
Subsidiary companies indirectly held by the Company				
Thanachart Leasing 2000 Co., Ltd. (Formerly known as "National Leasing 2000 Co., Ltd.")	-	-	99.99	99.99
National Leasing Co., Ltd.	-	-	100.00	100.00

On 1 March 2005, the Company has changed the shareholding structure in Thanachart Life Assurance Co., Ltd. from 50 percent holdings to 100 percent by payment of Baht 250 million to the prior shareholders and the financial statements of such company are included in the consolidated financial statements since the Company has controlled that company. As a result, the consolidated balance sheet as at 31 December 2005 included that company's balance sheet and the consolidated statement of earnings for the year then ended included the operating results of such company since 1 March 2005.

During November 2005, Thanachart Bank has issued the new ordinary shares of 648 million shares to offer to existing shareholders. The Company has exercised right to purchase such ordinary shares including the Company's portion and minority shareholders' portion which does not be exercised of Baht 10 each, totaling Baht 6,478 million. As a result, the shareholding structure in Thanachart Bank has changed from 98.89 percent holdings to 99.36 percent.

Total assets and total income of the subsidiary companies that have significant impact to and are included in the consolidated financial statements as at 31 December 2005 and 2004 and for the years then ended are as follows :-

(Unit : Million Baht)

	Total assets		Total income	
	2005	2004	2005	2004
Thanachart Bank Plc.	108,622	55,922	3,643	2,398
N.F.S. Asset Management Co., Ltd.	11,914	14,231	968	1,575
Thanachart Life Assurance Co., Ltd.	3,180	-	882	-
Thanachart Securities Plc.	3,387	2,535	668	877
Max Asset Management Co., Ltd.	2,048	2,358	247	827

- The consolidated financial statements as at 31 December 2005 and 2004 did not include the financial statements of Glas Haus Building Co., Ltd., which the Company acquired through troubled debt restructuring and intends to hold as a temporary investment. As at the balance sheet date, such investment was valued at zero in the Company's accounts.
- Outstanding balances between the Company and its subsidiary companies, significant intercompany transactions, investments in subsidiary companies as recorded in the Company's and its subsidiary companies' books of accounts, and the shareholders' equity of the subsidiary companies have been eliminated in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards, which are effective under the Accounting Act B.E. 2547 and with reference to the principles stipulated by the Bank of Thailand.

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

3.1 Revenue recognition

a) Interest and discounts on loans

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

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

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

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

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

b) Interest and dividends on investments in securities

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

c) Brokerage fee income

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

d) Interest on loans for purchase of securities

Interest on loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary company ceases accruing interest for certain loans that fall under the conditions set by the Securities Exchange Commission (SEC) under Notification No. Kor. Thor. 33/2543 dated 25 August 2000 as amended by Notification No. Kor. Thor. 5/2544 dated 15 February 2001.

e) Gain (loss) on investments

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

f) Fees and service income

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

g) Insurance/life insurance premium income

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

3.2 Expense recognition

a) Interest expense

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

b) Commission and expenses charged on hire-purchase

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

3.3 Unearned premium/life insurance premium reserve

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

Fire, marine (hull), motors and miscellaneous (except for traveling accident)	- Monthly average basis (the one-twenty fourth basis)
Marine and transportation (cargo)	- Net premium written for the last ninety days
Traveling accident	- Net premium written for the last thirty days

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

(a) Reserve for life insurance policies of over 1 year is determined using the fractional reserve method.

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

3.4 Investments

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

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

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

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

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private sector debt securities is determined using the formula quoted by the BOT, which is based on the yield rate quoted by the Thai Bond Market Association, adjusted by an appropriate risk factor. The fair value of unit trusts is determined based on their net asset value.

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

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

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

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

3.5 Investments in receivables purchased and allowance for impairment

Investments in receivables purchased, which are classified as other investments, are valued at acquisition cost net of allowance for impairment (if any). Loss on impairment of investments is included in determining earnings.

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

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

3.6 Investments in subsidiary and associated companies

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

(discount) of the cost of the investment over (under) the net book value at the acquisition date is amortised over a period of 5-10 years.

Excess of loss of the subsidiary over the investments value is presented as liabilities under the caption "Provision for loss on investments in the subsidiary companies". The Company does not recognise such loss in excess of an investment in a subsidiary received as a result of troubled debt restructuring which will be held temporarily, and to which the Company has no commitment and contingent liabilities.

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

3.7 Loans and receivable

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

3.8 Allowances for doubtful accounts

The Company and its subsidiary companies provide allowances for doubtful accounts in accordance with the notifications of the BOT (except for the classification of receivables, which is to be made by contract according to the BOT, but which the Company and its subsidiary companies have classified by customer, so as to comply with generally accepted accounting principles) or the SEC, as the case may be, and adjust these by the additional amount which is expected not to be collectible, based on the evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

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

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

Allowance for doubtful accounts of other receivables are provided based on the estimated loss that may be incurred in the uncollected receivable which review of current status as at the balance sheet date.

3.9 Troubled debt restructuring

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

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

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

3.10 Property foreclosed

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

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

3.11 Land, premises and equipment and depreciation

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

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

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

Land and premises of an associated company which is engaged in real estate business are presented at their appraisal value. Such accounting policy differs from the Company's policy because the nature of their business differ. The land and premises of an associated company are stated at their appraised value less accumulated depreciation. Depreciation is not provided for land. As at 31 December 2005, surplus from revaluation of assets of the associated company recognised under the equity method and presented as part of shareholders' equity amounts to Baht 540 million.

3.12 Intangible assets and amortisation

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

3.13 Financial lease

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

3.14 Premium due and uncollected

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

3.15 Sales of commercial paper

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

3.16 Loss reserve and outstanding claims

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

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

3.17 Foreign currencies

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

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

3.18 Financial instruments

Financial instruments as presented in the balance sheet comprise cash and deposits with financial institutions, loans to financial institutions, securities purchased under resale agreements, investments, loans and receivable, borrowings and deposits, securities sold under repurchase agreements, trading transactions with securities companies, securities trading payables, liabilities under commercial papers sold, debentures and liabilities payable on demand. The accounting policy for each transaction is separately and individually disclosed.

3.19 Financial derivatives

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

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

Cross currency and interest rate swaps executed for hedging purposes are recorded as off-balance sheet items. Income/expense or gain/loss arising from changes in the fair value of contracts is recorded in line with the income/expense or gain/loss recognised on the underlying assets and liabilities, on an accrual basis.

3.20 Earnings per share

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

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

3.21 Cash and cash equivalents

Cash and cash equivalents represent cash in hand and all types of deposits with banks, except negotiable certificates of deposits.

3.22 Use of accounting estimates

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

4. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Cash	801	217	-	1
Cash at banks - Baht	4,676	1,800	812	817
- Foreign currency	57	-	-	-
Total cash and deposits with financial institutions	5,534	2,017	812	818

5. LOANS TO FINANCIAL INSTITUTIONS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Call loans	87	89	-	-
Term loans	132	307	20	20
Total loans to financial institutions	219	396	20	20
Add: Accrued interest receivable	1	1	-	-
Less: Allowances for doubtful accounts	(43)	(82)	(1)	(1)
Loans to financial institutions-net	177	315	19	19

As at 31 December 2005, a subsidiary company had loans to defunct financial institutions amounting to approximately Baht 42 million for which interest recognition has been ceased and full allowance for doubtful accounts has been provided (2004: Baht 81 million).

In addition, as at 31 December 2005 and 2004, loans to financial institutions of a subsidiary company amounting to approximately Baht 14 million used as collateral with the Insurance Registrar.

6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Government bonds and Bank of Thailand bonds	1,000	-	-	-
Financial Institutions Development Fund bonds	18,700	10,600	7,200	3,200
Total securities purchased under resale agreements	19,700	10,600	7,200	3,200

7. INVESTMENTS

7.1 Classified by type of investments

(Unit : Million Baht)

	Consolidated				The Company Only			
	2005		2004		2005		2004	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Current investments:								
Trading securities								
Government and state enterprise securities	264	264	201	201	-	-	-	-
Domestic marketable equity securities	52	53	8	8	-	-	-	-
	316	317	209	209	-	-	-	-
Add: Allowance for change in value	1		-		-	-	-	-
	317		209		-	-	-	-
Available-for-sale securities								
Government and state enterprise securities	337	337	2,031	2,028	-	-	3	3
Private debt securities	203	204	15	15	-	-	-	-
Domestic marketable equity securities	10	12	58	81	7	9	58	81
	550	553	2,104	2,124	7	9	61	84
Add: Allowance for change in value	3		20		2		23	
	553		2,124		9		84	
Held-to-maturity debt securities-due within 1 year								
Government and state enterprise securities	4,948		4,853		-		30	
Private debt securities	20		-		-		-	
	4,968		4,853		-		30	
Total current investments-net	5,838		7,186		9		114	

(Unit : Million Baht)

	Consolidated				The Company Only			
	2005		2004		2005		2004	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Long-term investments:								
Available-for-sale securities								
Government and state enterprise securities	330	319	974	970	-	-	933	927
Private debt securities	522	509	695	690	-	-	-	-
Domestic marketable equity securities	5,394	5,326	6,748	7,040	1,357	1,390	766	870
	6,246	6,154	8,417	8,700	1,357	1,390	1,699	1,797
Add (less): Allowance for change in value	(92)		283		33		98	
	6,154		8,700		1,390		1,797	
Held-to-maturity debt securities								
Government and state enterprise securities	15,647		18,765		1,004		7,563	
Private debt securities	400		55		-		1	
Foreign debt securities	579		388		-		-	
	16,626		19,208		1,004		7,564	
Less: Allowance for impairment	(344)		(322)		(119)		(93)	
	16,282		18,886		885		7,471	
Other investments								
Investments in receivables purchased	2,008		2,286		546		452	
Investments in property fund	1,259		1,371		-		-	
Domestic non-marketable equity securities	366		393		235		235	
	3,633		4,050		781		687	
Less: Allowance for impairment	(355)		(307)		(111)		(109)	
	3,278		3,743		670		578	
Total long-term investments-net	25,714		31,329		2,945		9,846	

As at 31 December 2005, the Company and its subsidiary companies have a revaluation surplus and deficit amounting to Baht 54 million and Baht 815 million, respectively, as a result of the recategorisation of debt securities, and these are presented in shareholders' equity (the Company Only: Baht 24 million and Baht 153 million, respectively) (2004: outstanding revaluation surplus amounting to Baht 47 million and outstanding revaluation deficit amounting to Baht 887 million in the consolidated financial statements, and a revaluation surplus amounting to Baht 31 million and a revaluation deficit amounting to Baht 296 million in the Company's financial statements).

