

NATIONAL FINANCE PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
REPORT AND FINANCIAL STATEMENTS
30 JUNE 2005

Report of Independent Auditor

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 30 June 2005 and 31 December 2004, and the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for the six-month periods ended 30 June 2005 and 2004, 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 30 June 2005 and 31 December 2004 and the results of their operations and cash flows for the six-month periods ended 30 June 2005 and 2004 in accordance with generally accepted accounting principles.

I have reviewed the statements of earnings for the three-month periods ended 30 June 2005 and 2004, which are the responsibility of the Company's management as to their correctness and the completeness of the presentation. I conducted my reviews in accordance with auditing standard applicable to review engagements, which provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion on the earnings statements which I have reviewed. Based on my reviews, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

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 : 25 August 2005

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS

AS AT 30 JUNE 2005 AND 31 DECEMBER 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		30 June 2005	31 December 2004	30 June 2005	31 December 2004
ASSETS					
CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS	4	2,569,165,202	2,016,744,315	977,550,039	817,512,184
LOANS TO FINANCIAL INSTITUTIONS - Net	5	803,678,110	315,494,680	19,400,000	19,400,000
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	6	21,900,000,000	10,600,000,000	13,000,000,000	3,200,000,000
INVESTMENTS					
Current investments - Net	7	4,721,610,300	7,185,729,593	937,225,069	114,199,403
Long-term investments - Net	7	28,684,000,805	31,329,017,215	5,798,205,151	9,845,753,230
Investments in subsidiary and associated companies	8	1,652,515,074	1,759,442,726	14,709,179,571	13,998,779,777
Net investments		35,058,126,179	40,274,189,534	21,444,609,791	23,958,732,410
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		170,091,706	-	-	-
LOANS, RECEIVABLE AND ACCRUED					
INTEREST RECEIVABLE					
Finance business loans and receivable	9	141,902,433,754	127,960,620,125	113,612,114,681	106,714,645,408
Securities business receivable		1,895,197,634	1,830,633,652	-	-
Total loans and receivable		143,797,631,388	129,791,253,777	113,612,114,681	106,714,645,408
Accrued interest receivable		249,261,008	152,561,128	45,261,303	52,305,469
Total loans, receivable and accrued interest receivable		144,046,892,396	129,943,814,905	113,657,375,984	106,766,950,877
Less : Allowance for doubtful accounts	10	(7,467,843,729)	(7,562,098,292)	(3,920,563,856)	(3,588,825,036)
Less : Revaluation allowance for debt restructuring	11	(379,121,513)	(254,402,729)	(5,660)	(5,908)
Net loans, receivable and accrued interest receivable		136,199,927,154	122,127,313,884	109,736,806,468	103,178,119,933
PROPERTY FORECLOSED - Net	13	7,352,157,498	7,289,001,373	3,034,679,266	3,161,307,184
LAND, PREMISES AND EQUIPMENT - Net	14	963,716,964	690,176,283	620,228,585	417,919,594
INTANGIBLE ASSETS		377,208,347	186,854,451	272,739,329	177,244,975
GOODWILL		4,026,089	4,645,488	-	-
AMOUNT BY WHICH VALUE OF INVESTMENTS IS					
LOWER THAN BOOK VALUE		(27,649,461)	(11,965,356)	-	-
ACCRUED INTEREST RECEIVABLE		198,173,300	201,413,688	41,615,434	68,172,696
VALUE ADDED TAX RECEIVABLE		570,793,690	486,918,330	248,708,599	440,058,065
OTHER ASSETS	15	1,135,244,831	862,734,653	358,758,498	290,584,120
TOTAL ASSETS		207,274,659,609	185,043,521,323	149,755,096,009	135,729,051,161

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS (Continued)

AS AT 30 JUNE 2005 AND 31 DECEMBER 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		30 June 2005	31 December 2004	30 June 2005	31 December 2004
LIABILITIES AND SHAREHOLDERS' EQUITY					
BORROWINGS AND DEPOSITS					
	16				
From public		143,075,527,820	133,194,658,440	89,563,605,635	90,963,086,689
From financial institutions		24,359,066,713	17,371,928,069	31,064,824,313	16,615,391,612
From foreign countries		87,341,342	86,953,322	87,206,232	86,818,212
Total borrowings and deposits		167,521,935,875	150,653,539,831	120,715,636,180	107,665,296,513
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS		200,000,000	-	-	-
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		100,323,649	239,628,576	-	-
SECURITIES BUSINESS PAYABLE		488,355,306	341,975,489	-	-
LIABILITIES UNDER COMMERCIAL PAPERS SOLD	17	372,686,200	261,926,200	-	-
DEBENTURES	18	7,555,520,000	7,555,520,000	5,473,000,000	5,473,000,000
ACCRUED INTEREST PAYABLE		911,485,132	929,183,887	453,737,327	435,118,874
INSURANCE PREMIUM PAYABLE		260,024,189	368,593,121	250,370,922	362,594,870
LIABILITIES PAYABLE ON DEMAND		541,895,455	37,496,605	-	-
CORPORATE INCOME TAX PAYABLE		442,464,309	439,690,837	226,098,658	217,449,696
UNEARNED PREMIUM RESERVE		596,505,112	436,502,144	-	-
LIFE PREMIUM RESERVE		2,969,142,795	-	-	-
OTHER LIABILITIES	19	2,965,753,659	2,285,736,449	1,019,266,547	681,197,148
PROVISION FOR LOSS ON INVESTMENTS IN					
A SUBSIDIARY COMPANY	8	-	-	-	150,154,622
TOTAL LIABILITIES		184,926,091,681	163,549,793,139	128,138,109,634	114,984,811,723

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS (Continued)

AS AT 30 JUNE 2005 AND 31 DECEMBER 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		30 June 2005	31 December 2004	30 June 2005	31 December 2004
SHAREHOLDERS' EQUITY					
Share capital	20				
Registered					
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					
19,576 preference shares of Baht 10 each		195,760	195,760	195,760	195,760
1,333,134,427 ordinary shares of Baht 10 each		13,331,344,270	13,331,344,270	13,331,344,270	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		575,663,721	559,034,746	575,663,721	559,034,746
Revaluation surplus on investments	21	274,180,145	516,529,076	274,180,145	516,529,076
Revaluation deficit on investments	21	(925,683,551)	(1,087,818,408)	(925,683,551)	(1,087,818,408)
Retained earnings					
Appropriated - statutory reserve	22	368,770,961	368,770,961	368,770,961	368,770,961
Unappropriated		5,926,870,181	4,990,538,145	5,926,870,181	4,990,538,145
Equity attributable to Company's shareholders		21,616,986,375	20,744,239,438	21,616,986,375	20,744,239,438
Minority interest - equity attributable to minority shareholders of subsidiaries		731,581,553	749,488,746	-	-
TOTAL SHAREHOLDERS' EQUITY		22,348,567,928	21,493,728,184	21,616,986,375	20,744,239,438
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		207,274,659,609	185,043,521,323	149,755,096,009	135,729,051,161
		0	0	0	0
OFF-BALANCE SHEET ITEMS - CONTINGENCIES	35.1				
Avals to bills and guarantees of loans		613,990,944	698,171,729	10,000,000	10,000,000
Other guarantees		706,708,335	659,427,416	966,747	966,747
Obligation under interest rate swap agreements on principal balances		21,706,700,000	13,191,700,000	10,861,700,000	6,861,700,000
Letter of credit		539,076,652	-	-	-
Other contingencies		2,654,863,185	1,637,096,318	-	-

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

DIRECTORS

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF EARNINGS

FOR THE THREE-MONTH PERIODS ENDED 30 JUNE 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY		
	Note	2005 (Unaudited/ but reviewed)	2004 (Unaudited/ but reviewed)	2005 (Unaudited/ but reviewed)	2004 (Unaudited/ but reviewed)
INTEREST AND DIVIDEND INCOME					
Loans and deposits		704,339,787	550,049,165	239,522,684	195,378,741
Hire purchase and financial lease		1,691,428,505	1,275,213,732	1,656,871,124	1,271,247,125
Investments		266,096,565	309,684,594	63,025,161	110,144,875
Total interest and dividend income		2,661,864,857	2,134,947,491	1,959,418,969	1,576,770,741
EXPENSES ON BORROWINGS					
Interest and discounts		1,026,498,033	827,285,796	816,797,570	533,841,691
Fees and charges		249,497	260,154	-	-
Total expenses on borrowings		1,026,747,530	827,545,950	816,797,570	533,841,691
Net interest and dividend income		1,635,117,327	1,307,401,541	1,142,621,399	1,042,929,050
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS					
(BAD DEBT AND DOUBTFUL ACCOUNTS)		330,308,672	(109,307,046)	(97,818,620)	(202,026,475)
LOSS ON DEBT RESTRUCTURING		(212,987,931)	(22,804,464)	-	-
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		1,752,438,068	1,175,290,031	1,044,802,779	840,902,575
NON-INTEREST INCOME					
Brokerage fees		127,195,768	144,825,510	-	-
Gain (loss) on investments		(23,694,598)	60,353,011	(67,042,190)	(18,305,836)
Share of profit from investments in subsidiary and associated companies accounted for under equity method - net		35,893,753	34,594,840	498,845,828	577,669,952
Fees and charges		82,572,223	75,961,773	6,078,817	3,617,084
Discounted income on insurance premium		133,345,667	94,997,302	99,400,707	94,181,256
Gain on debt settlement/property transferred in settlement of debt		161,675,421	404,792,982	4,085,778	-
Insurance premium/life insurance premium income		472,985,113	164,049,176	-	-
Gain (loss) on property foreclosed		105,017,929	(15,483,593)	27,615,257	(3,748,674)
Other income		163,662,921	152,679,364	121,393,743	91,971,470
Total non-interest income		1,258,654,197	1,116,770,365	690,377,940	745,385,252

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF EARNINGS (Continued)

FOR THE THREE-MONTH PERIODS ENDED 30 JUNE 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY		
	Note	2005	2004	2005	2004
		(Unaudited/ but reviewed)	(Unaudited/ but reviewed)	(Unaudited/ but reviewed)	(Unaudited/ but reviewed)
OPERATING EXPENSES					
Personnel expenses		459,540,670	354,316,692	135,944,967	140,758,024
Premises and equipment expenses		218,905,899	137,254,725	118,776,714	77,361,477
Taxes and duties		63,583,344	54,800,738	29,236,758	29,297,324
Directors' remuneration		16,149,825	14,758,672	11,493,328	10,332,674
Fund contributed to the Financial Institutions Development Fund		136,810,047	125,720,563	90,770,626	83,286,639
Commission and expenses charged on hire-purchase		278,407,031	203,868,242	217,326,274	203,868,242
Insurance/life insurance expenses		383,259,024	126,992,243	-	-
Other expenses		323,516,665	185,407,838	214,670,295	134,177,863
Total operating expenses		1,880,172,505	1,203,119,713	818,218,962	679,082,243
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST		1,130,919,760	1,088,940,683	916,961,757	907,205,584
CORPORATE INCOME TAX		(342,557,684)	(282,620,373)	(135,602,545)	(106,513,787)
EARNINGS BEFORE MINORITY INTEREST		788,362,076	806,320,310	781,359,212	800,691,797
MINORITY INTEREST IN NET EARNINGS IN					
SUBSIDIARY COMPANIES		(7,002,864)	(5,628,513)	-	-
NET EARNINGS FOR THE PERIOD		781,359,212	800,691,797	781,359,212	800,691,797
EARNINGS PER SHARE					
	32				
Basic earnings per share		0.59	0.60	0.59	0.60
Diluted earnings per share		0.59	0.60	0.59	0.60

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF EARNINGS

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
INTEREST AND DIVIDEND INCOME					
Loans and deposits		1,227,577,771	1,036,941,783	442,337,889	375,239,653
Hire purchase and financial lease		3,264,524,731	2,436,356,549	3,212,250,149	2,429,217,531
Investments		536,052,395	691,387,635	140,652,331	268,102,578
Total interest and dividend income		5,028,154,897	4,164,685,967	3,795,240,369	3,072,559,762
EXPENSES ON BORROWINGS					
Interest and discounts		1,938,991,745	1,630,348,315	1,519,467,827	1,060,260,333
Fees and charges		495,647	538,682	-	-
Total expenses on borrowings		1,939,487,392	1,630,886,997	1,519,467,827	1,060,260,333
Net interest and dividend income		3,088,667,505	2,533,798,970	2,275,772,542	2,012,299,429
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS					
(BAD DEBT AND DOUBTFUL ACCOUNTS)	24	146,008,461	(596,376,456)	(330,093,104)	(637,316,526)
LOSS ON DEBT RESTRUCTURING					
	25	(283,470,276)	(79,562,481)	-	-
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		2,951,205,690	1,857,860,033	1,945,679,438	1,374,982,903
NON-INTEREST INCOME					
Brokerage fees		279,213,639	374,504,066	-	-
Gain (loss) on investments	26	108,027,344	335,392,121	(45,865,080)	137,625,391
Share of profit from investments in subsidiary and associated companies accounted for under equity method - net		84,436,682	93,870,511	914,521,402	978,969,645
Fees and charges		152,099,120	228,922,608	12,176,800	9,529,215
Discounted income on insurance premium		248,066,936	190,788,176	211,236,497	189,531,338
Gain on debt settlement/property transferred in settlement of debts		237,600,749	494,838,295	8,607,710	-
Insurance premium/life insurance premium income		724,271,660	311,524,199	-	-
Gain on property foreclosed	27	127,809,531	57,365,347	56,027,276	38,717,529
Other income		463,651,890	275,695,107	234,222,997	171,893,583
Total non-interest income		2,425,177,551	2,362,900,430	1,390,927,602	1,526,266,701

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF EARNINGS (Continued)

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
OPERATING EXPENSES					
Personnel expenses	28	920,803,972	686,764,108	285,975,220	249,095,397
Premises and equipment expenses		391,235,880	261,105,932	219,052,144	146,116,435
Taxes and duties		131,171,347	113,044,803	57,198,500	63,186,776
Directors' remuneration	29	21,578,575	18,408,672	13,674,578	12,347,674
Fund contributed to the Financial Institutions Development Fund		273,620,094	251,441,126	181,541,252	166,573,278
Commission and expenses charged on hire-purchase		521,800,413	402,047,158	460,719,656	402,047,157
Insurance/life insurance expenses		578,904,493	217,464,373	-	-
Other expenses		591,609,229	331,229,379	407,789,035	225,646,419
Total operating expenses		3,430,724,003	2,281,505,551	1,625,950,385	1,265,013,136
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST		1,945,659,238	1,939,254,912	1,710,656,655	1,636,236,468
CORPORATE INCOME TAX	30	(470,296,250)	(528,694,502)	(242,197,459)	(245,856,797)
EARNINGS BEFORE MINORITY INTEREST		1,475,362,988	1,410,560,410	1,468,459,196	1,390,379,671
MINORITY INTEREST IN NET EARNINGS IN					
SUBSIDIARY COMPANIES		(6,903,792)	(20,180,739)	-	-
NET EARNINGS FOR THE PERIOD		1,468,459,196	1,390,379,671	1,468,459,196	1,390,379,671
EARNINGS PER SHARE					
Basic earnings per share	32	1.10	1.04	1.10	1.04
Diluted earnings per share		1.10	1.04	1.10	1.04