7.2 Classified by due date of debt securities

(Unit : Million Baht)

	Consolidated							
	2005				2004			
	Maturity				Maturity			
	Not over 1 year	Over 1-5 years	Over 5 years	Total	Not over 1 year	Over 1-5 years	Over 5 years	Total
Trading securities								
Government and state								
enterprise securities	215	49	-	264	201	-	-	201
Add: Allowance								
for change in value	-	-	-	-	-	-	-	-
Total	215	49	-	264	201	-	-	201
Available-for-sale securities								
Government and state								
enterprise securities	327	340	-	667	2,031	971	3	3,005
Private debt securities	203	522	-	725	15	695	-	710
Total	530	862	-	1,392	2,046	1,666	3	3,715
Add (less): Allowance for								
change in value	1	(24)	-	(23)	(3)	(9)	-	(12)
Total	531	838	-	1,369	2,043	1,657	3	3,703
Held-to-maturity debt securities								
Government and state								
enterprise securities	4,948	4,309	11,338	20,595	4,853	4,585	14,180	23,618
Private debt securities	20	374	26	420	-	45	10	55
Foreign debt securities	-	579	-	579	-	388	-	388
Total	4,968	5,262	11,364	21,594	4,853	5,018	14,190	24,061
Less: Allowance for impairment	-	-	(344)	(344)	-	-	(322)	(322)
Total	4,968	5,262	11,020	21,250	4,853	5,018	13,868	23,739
Total debt securities	5,714	6,149	11,020	22,883	7,097	6,675	13,871	27,643

The Company Only								
	2005				2004			
	Maturity				Maturity			
	Not over	Over	Over	Total	Not over	Over	Over	Total
	1 year	1-5 years	5 years		1 year	1-5 years	5 years	
Available-for-sale securities								
Government and state								
enterprise securities	-	-	-	-	3	933	-	936
Less: Allowance for change								
in value	-	-	-	-	-	(6)	-	(6)
Total	-	-	-	-	3	927	-	930
Held-to-maturity debt securities								
Government and state								
enterprise securities	-	473	531	1,004	30	2,109	5,454	7,593
Private debt securities	-	-	-	-	-	-	1	1
Total	-	473	531	1,004	30	2,109	5,455	7,594
Less: Allowance for impairment	-	-	(119)	(119)	-	-	(93)	(93)
Total	-	473	412	885	30	2,109	5,362	7,501
Total debt securities	-	473	412	885	33	3,036	5,362	8,431

7.3 As at 31 December 2005 and 2004, the Company and a subsidiary company have investments of Baht 578 million in government bonds under the conditions of the Ministry of Finance's Tier II capital support scheme. These debt instruments are 10 year government bonds which carrying interest at rates of 2.5 - 4.0 percent per annum (the Company Only: Baht 473 million).

7.4 As at 31 December 2005, long-term investments in held-to-maturity debt securities include Baht 2,411 million of non-transferable, 10 year promissory notes received in relation to the transfer of non-performing loans to Thai Asset Management Corporation ("TAMC") (the Company Only : Baht 531 million) (2004 : Baht 3,001 million in the consolidated financial statements and Baht 567 million in the Company's financial statements). However, the amounts paid in the form of promissory notes may still be increased or reduced after TAMC reviews the prices, appraises the collateral values, or adjusts the prices.

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

As at 31 December 2005, the Company and its subsidiary companies are still unable to estimate the exact amount of such losses. However, the Company and its subsidiary companies have estimated their share of losses which may arise from the management of non-performing assets at approximately Baht 344 million. Such losses have been shown as allowance for impairment under the caption of investments in held-to-maturity debt securities, classified by the type of promissory note (the Company Only: Baht 119 million) (2004: Baht 318 million in the consolidated financial statements and Baht 93 million in the Company's financial statements).

During the year 2005, the Company and its subsidiary companies have recognised interest on TAMC's promissory notes amounting to Baht 26 million and have received payment under promissory notes and interest amounting to Baht 620 million (the Company Only: Baht 5 million and Baht 42 million, respectively).

7.5 As at 31 December 2005, investments of subsidiaries in government and state enterprise bonds of approximately Baht 735 million have been placed as collateral for loans from commercial banks and as security with the Insurance Registrar (2004: Baht 6 million). Moreover, an investment in equity securities in an associated company of Baht 186 million (at cost) (at fair value of Baht 307 million) has been placed as security for liabilities sold under a repurchase agreement in accordance with sales agreement.

7.6 As at 31 December 2005, investments in other equity securities amounting to approximately Baht 34 million, at cost, were received as a result of debt restructuring. The Company and its subsidiary companies are prohibited from selling Baht 20 million of such investments for a period as specified in the agreements. For Baht 14 million of the remaining balance, the debtors have first right to purchase the investments (the Company Only: Baht 10 million which the Company is prohibited from selling for a period as specified in the agreements) (2004: investments of Baht 66 million were prohibited from being sold for a period as specified in the agreements, and the debtors had first right to purchase the investments of Baht 4 million in the consolidated financial statements, and Baht 10 million in the Company's financial statements was prohibited from being sold for a period as specified in the agreements).

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

Name	Nature of business	Consolidated			
		2005		2004	
		Net book value	Percentage of holding	Net book value	Percentage of holding
		Million Baht	%	Million Baht	%
<u>Manufacturing and commercial industries</u>					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	266	19.59	333	16.32
Siam Press Management Co., Ltd.	Publishing	-	-	-	15.00
Burapa Steel Industry Co., Ltd.	Production and distribution of steel bar	-	11.43	-	11.43
Siam V.M.C. Safety Glass Co., Ltd.	Production and distribution of safety glass	-	10.21	-	10.21
NEP Realty and Industry Plc.	Packaging (Jute sack)	62	15.04	111	19.18

Name	Nature of business	Consolidated			
		2005		2004	
		Net	Percentage	Net	Percentage
		book value	of holding	book value	of holding
		Million Baht	%	Million Baht	%
<u>Public utilities and services</u>					
Maxwin Property Co., Ltd.	Service Apartment	-	10.00	-	10.00
<u>Property development and construction</u>					
HTR Corporation Limited	Office building and property development	20	19.10	20	19.10
Prosperity Industrial Estate Co., Ltd.	Property development	17	18.49	17	18.49
RNS Holding Co., Ltd.	Property development	-	19.50	-	19.50
Preecha Group Plc.	Property development	-	10.71	-	10.71
<u>Others</u>					
Saturn International Management Inc.	Holding	-	12.64	-	12.64
Saturn Inc.	Joint venture	-	12.49	-	12.49
The Thai Business Fund 3 ⁽¹⁾	Unit trusts-property fund	577	26.67	648	26.67
Sub Thawee Property Fund ⁽¹⁾	Unit trusts-property fund	277	56.00	280	56.00
Thai Pattana Fund 1 ⁽¹⁾	Unit trusts-property fund	220	20.00	238	20.00
Nasset Poon Phol (Auto Redemption) Fund ⁽¹⁾	Unit trusts-debt securities	-	-	71	41.56
Thanasarn Open-Ended Fund ⁽¹⁾	Unit trusts-debt securities	903	80.88	1,653	89.56
Thanachart Tuntawee 1 ⁽¹⁾	Unit trusts-equity and debt securities	405	99.28	225	99.05
Thanachart Tuntawee 3 ⁽¹⁾	Unit trusts-debt securities	491	99.88	1,495	99.99
Thanachart Tuntawee 4 ⁽¹⁾	Unit trusts-debt securities	818	97.33	1,948	99.48
Thirasombat Open-Ended Fund	Unit trusts-debt securities	-	-	63	18.52
N-SET Fund	Unit trusts-equity securities	109	14.54	99	10.79
Nasset Big Cap Long Term Equity Fund ⁽¹⁾	Unit trusts-equity securities	62	15.70	57	30.81
Nasset Long Term Equity Dividend Fund ⁽¹⁾	Unit trusts-equity securities	34	16.39	31	22.83
Thanachart Cash Management Mutual Fund ⁽¹⁾	Unit trusts-debt securities	152	24.29	-	-

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

Name	Nature of business	The Company Only			
		2005		2004	
		Net	Percentage	Net	Percentage
		book value	of holding	book value	of holding
		Million Baht	%	Million Baht	%
<u>Manufacturing and commercial industries</u>					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	133	9.79	200	9.79
<u>Property development and construction</u>					
HTR Corporation Limited	Office building and property development	20	10.00	20	10.00
Prosperity Industrial Estate Co., Ltd.	Property development	10	8.44	10	8.44
RNS Holding Co., Ltd.	Property development	-	19.50	-	19.50
Preecha Group Plc.	Property development	-	10.71	-	10.71
<u>Others</u>					
Thanachart Tuntawee 1 ⁽¹⁾	Unit trusts - equity and debt securities	116	28.55	112	49.50
Nasset Poon Phol (Auto Redemption) Fund ⁽¹⁾	Unit trusts - debt securities	-	-	71	41.56
Nasset Big Cap Long Term Equity Fund ⁽¹⁾	Unit trusts - equity securities	57	14.27	51	28.01
Nasset Long Term Equity Dividend Fund	Unit trusts - equity securities	28	13.66	26	19.03

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

7.8 Investments in receivables purchased

Investments in receivables purchased are loans receivable purchased through bids from local financial institutions. The outstanding balances of loans receivable as at 31 December 2005 and 2004 can be summarised as follow:-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Investments in receivables	2,008	2,286	546	452
Less : Allowance for impairment	(239)	(190)	(20)	(18)
Investments in receivables - net	1,769	2,096	526	434

	2005				2004			
	Number	Balance	Purchase	Yield	Number	Balance	Purchase	Yield
	of	per			of	per		
	debtors	agreement	price		debtors	agreement	price	
		Million Baht	Million Baht	Percent		Million Baht	Million Baht	Percent
Consolidated								
Total accumulated investments in receivables	1,578	29,404	6,386	6.50 - 18.97	1,368	28,554	6,091	6.50 - 18.97
Outstanding investments in receivables as at the balance sheet date	1,069	12,398	2,008		928	12,250	2,286	
The Company Only								
Total accumulated investments in receivables	622	4,559	797	12.43 - 18.97	412	3,709	501	13.85 - 18.97
Outstanding investments in receivables as at the balance sheet date	543	4,068	546		365	3,436	452	

During the year 2005, the Company and its subsidiary companies have restructured loans with a total of 51 troubled receivables with book balances before restructuring totaling approximately Baht 216 million (the Company Only: 33 debtors with book balances before restructuring of Baht 141 million), by means of various types of restructuring with loss on debt restructuring of Baht 1 million, as summarised below:-

Pattern of restructuring		Outstanding loan	Outstanding loan		Fair value of assets to be
	Number of	balance before	balance after	Type of assets	transferred per
	receivables	restructuring	restructuring	to be transferred	agreements
		Million Baht	Million Baht		Million Baht
<u>Consolidated</u>					
Transfer of assets	3	8	8	Land and premises thereon	25
Modification of terms	36	68	67		
Transfer of assets and/or securities and/or modification of terms	12	140	140	Land and premises thereon	172
Total	51	216	215		
<u>The Company Only</u>					
Modification of terms	24	26	26		
Transfer of assets and/or securities and/or modification of terms	9	115	115	Land and premises thereon	149
Total	33	141	141		

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

Periods	Consolidated		The Company Only	
	Number of receivables	Outstanding loan	Number of receivables	Outstanding loan
		balances		balances
		after restructuring		after restructuring
		Million Baht		Million Baht
Past due after debt restructuring	4	14	2	7
Due within 2005	40	179	29	134
Less than 5 years	5	22	2	-
5-10 years	2	-	-	-
Total	51	215	33	141

Investments in receivables which are restructured, are transferred to the loans and receivable account on the debt restructuring agreement executed day, in accordance with the BOT regulations. They are transferred at their book value, which is held to be fair value. Therefore, as at 31 December 2005, there were no restructured receivables outstanding in the balance of investments in receivables.

7.9 As at 31 December 2005 and 2004, investments in securities of the Company and its subsidiary companies, which are financial institutions (bank business and asset management business), include investments in securities of companies with weak financial positions and poor operating results as summarised below:-

	Consolidated							
	Number of transactions		Cost		Fair value		Allowance for possible loss / impairment provided in the accounts	
	2005	2004	2005	2004	2005	2004	2005	2004
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Debt instruments - debentures / bills of exchange								
1. Companies which have loan settlement problems or have defaulted the repayment on debts	-	1	-	9	-	5	-	4
Equity securities - common shares								
1. Listed companies vulnerable to delisting from the SET	3	6	-	6	-	2	-	4
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	4	4	-	-	-	-	-	-
3. Companies which have loan settlement problems or have defaulted the repayment of debts	2	2	1	1	1	1	-	-
4. Companies whose auditors' reports cited going concern issues	15	13	144	144	45	45	99	99
Investments in receivables								
1. Closed financial institutions	10	9	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	2	4	38	49	38	38	-	11
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	7	7	7	7	-	-
4. Companies which have loan settlement problems or have defaulted the repayment of debts	359	345	1,243	1,337	1,564	1,271	164	119
5. Companies whose auditors' reports cited going concern issues	5	2	6	12	5	12	1	-

The Company Only								
	Number of transactions		Cost		Fair value		Allowance for possible loss / impairment provided in the accounts	
	2005	2004	2005	2004	2005	2004	2005	2004
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Debts instruments-debentures/ bills of exchange</u>								
1. Companies which have loan settlement problems or have defaulted the repayment of debts	-	1	-	1	-	-	-	1
<u>Equity securities-common shares</u>								
1. Listed companies vulnerable to delisting from the SET	1	1	-	-	-	-	-	-
2. Companies which have loans settlement problems or have defaulted the repayment of debts	1	1	1	1	1	1	-	-
3. Companies whose auditors' reports cited going concern issues	7	7	113	113	35	35	78	78
<u>Investments in receivables</u>								
1. Closed financial institutions	7	7	-	-	-	-	-	-
2. Companies which have loan settlement problems or have defaulted the repayment of debts	154	127	288	289	285	285	3	4
3. Companies whose auditors' reports cited going concern issues	2	-	-	-	-	-	-	-

8. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES

8.1 As at 31 December 2005 and 2004, the Company and its subsidiary companies have the following investments in subsidiary and associated companies:-

(Unit : Million Baht)

Company's name	Nature of business	Paid-up share capital		Percentage of holding (%)		Investment value				Dividend income for the years ended 31 December	
						Cost method		Equity method ⁽¹⁾			
		2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
<u>Subsidiary companies directly held by the Company</u>											
Thanachart Bank Plc.	Bank business	14,584	8,102	99.36	98.89	16,181	9,703	15,180	8,355	200	200
N.F.S. Asset Management Co., Ltd.	Non-performing assets management	1,000	1,000	100.00	100.00	1,000	1,000	429	(150)	-	-

(Unit : Million Baht)

Company's name	Nature of business	Paid-up share capital		Percentage of holding (%)		Investment value				Dividend income for the years ended 31 December	
		2005	2004	2005	2004	Cost method		Equity method ⁽¹⁾		2005	2004
						2005	2004	2005	2004		
Max Asset Management Co., Ltd.	Non-performing assets management	572	572	58.45	58.45	334	334	768	736	-	-
Thanachart Securities Plc.	Securities business	1,500	1,500	100.00	100.00	1,500	1,500	2,271	2,233	-	743
Thanachart Insurance Co., Ltd.	Non-life insurance	300	300	70.00	70.00	210	210	275	268	-	-
Pasara Co., Ltd.	Cease operation	30	30	100.00	100.00	181	181	141	136	-	-
Thanachart Fund Management Co., Ltd.	Fund management	100	100	75.00	75.00	113	113	130	149	45	37
N.F.S. Capital Co., Ltd.	Cease operation	100	100	100.00	100.00	100	100	109	107	-	-
Thiravanit Co., Ltd.	Cease operation	6	6	99.90	99.90	34	34	11	17	-	-
Sinkahakarn Co., Ltd.	Cease operation	25	25	95.12	95.12	20	20	43	40	-	-
Bangkok Home Co., Ltd.	Cease operation	15	15	99.87	99.87	46	46	15	15	-	-
Thanachart Group Leasing Co., Ltd.	Leasing and hire purchase	360	360	100.00	100.00	360	360	439	431	-	-
Thanachart Management and Services Co., Ltd.	Services	6	6	100.00	100.00	8	8	6	14	-	-
Thanachart Legal and Appraisal Co., Ltd.	Legal services	10	10	100.00	100.00	10	10	11	10	-	-
Thanachart Property Fund 6	Non-performing assets management	900	900	99.80	99.80	898	898	862	902	-	-
Thanachart SPV 01	Not yet operate	2	2	100.00	100.00	2	2	2	2	-	-
Thanachart Life Assurance Co., Ltd.	Life-insurance	500	-	100.00	-	500	-	628	-	-	-
Subsidiary companies directly held by the Company-exclude from consolidation											
Glas Haus Building Co., Ltd.	Office building rental	195	195	100.00	100.00	-	-	-	-	-	-
Less: Investment in an associated Company (MBK Plc.) held by subsidiary companies						(681)	(629)	(1,191)	(1,175)	-	-
						20,816	13,890	20,129	12,090	245	980
Associated companies directly and indirectly held by the Company											
Thanachart Life Assurance Co., Ltd.	Life-insurance	-	500	-	50.00	-	250	-	232	-	-
MBK Plc.	Property rental, hotel and services	2,000	2,000	19.23	18.28	992	940	1,650	1,526	127	111
Puen Pob Paet Co., Ltd.	Clinic	1	1	28.50	28.50	-	-	1	1	-	-
						992	1,109	1,651	1,759	127	111
						21,808	15,080	21,780	13,849	372	1,091
Add: Provision for loss on investment in subsidiary companies presented as liabilities						-	-	-	150		
Total						21,808	15,080	21,780	13,999		

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

- 8.2 The consolidated financial statements as at 31 December 2005 and 2004 did not include the financial statements of Glas Haus Building Co., Ltd., as the Company intends to hold such subsidiary company as a temporary investment. The Company has no outstanding guarantees or commitments to give financial support to such company and the investment is therefore recorded at cost, with a full provision (of approximately Baht 0.2 million). As at 31 December 2005, based on financial statements prepared by management, such subsidiary company has total assets of approximately Baht 161 million, total liabilities of Baht 483 million and a capital deficit of Baht 322 million (2004: total assets of Baht 167 million, total liabilities of Baht 500 million and a capital deficit of Baht 333 million).
- 8.3 The share of profit of an associated company recognised in the current year (MBK Plc.) is determined based on financial statements of that associated company prepared for a different period, as a result of limitations on the availability of information. Share of profit for the current year amounting to Baht 197 million (or at 6.3 percent of consolidated and the Company's net earnings) is determined based on the financial statements of such company for the year ended 30 September 2005, prepared by management of the Company and with reference to the financial statements of that associated company which are audited/reviewed by another auditors (2004: share of profit of Baht 191 million or at 6.4 percent).
- 8.4 The consolidated balance sheet and statement of earnings for the year ended 31 December 2005 included assets of a subsidiary company (Thanachart Life Assurance Co., Ltd.) amounting to Baht 3,180 million and income of Baht 882 million and net earnings of Baht 113 million of such subsidiary for the period as from 1 March 2005, the date that holding structure has been changed to be 100 percent. The auditor of the subsidiary company issued a report on its financial statements with regard to the effect to the financial statements of any adjustments which might be required as a result of a scope limitation imposed on the audit of insurance income and related expenses. However, the Company's management believes that there is no material impact to the Company's financial statements as a whole.
- 8.5 Cash flow information of asset management companies which are subsidiary companies**

Cash flow information of asset management companies which are subsidiary companies for the years ended 31 December 2005 and 2004 are as follows:-

(Unit : Million Baht)

	N.F.S. Asset Management Co., Ltd.		Max Asset Management Co., Ltd.	
	2005	2004	2005	2004
Cash flows from operating activities:				
Net earnings	574	283	73	498
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:-				
Gain on assets transferred from investments in receivables/loans and receivable	(33)	(200)	(25)	(168)
Loss on diminution in value of investments in receivables (reversal of loss)	1	(2)	(5)	(77)
Bad debts and doubtful accounts (reversal)	(699)	626	(4)	(17)
Loss on debt restructuring	259	-	-	-
Loss on diminution in value of property foreclosed	34	32	12	3
Gain on disposal of property foreclosed	(49)	(23)	(32)	(88)
Gain on disposal of investments	(28)	(75)	(5)	(12)
Increase (decrease) in corporate income tax payable	40	(36)	(126)	82
Others	(76)	12	(10)	1
Earnings (loss) from operating activities before changes in operating assets and liabilities	23	617	(122)	222
Decrease (increase) in operating assets				
Investments in receivables	15	8	14	-
Loans and receivable	1,087	1,966	64	279
Property foreclosed	241	331	28	125
Other assets	(5)	(23)	(7)	(4)
Increase (decrease) in operating liabilities				
Other liabilities	(17)	30	1	6
Net cash flows provided from (used in) operating activities	1,344	2,929	(22)	628
Cash flows from investing activities:				
Decrease (increase) in loans to financial institutions	1,865	10	248	(224)
Cash paid for purchase fixed asset	-	-	(1)	-
Cash received from sales (purchase) of investments	1,597	(908)	5	26
Net cash flows provided from (used in) investing activities	3,462	(898)	252	(198)
Cash flows from financing activities:				
Repayment of borrowings from banks and financial institutions	(4,824)	(2,000)	(367)	(123)
Repayment of borrowings from public	-	-	(73)	-
Net cash flows used in financing activities	(4,824)	(2,000)	(440)	(123)
Net increase (decrease) in cash and cash equivalents	(18)	31	(210)	307
Cash and cash equivalents at beginning of the year	112	81	316	9
Cash and cash equivalents at end of the year	94	112	106	316

9. LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE

9.1 Classified by loan types

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Finance business loans and receivable</u>				
Loans	34,255	35,526	2,263	2,849
Notes receivable	3,944	2,832	915	15,075
Hire-purchases receivable	121,251	88,874	79,937	88,699
Financial leases receivable	916	729	-	92
Total finance business loans and receivable	160,366	127,961	83,115	106,715
Add: Accrued interest receivable	238	144	37	52
Less: Allowance for doubtful accounts	(6,594)	(7,128)	(3,245)	(3,589)
Less: Revaluation allowance for debt restructuring	(189)	(254)	-	-
Finance business loans and receivable and accrued interest receivable-net	153,821	120,723	79,907	103,178
<u>Securities business receivable</u>				
Customer's accounts	867	598	-	-
Margin loans	1,167	795	-	-
Other receivables	322	437	-	-
Total securities business receivable	2,356	1,830	-	-
Add: Accrued interest receivable	1	8	-	-
Less: Allowance for doubtful accounts	(320)	(434)	-	-
Securities business receivable and accrued interest receivable-net	2,037	1,404	-	-
Loans, receivable and accrued interest receivable-net	155,858	122,127	79,907	103,178

During the year 2005, the Company and its subsidiary companies transferred 51 investments in purchased receivables, which had been restructured, totaling Baht 215 million (the Company Only: transferred 33 investments in purchased receivables amounting to Baht 141 million) and 1 investments in purchased receivable, which is negotiating to extend the repayment schedule, totaling of Baht 2 million to loans and receivable, in accordance with the BOT's guidelines.

In addition, during the year 2005, the Company transferred performing loans, excluding hire-purchase receivables, welfare loans and consumer loans, to Thanachart Bank at a transfer price of Baht 535 million, equal to the balance of principal and outstanding interest.