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Cash flows from operating activities				
Net earnings	1,468,459,196	1,390,379,671	1,468,459,196	1,390,379,671
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities :-				
Minority interest in earnings of subsidiary companies	6,903,792	20,180,739	-	-
Share of gain on investment under equity method	(84,436,682)	(93,870,511)	(914,521,402)	(978,969,645)
Depreciation and amortisation	124,223,948	74,077,328	65,123,881	34,210,530
Bad debt and doubtful accounts and loss on debt restructuring	137,461,815	675,938,937	330,093,104	637,316,526
Increase in provision for impairment of property foreclosed	14,386,897	93,806,242	18,079,370	41,295,624
Increase in provision for diminution in value of equipment/other assets	76,677,361	10,864,883	74,089,845	7,843,137
Increase (decrease) in provision for impairment/revaluation of investment	33,414,471	28,460,638	(819,309)	35,321,292
Amortisation of deferred gain on disposal of property foreclosed	(60,224,094)	(88,181,463)	(3,430,787)	(57,517,270)
Amortisation of premium/discounts on investments in debt securities and negotiable certificates of deposit	75,339,166	86,347,517	6,016,623	27,845,789
Amortisation of deferred interest on borrowings	14,096,614	1,230,168	-	-
Amortisation of goodwill (amortisation of amount by which value of investments is lower than book value)	(3,219,399)	(1,050,186)	-	-
Increase in unearned premium reserve/life insurance premium reserve	259,984,935	55,035,413	-	-
Gain on debt settlement/property transferred in settlement of debt	(76,484,255)	(147,434,062)	-	-
Loss (gain) on disposal of equipment	1,729,808	(1,093,250)	1,731,412	66,036
Decrease (increase) in accrued interest and dividend receivable	(100,598,793)	206,299,584	33,601,428	(609,539,638)
Amortisation of deferred interest on hire-purchase and deferred income	(3,269,553,410)	(2,460,462,265)	(3,212,115,707)	(2,429,445,991)
Decrease (increase) in other income receivable	(56,975,150)	(77,328,396)	19,533,514	(15,330,110)
Increase (decrease) in accrued interest payable	(17,698,755)	110,554,076	18,618,453	19,008,112
Loss from operating activities before changes in operating assets and liabilities	(1,456,512,535)	(116,244,937)	-2,095,540,379	-1,897,515,937

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Decrease (increase) in operating assets				
Securities purchased under resale agreements	(11,300,000,000)	(2,850,000,000)	(9,800,000,000)	-
Loans to financial institutions	(383,889,000)	21,693,395	-	-
Investment in trading securities	(4,107,410)	267,541,035	-	-
Trading transactions with securities companies	(170,091,706)	(198,384,001)	-	-
Loans and receivable	(11,557,898,676)	(11,392,321,997)	(4,188,970,999)	(11,345,730,782)
Property foreclosed	786,715,033	495,983,124	561,269,334	338,824,925
Other assets	(158,828,832)	137,356,173	157,629,394	160,739,130
Increase (decrease) in operating liabilities				
Borrowings and deposits from public	9,880,869,380	13,133,975,060	(1,399,481,054)	7,936,675,627
Borrowings and deposits from financial institutions	6,973,042,030	682,250,877	14,449,432,701	(925,032,491)
Borrowings and deposits from foreign countries	388,020	(48,633,733)	388,020	(48,633,734)
Securities sold under repurchase agreements	200,000,000	(3,250,000,000)	-	(2,750,000,000)
Trading transactions with securities companies	(139,304,927)	(225,183,681)	-	-
Liabilities under commercial papers sold	110,760,000	(75,000,000)	-	-
Securities business payable	146,379,817	(329,976,431)	-	-
Liability payable on demand	504,398,850	(36,095,286)	-	-
Other liabilities	232,031,911	638,708,689	(6,745,919)	416,762,238
Net cash flows used in operating activities	(6,336,048,045)	(3,144,331,713)	(2,322,018,902)	(8,113,911,024)
Cash flows from investing activities				
Decrease in long-term investments	7,799,932,610	4,412,522,219	3,181,188,624	8,329,508,679
Net cash paid for purchase of investments in a subsidiary company	(132,165,483)	-	(249,997,000)	-
Dividend received from subsidiary and associated companies	58,411,378	55,496,594	263,904,867	998,904,839
Cash paid for purchase of equipment	(311,880,751)	(116,671,270)	(181,072,425)	(57,465,325)
Cash received from disposal of equipment	23,539,905	907,569	159,851	376,814
Net cash flows from investing activities	7,437,837,659	4,352,255,112	3,014,183,917	9,271,325,007

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Cash flows from financing activities				
Dividend paid	(532,127,160)	(799,331,796)	(532,127,160)	(799,331,796)
Dividend paid to minority interest	(17,241,567)	(14,741,660)	-	-
Net cash flows used in financing activities	(549,368,727)	(814,073,456)	(532,127,160)	(799,331,796)
Net increase in cash and cash equivalents	552,420,887	393,849,943	160,037,855	358,082,187
Cash and cash equivalents at beginning of the period	2,016,744,315	1,518,694,146	817,512,184	426,602,794
Cash and cash equivalents at ending of the period	2,569,165,202	1,912,544,089	977,550,039	784,684,981
Supplemental cash flows information :-				
Cash paid during the period for				
Interest	1,942,593,886	1,519,794,239	1,500,849,374	1,041,252,221
Corporate income tax	476,398,185	190,505,156	233,541,386	15,367,327
Non-cash transactions				
Property foreclosed transferred from loans and receivable, other receivable and investment in receivables purchased	894,155,637	509,316,591	487,464,523	201,016,720
Investment in promissory notes transferred from TAMC	-	189,605,700	-	-
Assets increased from a financial lease agreement	277,079,992	-	277,079,992	-