9.2 Classified by remaining period of contract

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Loans and receivable				
At call*	7,186	7,863	347	365
Not over 1 year	10,618	7,891	3,602	18,210
Over 1 year	145,659	114,893	79,203	88,192
Total loans, receivable and accrued interest receivable	163,463	130,647	83,152	106,767
Less: Intercompany profits from loans and receivable transferred	(502)	(704)	-	-
Total loans, receivable and accrued interest receivable	162,961	129,943	83,152	106,767

* Include expired contracts

9.3 Classified by currency and country

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Baht				
- Local	163,014	130,647	83,152	106,767
- Foreign	442	-	-	-
Dollar-Local	7	-	-	-
Total loans, receivable and accrued interest receivable	163,463	130,647	83,152	106,767
Less: Intercompany profits from loans and receivable transferred	(502)	(704)	-	-
Total loans, receivable and accrued interest receivable	162,961	129,943	83,152	106,767

9.4 Classified by type of business and loan classification

(Unit : Million Baht)

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

(Unit : Million Baht)

	Consolidated					
	2004					
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	78	7	-	-	14	99
Manufacturing and commerce	4,902	228	202	677	1,129	7,138
Real estate and construction	2,338	-	499	138	2,032	5,007
Public utilities and services	8,013	10	1,534	35	1,109	10,701
Hire purchase business	466	-	-	-	-	466
Personal use						
Housing loans	10,638	378	163	95	550	11,824
Securities	1,396	-	25	-	418	1,839
Hire purchase	81,483	6,337	500	246	308	88,874
Others	1,996	73	55	34	195	2,353
Others	1,160	-	132	114	940	2,346
Total loans, receivable and accrued interest receivable	112,470	7,033	3,110	1,339	6,695	130,647
Less: Intercompany profits from loans and receivable transferred						(704)
Total loans, receivable and accrued interest receivable						129,943

(Unit : Million Baht)

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

(Unit : Million Baht)

	The Company Only					
	2004					
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiary-asset management and leasing companies	15,575	-	-	-	-	15,575
Agricultural and mining	-	6	-	-	-	6
Manufacturing and commerce	308	225	9	17	10	569
Real estate and construction	30	-	240	-	6	276
Public utilities and services	105	7	-	-	-	112
Personal use						
Housing loans	634	62	35	1	1	733
Hire purchase	81,318	6,332	499	246	304	88,699
Others	708	47	18	15	9	797
Total loans, receivable and accrued interest receivable	98,678	6,679	801	279	330	106,767

9.5 Non-performing loans

As at 31 December 2005 and 2004, the Company and its subsidiary companies engaging in financial businesses (bank and asset management) have non-performing loans and receivable, classified in accordance with the BOT's regulations (debtors classified as substandard, doubtful, doubtful of loss and loss) as follow:-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Non-performing loans and receivable (excluding accrued interest receivable)				
Finance business	1,498	1,409	1,498	1,409
Banking business	3,582	2,622	-	-
Asset management business	4,643	6,602	-	-

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

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

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Finance business	1,944	1,349	1,944	1,349
Bank business	1,750	1,827	-	-
Securities business	319	435	-	-

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

9.6 Unearned income

As at 31 December 2005 and 2004, unearned income are summarised as follows:-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Unearned interest income	132	485	-	-
Unearned income from hire purchase/financial lease	15,254	10,724	8,414	10,635

9.7 Troubled Debt Restructuring

During the year 2005, the Company and its subsidiary companies which are financial institutions (bank, securities company and asset management companies) have entered into debt restructuring agreements with a total of 296 debtors, with total outstanding balances before restructuring amounting to approximately Baht 3,516 million, (of these 116 debtors, representing a total outstanding balances before restructuring amounting to approximately Baht 2,465 million, had previously entered into debt restructuring agreements but were unable to make repayment, and therefore entered into new debt restructuring agreements during the year) excluding debt restructuring agreements with debtors

included under the investments in receivables account. In the course of such restructuring, losses amounting to Baht 385 million were incurred (losses amounting to Baht 198 million from hair-cuts granted at the restructuring date) (the Company Only: 4 debtors, with balances before debt restructuring of Baht 273 million without any loss on debt restructuring).

Type of restructuring	Number of receivables	Outstanding loan balance before restructuring ⁽¹⁾ Million Baht	Outstanding loan balance after restructuring ⁽¹⁾ Million Baht	Type of assets to be transferred	Value of assets to be transferred per agreements Million Baht
Consolidated					
Transfer of assets	11	124	94	Land and premises thereon	114
Transfer equity securities	1	113	9	Ordinary shares	9
Modification of terms	247	1,860	1,816		
Transfer of assets and/or equity securities and/or modification of terms	37	1,419	1,399	Ordinary shares, land and premises thereon	804
Total	296	3,516	3,318		
The Company Only					
Modification of terms	4	273	273		
Total	4	273	273		

⁽¹⁾ Outstanding balance includes both principal and interest receivable

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

Periods	Consolidated		The Company Only	
	Number of receivables	Outstanding loan balances after restructuring	Number of receivables	Outstanding loan balances after restructuring
		Million Baht		Million Baht
Past due after debt restructuring	46	853	-	-
Due within 2005	168	1,435	-	-
Less than 5 years	45	637	2	244
5-10 years	29	330	1	12
10-15 years	5	57	1	17
More than 15 years	3	6	-	-
Total	296	3,318	4	273

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

(Unit : Million Baht)

	Consolidated	The Company Only
Interest income recognised in statements of earnings	678	18
Gain on debt repayment recognised in statements of earnings	333	16
Loss on debt restructurings recognised in statements of earnings	430	-
Gain on transfers of assets for debt repayment recognised in statements of earnings	82	34
Cash proceeds from collection of debts	2,535	59
Assets transferred from debtors	985	149

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

Additionally, as at 31 December 2005, the subsidiary companies have outstanding balance of assets which are to be transferred under debt restructuring agreements totaling Baht 531 million.

As at 31 December 2005, the Company and its subsidiary companies have the following restructured receivables balance (principal and interest receivable), including the restructuring debtors who transferred from investments in receivables as follows:-

	Total number of outstanding receivables	Restructured receivables		
		Number of receivables	Outstanding loans balance	Outstanding loans balance, net of collateral
			Million Baht	Million Baht
National Finance Plc.	318,153	12	325	32
Thanachart Bank Plc.	122,684	297	3,085	648
N.F.S. Asset Management Co., Ltd.	1,663	383	1,607	680
Max Asset Management Co., Ltd.	101	101	577	128
Thanachart Securities Plc.	1,622	1	1	1

9.8 As at 31 December 2005 and 2004, the Company has loans to the companies in the Thanachart Group, as follows:-

Company	Type of credit	Contract period	Interest rate	Outstanding balance	
				2005	2004
				Million Baht	Million Baht
N.F.S. Asset Management Co., Ltd.	Promissory note	5 years, maturing August 2005	1 year fixed deposit rate plus 1% per annum	-	13,824
Max Asset Management Co., Ltd.	Long-term loan	5 years, maturing August 2010 (2004: 5 years, maturing August 2005)	fixed at 11.51% per annum	708	1,075
National Leasing Co., Ltd.	Promissory note	5 years (maturing August 2008)	1 year fixed deposit rate plus 1% per annum	900	634
Total				1,608	15,533

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

As at 31 December 2005 and 2004, the Company and its subsidiary companies, which are financial institutions (bank business and asset management business), classified and made allowances against their loans and receivable in accordance with the Bank of Thailand's guidelines as summarised below:-

(Unit : Million Baht)

	Consolidated ⁽¹⁾								
						Allowance for doubtful accounts			
					Minimum percentage required by BOT ⁽²⁾	Minimum amount to be provided		Amount provided	
	Debt balance/ book value	Debt balance after collateral	Debt balance/ book value	Debt balance after collateral		under BOT's guidelines	under BOT's guidelines	in the accounts	in the accounts
	2005	2004	2005	2004		2005	2004	2005	2004
<u>Loans, receivable and accrued interest receivable (including loans to financial institutions) ⁽³⁾</u>									
Normal	137,636	109,208	116,844	87,801	1	1,168	878	2,579	2,521
Special mention	10,290	7,022	9,645	6,402	2	193	128	193	128
Substandard	1,553	1,141	576	585	20	115	117	115	117
Doubtful	1,119	1,178	419	608	50	210	304	210	304
Doubtful of loss	2,442	1,757	1,045	516	100	1,045	516	1,045	516
Total	153,040	120,306	128,529	95,912		2,731	1,943	4,142	3,586
Additional allowance for possible uncollectable debts	-	-						693	1,106
	153,040	120,306						4,835	4,692
<u>Loans and receivable of N.F.S. Asset Management Co., Ltd., which transferred from Thanachart Group</u>									
Normal	882	967	574	615	1	8	6	278	311
Special mention	57	-	2	-	2	-	-	-	-
Substandard	1,479	1,855	38	300	20	8	60	451	649
Doubtful	67	141	2	22	50	1	11	1	22
Doubtful of loss	2,720	3,947	711	1,136	100	711	1,136	764	1,212
Total	5,205	6,910	1,327	2,073		728	1,213	1,494	2,194
Additional allowance for possible uncollectable debts	-	-						33	33
	5,205	6,910						1,527	2,227
Total	158,245	127,216							
Revaluation allowance for debt restructuring	(189)	(254)							
Less: Intercompany gain	(502)	(704)							
Total	157,554	126,258							

(Unit : Million Baht)

	Consolidated ⁽¹⁾											
					Allowance for doubtful accounts							
					Minimum percentage required by BOT ⁽²⁾				Minimum amount to be provided			
									under BOT's guidelines		Amount provided in the accounts	
	Debt balance/ book value		Debt balance after collateral									
2005	2004	2005	2004		2005	2004	2005	2004				
Investments in receivables												
transferred to loans and receivable												
Normal	74	100	38	40	1	-	-	5	7			
Special mention	156	-	1	-	2	-	-	4	-			
Substandard	61	89	15	16	20	3	3	20	21			
Doubtful	9	19	3	5	50	2	3	3	10			
Doubtful of loss	344	568	111	122	100	111	122	159	157			
Total	644	776	168	183		116	128	191	195			
Total loans, receivable and accrued interest	158,198	127,034						6,553	7,114			

⁽¹⁾ Only the Company and those subsidiary companies overseen by the BOT.⁽²⁾ The provisioning rates required by the BOT's guidelines for loan balances net of collateral value.⁽³⁾ Debt balance/book value of normal and special mention loans excluding accrued interest receivable.

(Unit : Million Baht)

	The Company Only											
					Allowance for doubtful accounts							
					Minimum percentage required under BOT's guidelines							
									Minimum amount to be provided			
									Amount provided in the accounts			
Debt balance/ book value		Debt balance after collateral		required by BOT ⁽¹⁾								
2005	2004	2005	2004		2005	2004	2005	2004				
<u>Loans, receivable and accrued interest (including loans to financial institutions) ⁽²⁾</u>												
Normal	72,664	98,614	72,113	97,716	1 ⁽³⁾	705	822	2,115	2,465			
Special mention	8,949	6,678	8,641	6,376	2	173	127	173	127			
Substandard	467	801	454	536	20	91	107	91	107			
Doubtful	375	279	359	278	50	179	139	179	139			
Doubtful of loss	645	330	620	314	100	620	314	620	314			
Total	83,100	106,702	82,187	105,220		1,768	1,509	3,178	3,152			
Additional allowance for possible uncollectable debts	-	-						66	436			
Total	83,100	106,702						3,244	3,588			

(Unit : Million Baht)

	The Company Only												
						Allowance for doubtful accounts							
						Minimum percentage required under BOT's guidelines							
										Minimum amount to be provided			
										Amount provided in the accounts			
Debt balance/ book value		Debt balance after collateral		required by BOT ⁽¹⁾									
2005	2004	2005	2004		2005	2004	2005	2004					
<u>Investments in receivables</u>													
<u>transferred to loans and</u>													
<u>receivable</u>													
Normal	24	34	24	25	1	-	-	1	1				
Substandard	2	-	-	-	20	-	-	-	-				
Doubtful of loss	9	-	-	-	100	-	-	-	-				
Total	35	34	24	25		-	-	1	1				
Total loans, receivable and													
accrued interest	83,135	106,736						3,245	3,589				

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

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

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

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

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

Consolidated								
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2005	2004	2005	2004	2005	2004	2005	2004
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Closed financial institutions	4	4	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	4	4	45	222	76	197	28	36
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	26	32	1,105	1,097	1,435	1,837	75	51
4. Companies which have loan settlement problems or have defaulted of the repayment of debts	387	378	3,847	4,780	4,897	5,300	712	1,281
5. Companies whose auditors' reports cited going concern issues	19	17	219	215	205	27	119	73

The Company Only								
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2005	2004	2005	2004	2005	2004	2005	2004
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	240	15	310	23	-	-
2. Companies which have loan settlement problems or have defaulted of the repayment of debts	197	174	137	365	-	236	86	62
3. Companies whose auditors' reports cited going concern issues	1	-	43	-	-	-	1	-

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

As at 31 December 2005 and 2004, a subsidiary company operating in the securities business classified its securities business receivable and accrued interest receivable and provided related allowance for doubtful accounts in accordance with the notification of the Office of the Securities and Exchange Commission (SEC) as follows:-

(Unit : Million Baht)

	Receivable and accrued interest receivable		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	2005	2004	2005	2004	2005	2004
Doubtful	310	418	310	418	310	418
Substandard	10	25	-	-	-	-
Total	320	443	310	418	310	418
General reserve					10	16
Total allowance for doubtful accounts					320	434

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

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

As at 31 December 2005 and 2004, hire-purchase and financial lease receivable of three subsidiary companies engaged in hire-purchase and financial lease businesses are classified by the due date of the contracts as follows:-

(Unit : Million Baht)

	2005	2004
Current or overdue less than 90 days	2,071	804
Overdue 91-365 days	36	1
Overdue more than 1 year	2	2
Debtors under legal actions	8	4
Total	2,117	811
Allowance for doubtful accounts	42	14

10. ALLOWANCE FOR DOUBTFUL ACCOUNTS

(Unit : Million Baht)

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

(Unit : Million Baht)

	Consolidated						
	For the year ended 31 December 2004						
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	General reserve	Total
Balance-beginning of the year	2,271	89	64	878	1,383	1,423	6,108
Add: Increase (decrease) during the year	576	39	734	(509)	949	(260)	1,529
Bad debt recovery	-	-	-	-	3	-	3
Transferred from allowance for impairment of investments to loans	-	-	-	-	-	15	15
Less: Loss from hair-cut	-	-	-	-	-	(39)	(39)
Reversal from the disposals of loans and receivable	-	-	(12)	(14)	-	-	(26)
Transferred to revaluation allowance for debt restructuring	-	-	-	(19)	(9)	-	(28)
Balance-end of the year	2,847	128	786	336	2,326	1,139	7,562

(Unit : Million Baht)

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

(Unit : Million Baht)

	The Company Only						
	For the year ended 31 December 2004						
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	General reserve	Total
Balance-beginning of the year	1,767	73	43	61	118	537	2,599
Add: Increase (decrease) during the year	699	54	64	78	194	(101)	988
Bad debt recovery	-	-	-	-	2	-	2
Balance-end of the year	2,466	127	107	139	314	436	3,589

11. REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING

(Unit : Million Baht)

	Consolidated		The Company Only	
	For the year ended		For the year ended	
	31 December		31 December	
	2005	2004	2005	2004
Balance-beginning of the year	254	295	-	2
Add: Increase (decrease) during the year	8	6	-	(2)
Allowance for revaluation adjustment for receivable transferred from allowances for doubtful accounts	-	28	-	-
Less: Amortised during the year	(73)	(75)	-	-
Balance-end of the year	189	254	-	-

12. CLASSIFICATION OF ASSETS

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

(Unit : Million Baht)

	Consolidated									
	Loans, receivable and accrued interest receivable		Investments		Property foreclosed		Other assets		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Normal	138,592	110,275	-	-	-	-	50	48	138,642	110,323
Special mention	10,503	7,022	-	-	-	-	46	31	10,549	7,053
Substandard	3,093	3,085	-	-	-	-	4	4	3,097	3,089
Doubtful	1,195	1,338	-	-	-	-	5	4	1,200	1,342
Doubtful of loss	5,506	6,272	891	738	724	659	568	290	7,689	7,959
Total	158,889	127,992	891	738	724	659	673	377	161,177	129,766
Less: Revaluation allowance for debt restructuring	(189)	(254)								
Intercompany gain from loans and receivable transferred	(502)	(704)								
	158,198	127,034								

(Unit : Million Baht)

	The Company Only									
	Loans, receivable and accrued				Property					
	interest receivable		Investments		foreclosed		Other assets		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Normal	72,688	98,648	-	-	-	-	41	47	72,729	98,695
Special mention	8,949	6,678	-	-	-	-	43	31	8,992	6,709
Substandard	469	801	-	-	-	-	3	3	472	804
Doubtful	375	279	-	-	-	-	5	2	380	281
Doubtful of loss	654	330	274	229	356	344	538	261	1,822	1,164
Total	83,135	106,736	274	229	356	344	630	344	84,395	107,653

13. PROPERTY FORECLOSED

(Unit : Million Baht)

For the year ended 31 December 2005								
	Consolidated			The Company Only				
	Balance - beginning of			Balance - end of		Balance - beginning of		Balance - end of
	the year	Additions	Disposals	the year	the year	Additions	Disposals	the year
Assets transferred in settlement of debts								
Immovable assets	6,802	934	(676)	7,060	3,329	160	(276)	3,213
Movable assets	187	1,220	(1,155)	252	122	1,196	(1,090)	228
Assets foreclosed from purchase by bid on the open market								
Immovable assets	959	729	(130)	1,558	54	126	(5)	175
Total property foreclosed	7,948	2,883	(1,961)	8,870	3,505	1,482	(1,371)	3,616
Less: Allowance for impairment	(659)	(178)	112	(725)	(344)	(76)	64	(356)
Property foreclosed-net	7,289	2,705	(1,849)	8,145	3,161	1,406	(1,307)	3,260

As at 31 December 2005, the Company and the subsidiary companies have obligations with regard to property foreclosed received in settlement of debts. For Baht 7 million, the debtors have an option to buy back the properties at prices and within periods specified in the agreements. For a further Baht 423 million, the debtors have first right of purchase (the Company Only: Baht 120 million).

As at 31 December 2005, for a further approximately Baht 558 million (at cost) of the property foreclosed of the Company and its subsidiary companies (the Company Only: Baht 258 million), sales agreements have been made with customers, but the payment of installments or the transfer of ownership rights is still in progress. The Company and its subsidiary companies have not recognised any gain in these cases and these assets are still recorded as property foreclosed.

14. LAND, PREMISES AND EQUIPMENT

(Unit : Million Baht)

	Consolidated					Total
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Furniture and fixtures in progress	
<u>Cost :</u>						
31 December 2004	70	89	878	153	103	1,293
Balance brought forward of a subsidiary which changes from an associated	-	-	34	15	-	49
Additions	146	41	494	52	153	886
Transfers	-	25	154	-	(179)	-
Disposals	-	-	(100)	(33)	-	(133)
31 December 2005	216	155	1,460	187	77	2,095
<u>Accumulated depreciation:</u>						
31 December 2004	-	15	522	90	-	627
Balance brought forward of a subsidiary which changes from an associated	-	-	21	7	-	28
Disposals	-	-	(51)	(22)	-	(73)
Depreciation during the year	-	6	172	31	-	209
31 December 2005	-	21	664	106	-	791
<u>Net book value:</u>						
31 December 2004	70	74	356	63	103	666
31 December 2005	216	134	796	81	77	1,304
Depreciation charge included in the earnings statements for the years ended 31 December:-						
2004						138
2005						209

(Unit : Million Baht)

	The Company Only					Total
	Land	Buildings	Furniture, fixtures and equipment	Vehicles	Furniture and fixtures in progress	
<u>Cost:</u>						
31 December 2004	70	90	350	69	101	680
Additions	-	11	161	12	134	318
Transfers	-	25	141	-	(166)	-
Disposals	-	-	(81)	(22)	-	(103)
31 December 2005	70	126	571	59	69	895

(Unit : Million Baht)

	The Company Only					Total
	Land	Buildings	Furniture, fixtures and equipment	Vehicles	Furniture and fixtures in progress	
<u>Accumulated depreciation:</u>						
31 December 2004	-	16	212	44	-	272
Disposals	-	-	(35)	(15)	-	(50)
Depreciation during the year	-	5	71	12	-	88
31 December 2005	-	21	248	41	-	310
<u>Net book value:</u>						
31 December 2004	70	74	138	25	101	408
31 December 2005	70	105	323	18	69	585
Depreciation charge included in the earnings statements for the years ended 31 December:-						
2004						55
2005						88

As at 31 December 2005, the Company and its subsidiary companies have vehicles and office equipment, acquired under financial leases with net book values amounting to approximately Baht 65 million, and have office equipment and vehicles which have been fully depreciated but is still in use with original costs, before deducting accumulated depreciation, amounting to approximately Baht 328 million (the Company Only: Baht 18 million and Baht 184 million, respectively).

15. OTHER ASSETS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Premium receivable from direct insurance-net	385	252	-	-
Accrued income	179	108	39	79
Deferred expenses	21	41	5	18
Other receivable (VAT paid in advance for customers)-net	85	60	75	60
Withholding tax deducted at source	55	75	-	31
Other receivables	180	100	41	52
Receivable from sales of housing loans to Secondary Mortgage Corporation	13	24	9	18
Deposits	76	52	12	10
Others	154	151	12	23
Total other assets	1,148	863	193	291

As at 31 December 2004, the "other assets" account in the consolidated financial statements includes deposits of a subsidiary company amounting to Baht 6 million in the form of Government Savings Certificate which has been placed as bonds for insured parties in legal cases.

During the years 1999 and 2000, the Company and a subsidiary company entered into agreements to sell housing loans with balances of approximately Baht 276 million and Baht 223 million (principal only), per the consolidated and the Company's financial statements, respectively, to the Secondary Mortgage Corporation ("the Corporation"). The Corporation is to pay 80 percent of the loan value with the Corporation's bonds. The remaining 20 percent is deferred under the Participating Obligations Agreement ("PO"). This deferred amount is the maximum amount for which the Company and its subsidiary are responsible if the Corporation suffers any loss as a result of the debts purchased. The obligations will decrease in proportion to the amount of payment made by the debtors to the Corporation. As at 31 December 2005, the outstanding balances of approximately Baht 13 million and Baht 9 million are recorded in the consolidated and the Company's financial statements, respectively (2004: Baht 24 million and Baht 18 million, respectively).

16. BORROWINGS AND DEPOSITS

16.1 Classified by source of borrowings and deposits

(Unit : Million Baht)

	Consolidated							
	2005				2004			
	Promissory				Promissory			
	Deposits	notes	Others	Total	Deposits	notes	Others	Total
From public	101,559	55,307	3,271	160,137	44,864	87,447	884	133,195
From financial institutions	474	767	23,737	24,978	237	1,295	15,840	17,372
From foreign countries	-	-	-	-	-	87	-	87
Total borrowings and deposits	102,033	56,074	27,008	185,115	45,101	88,829	16,724	150,654

(Unit : Million Baht)

	The Company Only					
	2005			2004		
	Promissory			Promissory		
	notes	Others	Total	notes	Others	Total
From public	10,964	670	11,634	90,293	670	90,963
From financial institutions	75,500	200	75,700	15,874	741	16,615
From foreign countries	-	-	-	87	-	87
Total borrowings and deposits	86,464	870	87,334	106,254	1,411	107,665

During the year 2005, the Company transferred deposits of individual customers totalling Baht 47,524 million and deposits of juristic persons and financial institutions totalling Baht 32,279 million, together with accrued interest as at the transferred date amounting to Baht 404 million, to Thanachart Bank which is a subsidiary company, in accordance

with the plan for the financial business restructuring of Thanachart Group. As at 31 December 2005, the remaining deposits are deposits from institution clients in form of promissory notes and bills of exchange.