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED								
	Issued and paid up		Share premium	Surplus from revaluation of assets of an associated company	Revaluation surplus (deficit) on investments	Retained earnings		Minority interest	Total
	Preference shares	Ordinary shares				Appropriated - statutory reserve	Unappropriated		
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 - payment of dividend	-	-	-	-	-	-	(799,892,402)	-	(799,892,402)
Reversal of dividend on shares held by foreign shareholders who have no right to receive	-	-	-	-	-	-	560,606	-	560,606
Decrease in surplus from revaluation of assets	-	-	-	(9,809,859)	-	-	-	-	(9,809,859)
Increase in revaluation deficit on investments	-	-	-	-	(314,751,491)	-	-	-	(314,751,491)
Decrease in minority interest in subsidiary companies	-	-	-	-	-	-	-	(18,531,002)	(18,531,002)
Net earnings for the period	-	-	-	-	-	-	1,390,379,671	20,180,739	1,410,560,410
Balance - as at 30 June 2004	<u>197,760</u>	<u>13,331,342,270</u>	<u>2,065,644,888</u>	<u>418,456,195</u>	<u>(466,885,686)</u>	<u>219,630,693</u>	<u>3,945,386,858</u>	<u>530,337,502</u>	<u>20,044,110,480</u>
Balance - as at 1 January 2005	195,760	13,331,344,270	2,065,644,888	559,034,746	(571,289,332)	368,770,961	4,990,538,145	749,488,746	21,493,728,184
Appropriated earnings of 2004 - payment of dividend (Note 20)	-	-	-	-	-	-	(533,261,601)	-	(533,261,601)
Reversal of dividend on shares held by shareholders who have no right to receive	-	-	-	-	-	-	1,134,441	-	1,134,441
Increase in surplus from revaluation of assets	-	-	-	16,628,975	-	-	-	-	16,628,975
Increase in revaluation deficit on investments	-	-	-	-	(80,214,074)	-	-	-	(80,214,074)
Decrease in minority interest in subsidiary companies	-	-	-	-	-	-	-	(24,810,985)	(24,810,985)
Net earnings for the period	-	-	-	-	-	-	1,468,459,196	6,903,792	1,475,362,988
Balance - as at 30 June 2005	<u>195,760</u>	<u>13,331,344,270</u>	<u>2,065,644,888</u>	<u>575,663,721</u>	<u>(651,503,406)</u>	<u>368,770,961</u>	<u>5,926,870,181</u>	<u>731,581,553</u>	<u>22,348,567,928</u>

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2005 AND 2004

(Unit : Baht)

THE COMPANY ONLY

	Issued and paid up		Share premium	Surplus from revaluation of assets	Revaluation surplus (deficit) on investments	Retained earnings		Minority interest	Total
	Preference	Ordinary				Appropriated - statutory reserve	Unappropriated		
	shares	shares							
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	-	19,247,286,453
Appropriated earnings of 2003 - payment of dividend	-	-	-	-	-	-	(799,892,402)	-	(799,892,402)
Reversal of dividend on shares held by foreign shareholders who have no right to receive	-	-	-	-	-	-	560,606	-	560,606
Decrease in surplus from revaluation of assets	-	-	-	(9,809,859)	-	-	-	-	(9,809,859)
Increase in revaluation deficit on investments	-	-	-	-	(314,751,491)	-	-	-	(314,751,491)
Net earnings for the period	-	-	-	-	-	-	1,390,379,671	-	1,390,379,671
Balance - as at 30 June 2004	<u>197,760</u>	<u>13,331,342,270</u>	<u>2,065,644,888</u>	<u>418,456,195</u>	<u>(466,885,686)</u>	<u>219,630,693</u>	<u>3,945,386,858</u>	<u>-</u>	<u>19,513,772,978</u>
Balance - as at 1 January 2005	195,760	13,331,344,270	2,065,644,888	559,034,746	(571,289,332)	368,770,961	4,990,538,145	-	20,744,239,438
Appropriated earnings of 2004 - payment of dividend (Note 20)	-	-	-	-	-	-	(533,261,601)	-	(533,261,601)
Reversal of dividend on shares held by shareholders who have no right to receive	-	-	-	-	-	-	1,134,441	-	1,134,441
Increase in surplus from revaluation of assets	-	-	-	16,628,975	-	-	-	-	16,628,975
Increase in revaluation deficit on investments	-	-	-	-	(80,214,074)	-	-	-	(80,214,074)
Net earnings for the period	-	-	-	-	-	-	1,468,459,196	-	1,468,459,196
Balance - as at 30 June 2005	<u>195,760</u>	<u>13,331,344,270</u>	<u>2,065,644,888</u>	<u>575,663,721</u>	<u>(651,503,406)</u>	<u>368,770,961</u>	<u>5,926,870,181</u>	<u>-</u>	<u>21,616,986,375</u>

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

NATIONAL FINANCE PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
NOTES TO INTERIM 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, 10-11 and 15-20 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, but have not yet commenced operating as branches.

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, 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 of 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% 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 under the Financial Sector Master Plan proposed by Thanachart Group and the Company is currently implementing the plan. Since May 2005, the Company has been transferring its hire-purchase business operations in Bangkok and surrounding areas to Thanachart Bank, and in June 2005 the Company transferred its hire-purchase business in the provinces to Thanachart Bank. The Company will maintain its hire-purchase agreements and receive installments from customers until the agreements mature, while Thanachart Bank will lend to new customers. Moreover, since 1 July 2005, the Company has been transferring all deposits in the form of promissory notes of individual customers to Thanachart Bank, and it is to transfer deposits in the form of promissory notes of corporate customers and the rights in certain loans and receivable to Thanachart Bank within this year.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation of the interim financial statements

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

2.2 Basis of preparation of the consolidated financial statements

These consolidated financial statements include the balance sheets as at 30 June 2005 and 31 December 2004 and the related statements of earnings for the three-month and six-month periods ended 30 June 2005 and 2004 of National Finance Public Company Limited (hereinafter referred to as “the Company”) and the following subsidiary companies (herein after referred to as “the subsidiary companies”) as follows :-

	Percentage of shares held by the Company		Percentage of shares held by the subsidiary companies	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
	<u>Subsidiary companies directly held by the Company</u>			
Thanachart Bank Plc.	98.89	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	-	-
National Insurance Co., Ltd.	70.00	70.00	9.89	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	-	-
Nasset Property Fund 6	99.80	99.80	0.06	0.06
Thanachart SPV 01 Co., Ltd.	100.00	100.00	-	-
Thanachart Life Assurance Co., Ltd. (Formerly known as “Zurich National Life Assurance Co., Ltd.”)	100.00	50.00	-	-
<u>Subsidiary companies indirectly held by the Company</u>				
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 30 June 2005 included that company's balance sheet and the consolidated statements of earnings for the three-month and six-month periods then ended included the operating results of such company since 1 March 2005.

Total assets and total income of the subsidiary companies that have significant impact to and are included in the consolidated financial statements as at 30 June 2005 and 31 December 2004 and for the six-month periods ended 30 June 2005 and 2004 are as follows :-

(Unit : Million Baht)

	Total assets		Total income for the six-month periods ended 30 June	
	30 June 2005	31 December 2004	2005	2004
Thanachart Bank Plc.	60,105	55,922	1,321	1,160
N.F.S. Asset Management Co., Ltd.	12,340	14,231	515	780
Thanachart Life Assurance Co., Ltd.	3,589	-	336	-
Thanachart Securities Plc.	2,752	2,535	333	480
Max Asset Management Co., Ltd.	2,185	2,358	88	94

- a) The consolidated financial statements as at 30 June 2005 and 31 December 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.
- b) Outstanding balances between the Company and its subsidiary companies (including intercompany gain on the outstanding loans and assets transferred within the group), 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 pronounced by the Institute of Certified Accountants and Auditors of Thailand, which are effective under the Accounting Act B.E. 2543, 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 period based on multiplication of the effective yield rate of the portfolio, by the acquisition cost of the outstanding loans. Interest on investments in purchased/transferred loans which have been restructured and where repayment was received during the period is recognised under the effective interest rate method.