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

16.2 Classified by the remaining period of contract

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
At call	12,797	10,000	75,500	17,303
Not over 1 year*	115,810	90,730	1,169	62,658
Over 1 year	56,508	49,924	10,665	27,704
Total borrowings and deposits	185,115	150,654	87,334	107,665

* Include matured contracts

16.3 Classified by borrowing currency and location

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Baht				
- Local	185,111	150,567	87,334	107,578
- Foreign	-	87	-	87
Dollar				
- Local	4	-	-	-
	185,115	150,654	87,334	107,665

17. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As at 31 December 2005, securities sold under repurchase agreements amounting to Baht 200 million are subject to interest at a rate of 4 percent per annum. The repurchasing date is in January 2006. Investment in a marketable security of an associated company has been pledged as collateral (as mentioned in Note 7.5).

18. LIABILITIES UNDER COMMERCIAL PAPER SOLD

As at 31 December 2005 and 2004, all liabilities under commercial paper sold are due within one year.

19. DEBENTURES

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Unsubordinated and unsecured debentures (due in 2010 with interest to be paid twice a year, at an average MLR less 3.45 percent per annum)	4,000	4,000	4,000	4,000
Unsubordinated and unsecured debentures (due in 2008 with interest to be paid twice a year, at a fixed rate of 2.95 percent per annum)	1,000	1,000	1,000	1,000
Subordinated debentures issued under the scheme to establish the Restricted Bank (due in 2008 with interest to be paid twice a year, at a fixed rate of 9 percent per annum)	1,944	1,978	-	-
Subordinated debentures issued under the scheme to increase Tier II capital (due in 2009 with interest to be paid once a year, at a rate equal to the coupon of Tier II government bonds plus 1 percent per annum, or 4.5 - 5.0 percent per annum)	309	309	258	258
Subordinated debentures issued under the scheme to increase Tier II capital (due in 2010 with interest to be paid once a year, at a rate equal to the coupon of Tier II government bonds plus 1 percent per annum, or 3.5-3.75 percent per annum)	269	269	215	215
Total	7,522	7,556	5,473	5,473

20. OTHER LIABILITIES

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Deferred gain on disposal of property foreclosed	327	355	9	16
Losses reserve and outstanding claims from insurance	336	239	-	-
Cash received from contracted sales on property foreclosed	180	189	10	102
Amounts withheld on reinsurance treaties	76	64	-	-
Unearned income from hire purchase	249	71	141	71
Accrued personnel expenses	201	177	50	77
Suspense account receivable	705	507	283	254
Payables for property foreclosed	260	84	58	-
Others	751	585	194	161
Total	3,085	2,271	745	681

21. SHARE CAPITAL

During the year 2005, preference shareholders converted 30 preference shares to the Company's ordinary shares. As at 31 December 2005, 19,546 preference shares, with each preference share convertible to 1 ordinary share, remain unconverted which the conversion rights are unconditional and do not expire.

On 28 April 2005, the Annual General Meeting of the Company's shareholders have approved the payment of the dividend of Baht 0.40 per share to the ordinary shareholders and preference shareholders, a total of Baht 533 million. In addition, on 27 October 2005, the Board of Directors of the Company also approved the interim dividend of Baht 0.30 per share to the ordinary shareholder and preference shareholders, a total of Baht 400 million. The payment of the interim dividend was approved by the Extraordinary Meeting of the Shareholder on 30 January 2006.

22. REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Revaluation surplus on investments:-				
Available-for-sale investments				
Debt instruments	21	5	-	-
Equity instruments	244	411	80	148
Held-to-maturity debt securities	54	47	24	31
Surplus recognised for subsidiary and associated companies-under equity method	2	54	217	338
Total	321	517	321	517
Revaluation deficit on investments:-				
Available-for-sale investments				
Debt instruments	(30)	(17)	-	(6)
Equity instruments	(306)	(95)	(45)	(21)
Held-to-maturity debt securities	(815)	(887)	(153)	(296)
Deficit recognised for subsidiary and associated companies-under equity method	-	(89)	(953)	(765)
Total	(1,151)	(1,088)	(1,151)	(1,088)
Revaluation surplus (deficit) on investments	(830)	(571)	(830)	(571)

23. STATUTORY RESERVE

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

24. CAPITAL FUNDS

As at 31 December 2005 and 2004, the capital funds maintained by the Company in accordance with Section 4 of the Act on Undertaking of Finance Business, Finance and Securities Business and Credit Foncier Business B.E. 2522 are as follows:-

(Unit : Million Baht)

	The Company Only	
	2005	2004
Tier I		
Issued and paid up share capital	13,331	13,331
Share premium	2,066	2,066
Statutory reserve	369	220
Retained earnings	5,527	2,555
Total	21,293	18,172
Less: Investments in ordinary shares of Thanachart Bank Plc.	(9,149)	(8,355)
	12,144	9,817
Tier II		
Subordinated debentures	312	406
Reserve for loans classified as normal	1,235	1,442
Net revaluation surplus on equity securities-available-for-sales	16	58
Total	1,563	1,906
Less: Investments in subordinated debentures of Thanachart Bank Plc. (subsidiary company) which held by a former subsidiary company	(4)	(6)
	1,559	1,900
Total capital funds	13,703	11,717

The capital funds as stated above are calculated based on the Bank of Thailand's regulations.

The Ministry of Finance approved the Company's plan to increase its share capital to exchange with the shares of Thanachart Bank Plc., a subsidiary company, on the condition that the Company is able to include the above issued and paid up share capital and related premiums as its capital funds, provided the value of the Company's investment in the Bank under the equity method is excluded from these capital funds, until such time the Company returns its finance business license. However, the additional investment of Baht 6,478 million made in the year 2005 was granted a waiver of this condition by the Bank of Thailand and can be included in the Company's capital funds.

The Company's capital ratio, calculated based on the Bank of Thailand's regulation, is as follows:-

	The Company Only			
	2005		2004	
	Capital ratio of the Company	Minimum requirement per BOT	Capital ratio of the Company	Minimum requirement per BOT
Total capital to risk assets (percent)	13.86	8.00	10.16	8.00
Total Tier I to risk assets (percent)	12.29	4.00	8.51	4.00

25. BAD DEBTS AND DOUBTFUL ACCOUNTS

Bad debts and doubtful accounts in the statements of earnings for the years 2005 and 2004 consist of:-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Bad debts and doubtful accounts (reversal of bad debt and doubtful accounts) from loans and receivable	(650)	1,529	(346)	988
Reversal on hair-cut loans	-	(39)	-	-
Amortisation of revaluation allowance for debt restructuring during the year	(73)	(75)	-	-
Total	(723)	1,415	(346)	988

26. LOSS (GAIN) FROM DEBT RESTRUCTURING

Loss (gain) from debt restructuring in the statements of earnings for the years 2005 and 2004 consists of the following:-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Loss from hair-cut	422	72	-	-
Increase (decrease) in revaluation allowance for debt restructuring	8	6	-	(2)
Total loss (gain) from debt restructuring	430	78	-	(2)

27. GAIN (LOSS) ON INVESTMENTS

Gain (loss) on investments for the year 2005 and 2004 consists of the following:-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Unrealised gain on valuation adjustment	1	-	-	-
Reversal of provision for impairment of investments (allowance for impairment)	5	(1)	1	(1)
Increase in allowance for impairment of TAMC's promissory notes	(26)	(34)	(26)	(34)
Reversal of provision for impairment of investments in receivables (allowance for impairment)	(49)	79	(2)	-
Gain on debt settlement / assets transferred from investments in receivables	90	43	4	-
Realised gain (loss) on sales of investments				
Trading securities	58	9	-	-
Available-for-sale securities	280	306	108	118
Held-to-maturity securities	(124)	97	(126)	16
Other securities	5	91	-	75
Total	240	590	(41)	174

During the year 2005, the Company disposed of held-to-maturity debt securities with an amortised cost of Baht 6,542 million because the Company is in the process of returning its finance business license, and thus will not be required to hold bonds and debentures for the purpose of maintaining its liquid asset ratio. The losses on disposal totaled Baht 567 million. Baht 3,269 million of these securities were sold to group subsidiary companies with a loss of Baht 433 million, and this was eliminated from the consolidated financial statements and the Company's financial statements under the equity method. (2004 : disposed of held-to-maturity debt securities with an amortised cost of Baht 6,886 million in the consolidated financial statements and Baht 3,357 million in the Company's financial statements).

28. GAIN ON PROPERTY FORECLOSED

Gain on property foreclosed for the years 2005 and 2004 consists of the following:-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Realised gain on disposal of property foreclosed	314	238	127	107
Allowance for impairment	(66)	(69)	(13)	(42)
Total	248	169	114	65

29. NUMBER OF EMPLOYEES

	Consolidated		The Company Only	
	2005	2004	2005	2004
Number of employees as at year end (persons)	5,529	3,732	629	1,475
Personnel expenses for the year (Million Baht)	1,924	1,477	429	529

30. DIRECTORS' REMUNERATION

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

In addition, on 28 April 2005, the Annual General Meeting of shareholders had approved the payment of director's remuneration amounting to approximately Baht 9 million to the Company's directors.

31. CORPORATE INCOME TAX

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

32. PROVIDENT FUND

The Company, certain of its subsidiaries and their employees have jointly registered provident funds scheme under the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the companies at the rate of 5 percent of the employee's salary. The fund will be paid to the employees upon termination in accordance with the rules of the funds. During the year 2005, Baht 47 million has been contributed to the funds by the Company and its subsidiaries (the Company Only: Baht 13 million).

33. RECONCILIATION OF DILUTED EARNINGS PER SHARE

	Consolidated and the Company Only					
	Weighted average					
	Net earnings		number of		Earnings per share	
	2005	2004	2005	2004	2005	2004
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net earnings	3,104,099	2,982,805	1,333,134	1,333,134	2.33	2.24
Effect of dilutive securities						
Preference shares convertible to ordinary shares	-	-	20	20	-	-
Diluted earnings per share						
Net earnings of ordinary shareholders assuming conversion of dilutive securities	3,104,099	2,982,805	1,333,154	1,333,154	2.33	2.24

34. RELATED PARTY TRANSACTIONS

During the years 2005 and 2004, the Company and its subsidiary companies had significant business transactions with its subsidiary, associated and related companies (related by way of common shareholders and/or common directors). Such transactions which have been concluded on the terms and basis as determined by the Company, its subsidiary companies and those companies, are summarised below:-

(Unit : Million Baht)

	Consolidated		The Company Only		Pricing Policies
	2005	2004	2005	2004	(For the year 2005)
Subsidiary companies:-					
Sales of investments in debt securities (with loss on sales of Baht 114 million) (2004: with gain on sales of Baht 26 million)	-	-	6,557	10,274	At market price
Purchase of investments in debt securities	-	-	-	457	
Cash paid for investment in subsidiaries	-	-	6,728	2	At par value
Transfer value of deposits in form of promissory notes	-	-	80,207	-	At the face value of promissory note
Transfer value of loans	-	-	535	-	At carrying value
Interest income from loans	-	-	468	544	At interest rates of 2 - 3.75 and 11.51 percent per annum
Rental and other service income	-	-	142	102	At the rate determined under the contract between related parties
Fees and other income	12	8	24	13	At the rate determined under the contract between related parties
Interest expenses	-	-	2,138	133	At interest rates of 1.5 - 5.25 percent per annum
Rental and other service expenses	22	10	209	101	At the rate determined under the contract between related parties
Insurance expenses	-	-	7	6	As insurance policy
Associated companies:-					
Interest income	1	1	-	-	At interest rates of 3 percent per annum
Other income	1	3	1	1	
Interest expenses	19	27	1	2	At interest rates of 0.50-3.75 and 11.51 percent per annum
Insurance expenses	-	2	-	1	
Other expenses	42	42	28	27	
Related companies:-					
Dividend income	30	42	10	19	As declared
Interest income	78	98	16	28	At interest rates of 0.25-7.52 percent per annum
Other income	115	118	3	12	
Interest expenses	29	38	8	17	At interest rates of 0.50-6.75 and 9.00 percent per annum
Project management expenses	51	48	25	25	At the rate determined under the contract between related parties
Other expenses	54	44	34	28	

During the year 2004, Thanachart Bank transferred additional non-performing loans amounting to Baht 124 million to N.F.S. Asset Management Co., Ltd.

The outstanding balances of the above transactions during the year 2005 and 2004 are below shown at the average month end balance:-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Subsidiary companies</u>				
Deposits with financial institutions	-	-	52	75
Loans and receivable	-	-	11,586	15,432
Borrowings and deposits	28	20	45,201	7,222
<u>Associated companies</u>				
Investments in debt securities	24	19	-	-
Loans and receivable	4	1	-	-
Borrowings and deposits	187	294	12	60
<u>Related companies</u>				
Deposits with financial institutions	326	359	87	82
Loans to financial institutions	75	36	20	20
Investments in debt and equity securities	1,219	1,071	294	614
Loans and receivable	2,041	2,457	280	283
Borrowings and deposits	782	2,162	448	1,809
Debentures	112	112	-	-

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

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Deposits with financial institutions</u>				
Subsidiary company:-				
Thanachart Bank Plc.	-	-	131	31
Related companies:-				
Siam Commercial Bank Plc.	208	558	74	123
Other related companies	6	38	-	15
	214	596	74	138
Total	214	596	205	169
<u>Loans to financial institutions</u>				
Related companies	75	34	20	20
<u>Investments in debt securities</u>				
Associated company:-				
MBK Plc.	24	17	-	-
Related companies	306	200	-	-
Total	330	217	-	-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Loans and receivable</u>				
Subsidiary companies:-				
N.F.S. Asset Management Co., Ltd.				
(Repaid by loan from Thanachart Bank Plc., a company in Thanachart Group)	-	-	-	13,824
Max Asset Management Co., Ltd.	-	-	708	1,075
National Leasing Co., Ltd.	-	-	900	634
	-	-	1,608	15,533
Associated company:-				
MBK Plc.	4	-	-	-
Related companies:-				
Krisda Mahanakorn Plc.	-	685	-	-
Other related companies	1,645	1,719	269	528
	1,645	2,404	269	528
Total	1,649	2,404	1,877	16,061
<u>Accrued interest receivable from investments, loans and loans to financial institutions</u>				
Subsidiary companies	-	-	29	41
Related companies	10	28	1	1
Total	10	28	30	42
<u>Other assets</u>				
Subsidiary companies	2	3	22	2
Associated companies	9	6	4	-
Related companies	44	49	12	21
Total	55	58	38	23

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Borrowings and deposits</u>				
Subsidiary companies:-				
Thanachart Bank Plc.	-	-	75,500	14,634
N.F.S. Asset Management Co., Ltd.	-	-	-	1,865
Max Asset Management Co., Ltd.	-	-	-	474
Thanachart Group Leasing Co., Ltd.	-	-	-	373
N.F.S. Capital Co., Ltd.	-	-	-	106
Other subsidiary companies	27	24	-	180
	27	24	75,500	17,632
Associated companies:-				
MBK Plc.	161	213	-	-
Other associated companies	-	81	-	-
	161	294	-	-
Related companies:-				
Thai Life Assurance Co., Ltd.	-	700	-	-
Other related companies	1,142	661	-	423
	1,142	1,361	-	423
Total	1,330	1,679	75,500	18,055
<u>Debentures</u>				
Related companies	112	112	-	-
<u>Accrued interest payable</u>				
Subsidiary companies	-	-	-	6
Associated companies	6	9	-	-
Related companies	10	11	-	2
Total	16	20	-	8
<u>Other liabilities</u>				
Subsidiary companies	-	-	66	36
Related companies	406	35	11	20
Total	406	35	77	56
<u>Guarantees of loans</u>				
Related companies	10	10	10	10

As at 31 December 2005, the Company and its subsidiary companies have investments amounting to approximately Baht 802 million (the Company Only: Baht 267 million) in companies to which they are related by means of members of their management being shareholders and/or directors of those companies.

As at 31 December 2005 and 2004, the Company and its subsidiary companies had the following related parties transactions with executive employees from department manager level up:-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Loans and receivable	42	29	7	9
Deposits	401	429	-	201

35. FINANCIAL INFORMATION BY SEGMENT

Financial information relating to the finance business (including asset management business), bank business, securities business and other business segments as at 31 December 2005 and 2004 are summarized below:-

(Unit : Million Baht)

	For the year ended 31 December											
	Finance		Bank		Securities		Other		Eliminations		Total	
	business		business		business		business					
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	4,621	2,996	1,830	1,058	122	98	190	48	39	91	6,802	4,291
Share of profits from investments accounted for under equity method	1,527	1,941	-	-	-	-	-	-	(1,335)	(1,784)	192	157
Non-interest income	1,469	2,612	905	252	855	1,083	2,039	874	(309)	(28)	4,959	4,793
Operating expenses	(3,024)	(2,944)	(2,373)	(759)	(790)	(701)	(2,030)	(828)	373	201	(7,844)	(5,031)
Corporate income tax	(826)	(849)	-	-	(30)	(124)	(116)	(16)	-	-	(972)	(989)
Minority interest in net earnings in subsidiary companies	-	-	-	-	-	-	-	-	(33)	(238)	(33)	(238)
Net earnings	3,767	3,756	362	551	157	356	83	78	(1,265)	(1,758)	3,104	2,983
Investments-Net	31,312	31,909	17,415	19,173	1,194	1,174	4,728	1,496	(21,445)	(13,478)	33,204	40,274
Loans, receivable and accrued interest receivable-Net (including loans to financial institutions)	85,443	111,266	156,955	44,367	2,085	1,631	1,519	1,109	(89,967)	(35,930)	156,035	122,443
Land, premises and equipment-Net	600	421	494	118	166	123	56	28	-	-	1,316	690
Other assets	16,130	12,077	20,615	9,286	450	249	1,347	664	(1,024)	(639)	37,518	21,637
Total assets	133,485	155,673	195,479	72,944	3,895	3,177	7,650	3,297	(112,436)	(50,047)	228,073	185,044

36. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2005 and 2004, commitments and contingent liabilities which are significant consisted of:-

36.1

(Unit : Million Baht)

	Consolidated					
	2005			2004		
	Foreign			Foreign		
	Baht	currency	Total	Baht	currency	Total
Avals to bills	239	-	239	512	-	512
Guarantees of loans	10	-	10	186	-	186
Obligations under interest rate swap agreements	48,373	-	48,373	13,192	-	13,192
Letters of credit	-	635	635	-	-	-
Other commitments						
Obligations under forward exchange contracts						
Bought contracts	-	549	549	-	-	-
Sold contracts	-	625	625	-	-	-
Obligations amounting to USD 34 million under sales of cross currency and interest rate swap contracts (2004: USD 32 million)	-	1,389	1,389	-	1,356	1,356
Committed (but not drawn) overdraft	628	-	628	281	-	281
Liability under unmatured import bills	-	4	4	-	-	-
Other guarantees	963	-	963	659	-	659
Total contingencies and commitments	50,213	3,202	53,415	14,830	1,356	16,186

(Unit : Million Baht)

	The Company Only					
	2005			2004		
	Foreign			Foreign		
	Baht	currency	Total	Baht	currency	Total
Guarantees of loans	10	-	10	10	-	10
Other commitments						
Obligation under interest rate swap agreements	21,723	-	21,723	6,862	-	6,862
Other guarantees	1	-	1	1	-	1
Total contingencies and commitments	21,734	-	21,734	6,873	-	6,873

36.2 During the years 2001 to 2003, the Company and its subsidiary companies have entered into agreements to sell loans and receivables with transfer prices totaling of approximately Baht 3,417 million to the Thai Asset Management Corporation ("TAMC"). The Company and its subsidiary companies are still jointly entitled to/liable for a share of the

gains or losses arising from TAMC's management of these non-performing assets, which is to be calculated at the end of fifth and tenth years, counting from 1 July 2001. In case of losses, the Company and its subsidiary companies are liable for all initial losses up to 20 percent of the transfer price, with the next 20 percent of such losses are to be shared equally between the Company or its subsidiary companies and TAMC. TAMC is liable for all remaining losses. Such gains or losses will be determined based on the cumulative value of the collections made on the assets as at the date of determination, minus transfer costs and all operating expenses of TAMC, including interest on the debt instruments issued to purchase the receivables. The gain or loss cannot be reliably estimated by the Company and its subsidiary companies at this stage. However, as at 31 December 2005, the Company and its subsidiary companies have estimated their share of the losses which may arise from the management of non-performing assets at approximately Baht 344 million (the Company Only: Baht 119 million) (2004: of Baht 318 million, Baht 93 million, respectively). This is presented as a part of the allowance for impairment of investment in promissory notes.

36.3 The Company and a subsidiary company have entered into agreements to sell housing loans/ to transfer rights to claim the housing debts to the Secondary Mortgage Corporation, under which they are committed to compensate the Corporation for losses from uncollected debts up to a maximum of 20 percent of the sell price of the said receivables, or approximately Baht 13 million (the Company Only: Baht 9 million).

36.4 The Company and Thanachart Bank Plc., subsidiary company, are obliged to make contributions to the Financial Institutions Development Fund, at a rate of 0.2 percent of the total outstanding balance of the Company and its subsidiary company's deposits and accrued interest arising from borrowings, as of the last day of the previous six-month period before the contributions are to be made, every 30 June and 31 December of the year.

36.5 As at 31 December 2005, the Company and its subsidiary companies have obligations to pay service fees related to property foreclosed and other services including long-term rental and office services agreements which can be presented as follows:-

(Unit : Million Baht)

Year	Consolidated	The Company Only	
	Other companies	Other companies	Subsidiaries
2006	259	99	13
2007	157	64	7
2008 onward	225	160	11

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

36.6 As at 31 December 2005, a subsidiary company has commitments under a research support and distribution services agreement made with an overseas company, whereby it must pay service charges of approximately USD 625,000 per quarter. The agreement will expire on 30 September 2008.

37. LITIGATION

As at 31 December 2005, the Company and its subsidiary companies have contingent liabilities amounting to approximately Baht 836 million as a result of litigation (the Company Only: Baht 346 million). However, the Company and the subsidiary companies' management expect that no losses will result and therefore no liabilities are currently recorded.

38. BANK GUARANTEE

As at 31 December 2005, there were outstanding bank guarantees of approximately Baht 6 million (the Company Only : Baht 5 million) issued by banks on behalf of the Company and its subsidiaries to guarantee the use of electricity and the rental of land.

39. FINANCIAL INSTRUMENTS

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

As at 31 December 2005, the Company has no policy to speculate or trade in any off-balance sheet derivative financial instruments.

39.1 Credit risk

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

The Company and its subsidiary companies manage credit risk by means of careful consideration during the credit approval process, with analysis of risk factors and of the customer's ability to service debt, and a credit review process which examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future.