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

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

b) Interest and dividends on investments in securities

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

c) Brokerage fee income

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

d) Interest on loans for purchase of securities

Interest on loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary company ceases accruing interest for certain loans that fall under the conditions set by the Securities Exchange Commission (SEC) under Notification No. Kor. Thor. 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 period as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private sector debt securities is determined using the formula quoted by the BOT, which is based on the yield rate quoted by the Thai Bond Dealing Center, 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, net of allowance, 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 and its subsidiary company, 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) 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

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

c) 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 30 June 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 576 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 or present value of minimum lease payment whichever is lower. In calculating the present value of the minimum lease payments, the discount factor used is the effective interest rate implicit in the lease agreement. 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 from sale of commercial paper". Commercial paper sold at a discount with recourse, which is avaled 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 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 subsidiary company's related officers case by case. The estimated value of losses is limited not more than sum insured of related insurance policies.

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

3.17 Foreign currencies

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

Exchange gain and loss is 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, 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. Gain/loss arising from changes in the fair value of the contracts are included 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 are 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 period by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by dividing net earnings for the period by the total sum of the weighted average number of ordinary shares in issue during the period 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 period 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	
	30 June	31 December	30 June	31 December
	2005	2004	2005	2004
Cash	436	217	1	1
Cash at banks - Baht	2,124	1,800	977	817
- Foreign currency	9	-	-	-
Total cash and deposits with financial institutions	2,569	2,017	978	818

5. LOANS TO FINANCIAL INSTITUTIONS

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2005	2004	2005	2004
Call loans	329	89	-	-
Term loans	561	307	20	20
Total loans to financial institutions	890	396	20	20
Add : Accrued interest receivable	-	1	-	-
Less : Allowances for doubtful accounts	(86)	(82)	(1)	(1)
Loans to financial institutions - net	804	315	19	19

As at 30 June 2005 and 31 December 2004, a subsidiary company had loans to defunct financial institutions amounting to approximately Baht 81 million for which interest recognition has been ceased and full allowance for doubtful accounts has been provided.

In addition, as at 30 June 2005 and 31 December 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	
	30 June	31 December	30 June	31 December
	2005	2004	2005	2004
Government bonds and Bank of Thailand bonds	5,900	-	4,000	-
FIDF Bonds	16,000	10,600	9,000	3,200
Total securities purchased under resale agreements	21,900	10,600	13,000	3,200

7. INVESTMENTS

7.1 Classified by type of investments

(Unit : Million Baht)

	Consolidated				The Company Only			
	30 June 2005		31 December 2004		30 June 2005		31 December 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	195	195	201	201	-	-	-	-
Domestic marketable equity securities	18	18	8	8	-	-	-	-
	213	213	209	209	-	-	-	-
Add : Allowance for change in value	-	-	-	-	-	-	-	-
	213	213	209	209	-	-	-	-
Available-for-sale securities								
Government and state enterprise securities	1,232	1,228	2,031	2,028	933	929	3	3
Private debt securities	221	222	15	15	-	-	-	-
Domestic marketable equity securities	10	12	58	81	7	8	58	81
	1,463	1,462	2,104	2,124	940	937	61	84
Add (less) : Allowance for change in value	(1)	-	20	-	(3)	-	23	-
	1,462	1,462	2,124	2,124	937	937	84	84
Held-to-maturity debt securities - due within 1 year								
Government and state enterprise securities	3,047	-	4,853	-	-	-	30	-
	3,047	-	4,853	-	-	-	30	-
Total current investments - net	4,722	4,722	7,186	7,186	937	937	114	114

(Unit : Million Baht)

	Consolidated				The Company Only			
	30 June 2005		31 December 2004		30 June 2005		31 December 2004	
	Cost/ Amortised		Cost/ Amortised		Cost/ Amortised		Cost/ Amortised	
	cost	Fair value	cost	Fair value	cost	Fair value	cost	Fair value
Long-term investments :								
Available-for-sale securities								
Government and state enterprise securities	2,039	2,068	974	970	-	-	933	927
Private debt securities	1,078	1,076	695	690	-	-	-	-
Domestic marketable equity securities	6,493	6,517	6,748	7,040	1,044	1,055	766	870
	9,610	9,661	8,417	8,700	1,044	1,055	1,699	1,797
Add : Allowance for change in value	51		283		11		98	
	9,661		8,700		1,055		1,797	
Held-to-maturity debt securities								
Government and state enterprise securities	15,290		18,765		4,157		7,563	
Private debt securities	54		55		1		1	
Foreign debt securities - Subordinated debentures	384		388		-		-	
	15,728		19,208		4,158		7,564	
Less : Allowance for impairment	(322)		(322)		(93)		(93)	
	15,406		18,886		4,065		7,471	
Other investments								
Investments in receivables purchased	2,232		2,286		552		452	
Investments in property fund	1,318		1,371		-		-	
Domestic non-marketable equity securities	408		393		235		235	
	3,958		4,050		787		687	
Less : Allowance for impairment	(341)		(307)		(109)		(109)	
	3,617		3,743		678		578	
Total long-term investments - net	28,684		31,329		5,798		9,846	

As at 30 June 2005, the Company and its subsidiary companies have a revaluation surplus and deficit amounting to Baht 43 million and Baht 756 million, respectively, as a result of the recategorisation of debt securities, and these are presented in shareholders' equity (the Company Only : Baht 29 million and Baht 205 million, respectively) (31 December 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							
	30 June 2005				31 December 2004			
	Maturity				Maturity			
	1 year	Over 1-5 years	Over 5 years	Total	1 year	Over 1-5 years	Over 5 years	Total
Trading securities								
Government and state								
enterprise securities	195	-	-	195	201	-	-	201
Add : Allowance								
for change in value	-	-	-	-	-	-	-	-
Total	195	-	-	195	201	-	-	201
Available-for-sale securities								
Government and state								
enterprise securities	1,232	736	1,303	3,271	2,031	971	3	3,005
Private debt securities	221	1,049	29	1,299	15	695	-	710
Total	1,453	1,785	1,332	4,570	2,046	1,666	3	3,715
Add (less) : Allowance for								
change in value	(3)	33	(6)	24	(3)	(9)	-	(12)
Total	1,450	1,818	1,326	4,594	2,043	1,657	3	3,703
Held-to-maturity								
debt securities								
Government and state								
enterprise securities	3,047	3,839	11,451	18,337	4,853	4,585	14,180	23,618
Private debt securities	-	44	10	54	-	45	10	55
Foreign debt securities	-	384	-	384	-	388	-	388
Total	3,047	4,267	11,461	18,775	4,853	5,018	14,190	24,061
Less : Allowance for								
impairment	-	-	(322)	(322)	-	-	(322)	(322)
Total	3,047	4,267	11,139	18,453	4,853	5,018	13,868	23,739
Total debt securities	4,692	6,085	12,465	23,242	7,097	6,675	13,871	27,643

	The Company Only							
	30 June 2005				31 December 2004			
	Maturity				Maturity			
	1 year	Over 1-5 years	Over 5 years	Total	1 year	Over 1-5 years	Over 5 years	Total
Available-for-sale securities								
Government and state enterprise securities	933	-	-	933	3	933	-	936
Less : Allowance for change in value	(4)	-	-	(4)	-	(6)	-	(6)
Total	929	-	-	929	3	927	-	930
Held-to-maturity debt securities								
Government and state enterprise securities	-	902	3,255	4,157	30	2,109	5,454	7,593
Private debt securities	-	-	1	1	-	-	1	1
Total	-	902	3,256	4,158	30	2,109	5,455	7,594
Less : Allowance for impairment	-	-	(93)	(93)	-	-	(93)	(93)
Total	-	902	3,163	4,065	30	2,109	5,362	7,501
Total debt securities	929	902	3,163	4,994	33	3,036	5,362	8,431

7.3 As at 30 June 2005 and 31 December 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 30 June 2005, long-term investments in held-to-maturity debt securities include Baht 2,941 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 561 million) (31 December 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 30 June 2005 and 31 December 2004, 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 318 million, as the debtors have negotiated the restructuring of their debts with TAMC. 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 93 million).

During the six-month period ended 30 June 2005, the Company and its subsidiary companies have recognised interest on TAMC's promissory notes amounting to Baht 13 million and have received payment under promissory notes and interest amounting to Baht 61 million and Baht 26 million, respectively (the Company Only : Baht 2 million, Baht 6 million and Baht 5 million, respectively).

- 7.5** As at 30 June 2005, investments of subsidiaries in government and state enterprise bonds of approximately Baht 792 million have been placed as collateral for loans from commercial banks and as security with the Insurance Registrar (31 December 2004 : Baht 6 million). Moreover, an investment in equity securities in an associated company of Baht 163 million (at cost) has been placed as security for liabilities sold under a repurchase agreement in accordance with sales agreement.

7.6 As at 30 June 2005, investments in other equity securities of the Company and its subsidiary companies amounting to approximately Baht 85 million, at cost, were received as a result of debt restructuring. The Company and its subsidiary companies are prohibited from selling Baht 66 million of such investments for a period as specified in the agreements. For Baht 19 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) (31 December 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			
		30 June 2005		31 December 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	288	19.60	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)	74	15.04	111	19.18
<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

		Consolidated			
		30 June 2005		31 December 2004	
Name	Nature of business	Net book value	Percentage of holding	Net book value	Percentage of holding
		Million Baht	%	Million Baht	%
Others					
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	613	26.67	648	26.67
Sub Thawee Property Fund ⁽¹⁾	Unit trusts - property fund	280	56.00	280	56.00
Thai Pattana Fund 1 ⁽¹⁾	Unit trusts - property fund	229	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	1,218	95.27	1,653	89.56
Thanachart Tuntawee 1 ⁽¹⁾	Unit trusts - equity and debt securities	364	99.13	225	99.05
Thanachart Tuntawee 3 ⁽¹⁾	Unit trusts - debt securities	1,011	99.70	1,495	99.99
Thanachart Tuntawee 4 ⁽¹⁾	Unit trusts - debt securities	1,312	76.05	1,948	99.48
Thirasombat Open-Ended Fund ⁽¹⁾	Unit trusts - debt securities	-	-	63	18.52
N-SET Fund	Unit trusts - equity securities	103	13.03	99	10.79
Nasset Big Cap Long Term Equity Fund ⁽¹⁾	Unit trusts - equity securities	58	26.80	57	30.81
Nasset Long Term Equity Dividend Fund ⁽¹⁾	Unit trusts - equity securities	32	20.85	31	22.83

(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.

		The Company Only			
		30 June 2005		31 December 2004	
Name	Nature of business	Net book value	Percentage of holding	Net book value	Percentage of holding
		Million Baht	%	Million Baht	%
Manufacturing and commercial industries					
Patum Rice Mill and Granary Plc.	Production and distribution of packaged rice and rice products	144	9.79	200	9.79
Property development and construction					
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
Others					
Thanachart Tuntawee 1 ⁽¹⁾	Unit trusts - equity and debt securities	110	30.02	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	53	24.37	51	28.01
Nasset Long Term Equity Dividend Fund ⁽¹⁾	Unit trusts - equity securities	26	17.37	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 30 June 2005 and 31 December 2004 can be summarised as follow :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
Investments in receivables	2,232	2,286	552	452
Less : Allowance for impairment	(224)	(190)	(18)	(18)
Investments in receivables - net	2,008	2,096	534	434

	30 June 2005				31 December 2004			
	Number of debtors	Balance per agreement Million Baht	Purchase price Million Baht	Yield Percent	Number of debtors	Balance per agreement Million Baht	Purchase price Million Baht	Yield Percent
<u>Consolidated</u>								
Total accumulated investments								
in receivables	1,490	28,904	6,205	6.50 – 18.97	1,368	28,554	6,091	6.50-18.97
Outstanding investments in receivables as at the balance sheet date	1,022	12,307	2,232		928	12,250	2,286	
<u>The Company Only</u>								
Total accumulated investments								
in receivables	534	4,059	616	12.43 – 18.97	412	3,709	501	13.85-18.97
Outstanding investments in receivables as at the balance sheet date	475	3,738	552		365	3,436	452	

During the six-month period ended 30 June 2005, the Company and its subsidiary companies have restructured loans with a total of 19 troubled receivables with book balances before restructuring totaling approximately Baht 45 million (the Company Only : 13 debtors with book balances before restructuring of Baht 15 million), by means of various types of restructuring, without any loss on debt restructuring, as summarised below :-

Pattern of restructuring	Number of receivables	Outstanding loan	Outstanding loan	Type of assets to be transferred	Fair value of
		balance before restructuring	balance after restructuring		assets to be transferred
		Million Baht	Million Baht		per agreements
					Million Baht
<u>Consolidated</u>					
Transfer of assets	2	4	4	Land and premises thereon	18
Modification of terms	16	29	29		
Transfer of assets and/or securities and/or modification of terms	1	12	12	Land and premises thereon	16
Total	19	45	45		
<u>The Company Only</u>					
Modification of terms	13	15	15		
Total	13	15	15		

The restructuring agreements for receivables which entered into debt restructuring during the current period are due within 2005.

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 30 June 2005, there were no restructured receivables outstanding in the balance of investments in receivables.

7.9 As at 30 June 2005 and 31 December 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		
30 June 2005	31 December 2004	30 June 2005	31 December 2004	30 June 2005	31 December 2004	30 June 2005	31 December 2004	
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	
<u>Debt instruments – debentures/ bills of exchange</u>								
1. Companies which have loan settlement problems or have defaulted the repayment on debts	1	1	9	9	5	5	4	4
<u>Equity securities - common shares</u>								
1. Listed companies vulnerable to delisting from the SET	4	6	2	6	2	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
<u>Investments in receivables</u>								
1. Listed companies vulnerable to delisting from the SET	6	6	38	49	38	38	-	11
2. 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	-	-
3. Companies which have loan settlement problems or have defaulted the repayment of debts	344	352	1,244	1,337	1,587	1,271	156	119
4. Companies whose auditors' reports cited going concern issues	3	2	18	12	17	12	1	-

The Company Only

	Number of transactions		Cost		Fair value		Allowance for possible loss/impairment provided in the accounts	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2005	2004	2005	2004	2005	2004	2005	2004
				Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<u>Debts instruments - debentures/</u>								
<u>bills of exchange</u>								
1. Companies which have loan settlement problems or have defaulted the repayment of debts	1	1	1	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. Companies which have loan settlement problems or have defaulted the repayment of debts	131	134	281	289	278	285	3	4

8. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES

8.1 As at 30 June 2005 and 31 December 2004, the Company and its subsidiary companies have the following investments in subsidiary and associated companies :-