39.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may affect the position of the Company and its subsidiary companies, and consequently cause them to incur a financial loss. As such, market risk consists of interest rate risk, foreign exchange risk and equity position risk.

a) Interest rate risk

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

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

(Unit : Million Baht)

	Consolidated				The Company Only			
	Outstanding balances of				Outstanding balances of			
	financial instruments				financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets								
Cash and deposits at financial institutions	50	140	5,344	5,534	1	-	811	812
Loans to financial institutions	-	157	62	219	-	-	20	20
Securities purchased under resale agreements	-	19,700	-	19,700	-	7,200	-	7,200
Investments	2,008	24,497	7,485	33,990	546	1,004	23,379	24,929
Trading transactions with securities companies-receivable	-	-	164	164	-	-	-	-
Loans and receivable (include intercompany gain on loan transferred)	22,634	137,748	2,911	163,293	1,465	80,477	1,173	83,115
Financial liabilities								
Borrowings and deposits	17,285	167,575	255	185,115	75,500	11,834	-	87,334
Securities sold under repurchase agreements	-	200	-	200	-	-	-	-
Trading transactions with securities companies-payable	-	-	25	25	-	-	-	-
Securities business payable	-	-	1,058	1,058	-	-	-	-
Liabilities under commercial papers sold	-	286	-	286	-	-	-	-
Debentures	-	7,522	-	7,522	-	5,473	-	5,473
Liabilities payable on demand	-	-	997	997	-	-	-	-

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

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

(Unit : Million Baht)

Transactions	Consolidated						Weighted average interest rates Percentage
	Repricing or maturity date					Total	
	At call	0 – 3	3 – 12	1 – 5	Over 5		
		months	months	years	years		
<u>Financial assets</u>							
Cash and deposits at financial institutions	-	60	80	-	-	140	1.96 - 2.00
Loans to financial institutions	45	24	18	70	-	157	2.96 - 4.68
Securities purchased under resale agreements	-	19,700	-	-	-	19,700	3.90 - 4.00
Investments	-	8,066	1,240	6,238	8,953	24,497	2.73 - 3.91
Loans and receivable (include intercompany gain on loan transferred)	609	3,813	11,794	113,665	7,867	137,748	5.35 - 6.84
<u>Financial liabilities</u>							
Borrowings and deposits	555	72,740	58,265	36,015	-	167,575	3.02 - 3.19
Securities sold under repurchase agreements	-	200	-	-	-	200	4.00
Liabilities under commercial papers sold	-	50	236	-	-	286	3.50
Debentures	-	1,000	1,000	5,522	-	7,522	4.22

(Unit : Million Baht)

Transactions	The Company Only						Weighted average interest rates Percentage
	Repricing or maturity date						
		0 – 3	3 – 12	1 – 5	Over 5		
	At call	months	months	years	years	Total	
<u>Financial assets</u>							
Securities purchased under resale agreements	-	7,200	-	-	-	7,200	3.90
Investments	-	531	-	473	-	1,004	2.05
Loans and receivable	331	270	3,468	74,955	1,453	80,477	6.84
<u>Financial liabilities</u>							
Borrowings and deposits	-	1,149	9,085	1,600	-	11,834	3.02
Debentures	-	1,000	-	4,473	-	5,473	2.77

In addition, the Company and its subsidiary companies have interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Company and its subsidiary companies for the year ended 31 December 2005, and the average rate of interest and dividend income, can be summarised as follow:-

(Unit : Million Baht)

	Consolidated			The Company Only		
	Average balance	Interest and dividend	Average rate	Average balance	Interest and dividend	Average rate
<u>Interest earnings financial assets</u>						
Cash and deposits at financial institutions	696	2	0.31	-	-	-
Securities purchased under resale agreements	18,601	531	2.86	8,746	261	2.98
Investments	36,491	1,009	2.76	7,449	236	3.17
Loans and receivable (include loans to financial institutions)	137,581	9,392	6.83	103,227	6,950	6.73
<u>Interest bearing financial liabilities</u>						
Borrowings and deposits	166,489	4,101	2.46	108,783	3,573	3.34
Securities sold under repurchase agreements	200	1	3.04	-	-	-
Securities business payable-customer account	453	5	1.21	-	-	-
Liabilities under commercial papers sold	373	12	3.10	-	-	-
Debentures	7,542	307	4.07	5,473	143	2.61

b) Foreign exchange risk

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

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

As at 31 December 2005 and 2004, the Company and its subsidiary companies have foreign currency as follow:-

(Unit : Million Baht)

	Consolidated			The Company Only		
	Outstanding balances of			Outstanding balances of		
	financial instruments			financial instruments		
	US dollar	Euro	Others	US dollar	Euro	Others
Financial assets						
Cash and deposits at financial institutions	36	8	17	-	-	-
Investments	1,389	-	-	-	-	-
Loans and receivable	7	-	-	-	-	-
	1,432	8	17	-	-	-
Financial liabilities						
Borrowings and deposits	4	-	-	-	-	-
Foreign currency in balance sheet-Net	1,428	8	17	-	-	-
Off-balance sheet foreign currency-Net (forward exchange contracts/cross currency and interest rate swap contracts)	1,613	934	16	-	-	-

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

c) Equity position risk

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

39.3 Liquidity risk

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

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

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

(Unit : Million Baht)

Transactions	Consolidated					The Company Only				
	At call	Less than 1 year	Over 1 year	Un-specified	Total	At call	Less than 1 year	Over 1 year	Un-specified	Total
Financial assets										
Cash and deposits at financial institutions	5,394	140	-	-	5,534	812	-	-	-	812
Securities purchased under resale agreements	-	19,700	-	-	19,700	-	7,200	-	-	7,200
Investments	2,021	5,754	18,817	7,398	33,990	546	-	1,004	23,379	24,929
Trading transactions with securities companies-receivable	-	164	-	-	164	-	-	-	-	-
Loans to financial institutions and loans and receivable, including intercompany gain on loan transferred ⁽¹⁾	12,177	10,100	141,235	-	163,512	1,509	3,489	78,137	-	83,135
Financial liabilities										
Borrowings and deposits	12,797	115,810	56,508	-	185,115	75,500	1,169	10,665	-	87,334
Securities sold under repurchase agreements	-	200	-	-	200	-	-	-	-	-
Trading transactions with securities companies-payable	-	25	-	-	25	-	-	-	-	-
Securities business payable	-	1,058	-	-	1,058	-	-	-	-	-
Liabilities under commercial papers sold	-	286	-	-	286	-	-	-	-	-
Debentures	-	-	7,522	-	7,522	-	-	5,473	-	5,473
Liabilities payable on demand	997	-	-	-	997	-	-	-	-	-
Off-balance sheet items:-										
Avals to bills and guarantee of loans	10	216	23	-	249	10	-	-	-	10
Letter of credit	-	635	-	-	635	-	-	-	-	-
Other commitments	88	4,074	48,075	294	52,531	1	1,738	19,985	-	21,724

⁽¹⁾ The outstanding balance of call loans and receivable include loans and receivable on which interest recognition has been ceased.

39.4 Fair value

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

a) Financial assets

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

b) Financial liabilities

The fair values of financial liabilities, including borrowings and deposits, trading transactions with securities companies, securities business payable, liabilities under commercial paper sold, debentures and liabilities payable on demand, are considered to approximate their respective carrying values for the same reasons as described above.

As at 31 December 2005, there are no material differences between the book value of the financial instruments and their fair values, except that the fair value of investments in held-to-maturity debt securities is Baht 686 million less than the net book value of such investments.

The fair value of off-balance sheet items cannot be approximated, and so the Company and its subsidiary companies do not disclose such values.

39.5 Financial derivatives

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

The Company and its subsidiary company have policies to hedge the risk limits by which they require risk reporting and control procedures for the various types of risk, as a control over financial derivative activities. The Company and its subsidiary company manage the credit risk associated with financial derivatives on the basis of the credit limits granted to customers in general. The same credit approval process that is used when granting loans to a customer is adopted for financial derivative customers, so that the Company and its subsidiary company are able to maintain risk at acceptable levels.

As at 31 December 2005, financial derivatives, which the Company and its subsidiary company had engaged, can be classified as follow by period to maturity:

(Unit : Million Baht)

	Consolidated			The Company Only		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Forward and spot contracts						
- Bought	549	-	549	-	-	-
- Sold	625	-	625	-	-	-
Cross currency swap contracts						
- Sold	-	1,389	1,389	-	-	-
Interest rate swap contracts						
- Fixed interest rate payment	299	14,007	14,306	299	7,507	7,806
- Floating interest rate payment	570	9,310	9,880	570	2,485	3,055
- Fixed interest rate receipt	570	12,960	13,530	570	5,685	6,255
- Floating interest rate receipt	299	10,358	10,657	299	4,308	4,607

40. PRESENTATION

The presentation of the financial statements has been made in compliance with the requirement of the Notification of the Bank of Thailand relating to the format of the financial statements of finance, finance and securities and credit foncier companies dated 10 May 2001.

Certain amounts in the financial statements as at 31 December 2004 and for the year then ended have been reclassified to conform to the current year's classifications, with no effect on previously reported net earnings and shareholders' equity.

41. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised by the Board of Directors on 23 February 2006.

Auditor's Fee »

(1) Audit Fees

Thanachart Capital Public Company Limited paid audit fees to Ernst & Young Office Limited with details as follows:

- Audit fee worth 2,720,000 baht for auditing the financial statements for the past year, which were signed by Mr. Ruth Chaowanagawi, Certified Public Accountant. Other expenses worth 71,611 baht were related to the auditing of the financial statements for the past year.

Thanachart Capital Public Company Limited's subsidiaries paid audit fees to Ernst & Young Office Limited with details as follows:

- Audit fee worth 4,940,000 baht for auditing the financial statements for the past year, which were signed by Mr. Ruth Chaowanagawi, Certified Public Accountant. Other expenses worth 22,474 baht which were related to the auditing of the financial statements for the past year.
- Audit fees worth 4,457,377 to other certified public accountants for the past year.

(2) Non-Audit Fees

The Company and its subsidiaries made payments for other services including special audits in line with the requirements of the Bank of Thailand, as well as for the audit of annual financial statements submitted to the Insurance Department, and for the Insurance Department's review of the internal control system, with details as follows:

- Fee worth 300,000 baht to Mr. Ruth Chaowanagawi, auditor of Thanachart Capital Public Company Limited, for the past year. There was no fee to be paid in the future for the agreed services not yet rendered in the past fiscal year.

- Fee worth 270,000 baht to Mr. Ruth Chaowanagawi, auditor of Thanachart Capital Public Company Limited's subsidiaries for the past year. There was no fee to be paid in the future for the agreed services not yet rendered in the past fiscal year.
- Non-audit fee worth 250,000 baht were paid to other certified public accountants for the past year. There was no fee to be paid in the future for the agreed services not yet rendered in the past fiscal year.

(3) Apart from the fees as mentioned in (1) and (2) above

There was no other fees for the past year that the Company and its subsidiaries had to pay to the auditor of the Company and its subsidiaries, the audit house, of which the Certified Public Accountant was a member, persons or businesses which were related to the auditor as well as the audit houses, of which the Certified Public Accountant was a member.

Thanachart Group »

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Items	Page
1. General Information	
1.1 The Company	18
1.2 Juristic Persons of which the Company's Shareholding Exceeded 10%	19
1.3 Other Referred Persons	18
2. Summary of Financial Data	1
3. Nature of Business	33
4. Risk Factors	72
5. Shareholding Structure and Management	
5.1 Shareholder	91
5.2 Management	91
6. Related Party Transactions	85
7. Management Discussion and Analysis of Financial Position and Performance	121
8. Financial Statements	
8.1 Financial Statements and Notes to Financial Statements	157
8.2 Auditor's Fee	232