Company's name	Nature of business	Paid-up share capital		Percentage of holding (%)		Investment value				Dividend income for the six-month periods ended	
						Cost method		Equity method ⁽¹⁾		30 June	
		30 June 2005	31 December 2004	30 June 2005	31 December 2004	30 June 2005	31 December 2004	30 June 2005	31 December 2004	2005	2004
Subsidiary companies directly held by the Company											
Thanachart Bank Plc.	Bank business	8,102	8,102	98.89	98.89	9,703	9,703	8,538	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	166	(150)	-	-
Max Asset Management Co., Ltd.	Non-performing assets management	572	572	58.45	58.45	334	334	737	736	-	-
Thanachart Securities Plc.	Securities business	1,500	1,500	100.00	100.00	1,500	1,500	2,270	2,233	-	743
National Insurance Co., Ltd.	Non-life insurance	300	300	70.00	70.00	210	210	248	268	-	-
Pasara Co., Ltd.	Cease operation	30	30	100.00	100.00	181	181	139	136	-	-
Thanachart Fund Management Co., Ltd.	Assets management	100	100	75.00	75.00	113	113	109	149	45	37
N.F.S. Capital Co., Ltd.	Cease operation	100	100	100.00	100.00	100	100	108	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	42	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	437	431	-	-
Thanachart Management and Services Co., Ltd.	Services	6	6	100.00	100.00	8	8	16	14	-	-
Thanachart Legal and Appraisal Co., Ltd.	Legal services	10	10	100.00	100.00	10	10	12	10	-	-
Nasset Property Fund 6	Non-performing assets management	900	900	99.80	99.80	898	898	877	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	-	607	-	-	-
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)	(1,278)	(1,175)	-	-

<u>14,338</u>	<u>13,890</u>	<u>13,056</u>	<u>12,090</u>	<u>245</u>	<u>980</u>
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(Unit : Million Baht)

Company's name	Nature of business	Paid-up		Percentage		Investment value				Dividend income	
		share capital		of holding (%)		Cost method		Equity method ⁽¹⁾		for the six-month	
		30	31	30	31	30	31	30	31	periods ended	
		June	December	June	December	June	December	June	December	30 June	
		2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
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	19.36	18.28	992	940	1,652	1,526	58	55
Puen Pob Paet Co., Ltd.	Clinic	1	1	28.50	28.50	-	-	1	1	-	-
						992	1,190	1,653	1,759	58	55
						15,330	15,080	14,709	13,849	303	1,035
Add : Provision for loss on investment in subsidiary companies presented as liabilities						-	-	-	150		
Total						15,330	15,080	14,709	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 30 June 2005 and 31 December 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 30 June 2005, based on financial statements prepared by management, such subsidiary company has total assets of approximately Baht 169 million, total liabilities of Baht 496 million and a capital deficit of Baht 327 million (31 December 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 period (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 amounting to Baht 89 million (or at 6.1 percent of consolidated and the Company's net earnings) is determined based on the financial statements of such company for the six-month period ended 31 March 2005, which have been reviewed by another auditor (2004 : share of profit of Baht 93 million or at 6.7 percent).

8.4 The consolidated balance sheet as at 30 June 2005 included assets of a subsidiary company (Thanachart Life Assurance Co., Ltd.) amounting to Baht 3,742 million and the consolidated statement of earnings for the six-month period ended 30 June 2005 included income of Baht 340 million and net earnings of Baht 37 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 six-month periods ended 30 June 2005 and 2004 are as follows :-

(Unit : Million Baht)

	N.F.S. Asset		Max Asset	
	Management Co., Ltd.		Management Co., Ltd.	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Cash flows from operating activities :				
Net earnings	309	302	8	7
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	(15)	(144)	(21)	(3)
Loss on diminution in value of investments in receivables (reversal of loss)	-	(7)	2	-
Bad debts and doubtful accounts (reversal)	(522)	20	3	(7)
Loss on debt restructuring	243	-	-	-
Loss on diminution in value of property foreclosed	4	53	7	1
Gain on disposal of property foreclosed	(27)	(34)	(7)	(23)
Gain on disposal of investments	(22)	(73)	(5)	-
Increase (decrease) in corporate income tax payable	154	133	(157)	(6)
Others	13	(7)	(12)	2
Earnings (loss) from operating activities before changes in operating assets and liabilities	137	243	(182)	(29)
Decrease (increase) in operating assets				
Investments in receivables	-	8	2	-
Loans and receivable	233	419	12	32
Property foreclosed	153	146	-	44
Other assets	(2)	(21)	(5)	(5)
Increase (decrease) in operating liabilities				
Other liabilities	(103)	15	(4)	(59)
Net cash flows provided from (used in) operating activities	418	810	(177)	(17)
Cash flows from investing activities :				
Decrease (increase) in loans to financial institutions	1,865	(405)	157	66
Net cash received from sales (purchase) of investments	1,932	594	5	(5)
Net cash flows provided from investing activities	3,797	189	162	61
Cash flows from financing activities :				
Repayment of borrowings	(4,124)	(1,000)	(275)	-
Net cash flows used in financing activities	(4,124)	(1,000)	(275)	-
Net increase (decrease) in cash and cash equivalents	91	(1)	(290)	44
Cash and cash equivalents at beginning of the period	112	81	316	9
Cash and cash equivalents at end of the period	203	80	26	53

9. LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE

9.1 Classified by loan types

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
<u>Finance business loans and receivable</u>				
Loans	34,986	35,526	2,722	2,849
Notes receivable	3,213	2,832	13,109	15,075
Hire-purchases receivable	102,911	88,874	97,755	88,699
Financial leases receivable	793	729	26	92
Total finance business loans and receivable	141,903	127,961	113,612	106,715
Add : Accrued interest receivable	240	144	45	52
Less : Allowance for doubtful accounts	(7,034)	(7,128)	(3,920)	(3,589)
Less : Revaluation allowance for debt restructuring	(379)	(254)	-	-
Finance business loans and receivable and accrued interest receivable – net	134,730	120,723	109,737	103,178
<u>Securities business receivable</u>				
Customer's accounts	441	598	-	-
Margin loans	1,026	795	-	-
Other receivables	428	437	-	-
Total securities business receivable	1,895	1,830	-	-
Add : Accrued interest receivable	9	8	-	-
Less : Allowance for doubtful accounts	(434)	(434)	-	-
Securities business receivable and accrued interest receivable – net	1,470	1,404	-	-
Loans, receivable and accrued interest receivable – net	136,200	122,127	109,737	103,178

During the six-month period ended 30 June 2005, the Company and its subsidiary companies transferred 19 investments in purchased receivables, which had been restructured, totaling Baht 45 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 (the Company Only : transferred 13 investments in purchased receivables amounting to Baht 15 million).

9.2 Classified by remaining period of contract

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
Finance business loans and receivable				
At call	6,375	6,625	623	365
Not over 1 year	9,460	7,293	16,239	18,210
Over 1 year	126,819	114,891	96,795	88,192
Total finance business loans, receivable and accrued interest receivable	142,654	128,809	113,657	106,767
Less : Intercompany profits from loans and receivable transferred	(511)	(704)	-	-
Total finance business loans, receivable and accrued interest receivable	<u>142,143</u>	<u>128,105</u>	<u>113,657</u>	<u>106,767</u>

9.3 Classified by currency and country

As at 30 June 2005 and 31 December 2004, all outstanding loans and receivable are Baht loans granted to domestic debtors.

9.4 Classified by type of business and loan classification

(Unit : Million Baht)

Consolidated						
30 June 2005						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	80	-	-	-	7	87
Manufacturing and commerce	4,722	81	313	342	1,248	6,706
Real estate and construction	2,068	-	735	754	1,996	5,553
Public utilities and services	7,884	-	2,244	351	236	10,715
Hire purchase business	372	-	-	-	-	372
Personal use						
Housing loans	10,176	294	149	108	516	11,243
Securities	1,801	-	10	-	425	2,236
Hire purchase	93,541	8,065	534	313	458	102,911
Others	2,046	99	72	37	201	2,455
Others	1,197	-	35	128	920	2,280
Total loans, receivable and accrued interest receivable	<u>123,887</u>	<u>8,539</u>	<u>4,092</u>	<u>2,033</u>	<u>6,007</u>	<u>144,558</u>
Less : Intercompany profits from loans and receivable transferred						<u>(511)</u>
Total loans, receivable and accrued interest receivable						<u>144,047</u>

(Unit : Million Baht)

Consolidated						
31 December 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	<u>112,470</u>	<u>7,033</u>	<u>3,110</u>	<u>1,339</u>	<u>6,695</u>	<u>130,647</u>
Less : Intercompany profits from loans and receivable transferred						<u>(704)</u>
Total loans, receivable and accrued interest receivable						<u>129,943</u>

(Unit : Million Baht)

The Company Only						
30 June 2005						
	Normal	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Subsidiaries - asset management and leasing companies	13,407	-	-	-	-	13,407
Agricultural and mining	5	-	-	-	-	5
Manufacturing and commerce	734	71	-	8	19	832
Real estate and construction	25	-	2	240	6	273
Public utilities and services	37	-	-	-	9	46
Personal use						
Housing loans	352	38	17	30	1	438
Hire purchase	88,461	7,997	533	313	451	97,755
Others	775	61	23	19	23	901
Total loans, receivable and accrued interest receivable	103,796	8,167	575	610	509	113,657

(Unit : Million Baht)

The Company Only						
31 December 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 30 June 2005 and 31 December 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	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
Non-performing loans and receivable (excluding accrued interest receivable)				
Finance business	1,693	1,409	1,693	1,409
Banking business	3,856	2,622	-	-
Asset management business	6,052	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	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
Finance business	2,010	1,349	2,010	1,349
Bank business	1,859	1,827	-	-
Securities business	425	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 30 June 2005 and 31 December 2004, unearned income are summarised as follows :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
Unearned interest income	173	485	-	-
Unearned income from hire purchase/leasing	12,418	10,724	11,612	10,635

9.7 Troubled Debt Restructuring

During the six-month period ended 30 June 2005, the Company and its subsidiary companies which are financial institutions (a bank and asset management companies) have entered into debt restructuring agreements with a total of 121 debtors, with total outstanding balances before restructuring amounting to approximately Baht 1,493 million, excluding debt restructuring agreements with debtors included under the investments in receivables account, (of these 57 debtors, representing a total outstanding balances before restructuring amounting to approximately Baht 1,216 million, had previously entered into debt restructuring agreements but were unable to make repayment, and therefore entered into new debt restructuring agreements during the period). In the course of such restructuring, losses amounting to Baht 64 million were incurred from hair-cuts granted at the restructuring date and losses amounting to Baht 179 million from hair-cut granted if the debtors are able to fulfill their obligations under the agreements (the Company Only : 1 debtor, with an balance before debt restructuring of Baht 13 million).

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	5	110	79	Land and premises thereon	94
Modification of terms	108	1,298	1,265		
Transfer of assets and/or securities and/or modification of terms	8	85	85	Ordinary shares, land and premises thereon	60
Total	121	1,493	1,429		
The Company Only					
Modification of terms	1	13	13		
Total	1	13	13		

(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	Number of receivables	Outstanding loan balances
		after restructuring		after restructuring
		Million Baht		Million Baht
Past due after debt restructuring	23	58	-	-
Due within 2005	56	1,036	-	-
Less than 5 years	18	77	-	-
5 - 10 years	22	252	1	13
10 - 15 years	1	2	-	-
More than 15 years	1	4	-	-
Total	121	1,429	1	13

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

	(Unit : Million Baht)	
	Consolidated	The Company Only
Interest income recognised in statements of earnings	249	4
Gain on debt repayment recognised in statements of earnings	176	9
Loss on debt restructurings recognised in statements of earnings	283	-
Gain on transfers of assets for debt repayment recognised in statements of earnings	36	-
Cash proceeds from collection of debts	800	28
Assets transferred from debtors	189	-

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 30 June 2005, the subsidiary companies have outstanding balance of assets which are to be transferred under debt restructuring agreements totaling Baht 478 million.

As at 30 June 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 follow :-

	Total number of outstanding receivables	Restructured receivables		
		Number of receivables	Outstanding loans balance	Outstanding loans balance, net of collateral
National Finance Plc.	342,943	9	63	24
Thanachart Bank Plc.	21,193	313	3,643	773
N.F.S. Asset Management Co., Ltd.	1,776	393	2,506	1,286
Max Asset Management Co., Ltd.	106	106	637	128
Thanachart Securities Plc.	1,953	1	2	2

9.8 As at 30 June 2005 and 31 December 2004, the Company has loans to the companies in the Thanachart Group, as follows :-

Company	Type of credit	Contract period	Interest rate	Outstanding balance	
				30 June 2005	31 December 2004
				Million Baht	Million Baht
N.F.S. Asset Management Co., Ltd.	Promissory note	Not over 5 years	1 year fixed deposit rate plus 1% per annum	11,700	13,824
Max Asset Management Co., Ltd.	Long-term loan	5 years	fixed at 11.51% per annum	846	1,075
National Leasing Co., Ltd.,	Promissory note	5 years	1 year fixed deposit rate plus 1% per annum	828	634
Total				13,374	15,533

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

As at 30 June 2005 and 31 December 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⁾

	Debt balance/ book value		Debt balance after collateral		Minimum percentage required by BOT ⁽²⁾	Allowance for doubtful accounts			
						Minimum amount to be provided under BOT's guidelines		Amount provided in the accounts	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004		30 June 2005	31 December 2004	30 June 2005	31 December 2004
Loans, receivable and accrued interest receivable (including loans to financial institutions) ⁽³⁾									
Normal	120,331	109,208	100,181	87,801	1	1,002	878	2,794	2,521
Special mention	8,457	7,022	8,088	6,402	2	162	128	162	128
Substandard	1,757	1,141	634	585	20	127	117	127	117
Doubtful	1,775	1,178	450	608	50	225	304	241	304
Doubtful of loss	2,068	1,757	877	516	100	877	516	877	516
Total	134,388	120,306	110,230	95,912		2,393	1,943	4,201	3,586
Additional allowance for possible uncollectable debts	-	-						912	1,106
	134,388	120,306						5,113	4,692
Loans and receivable of N.F.S. Asset Management Co., Ltd., which transferred from Thanachart Group									
Normal	1,037	967	611	615	1	9	6	298	311
Special mention	11	-	2	-	2	-	-	1	-
Substandard	2,244	1,855	618	300	20	124	60	565	649
Doubtful	238	141	162	22	50	93	11	162	22
Doubtful of loss	2,959	3,947	593	1,136	100	593	1,136	646	1,212
Total	6,489	6,910	1,986	2,073		819	1,213	1,672	2,194
Additional allowance for possible uncollectable debts	-	-						33	33
	6,489	6,910						1,705	2,227
Total	140,877	127,216							
Revaluation allowance for debt restructuring	(379)	(254)							
Less : Intercompany gain	(511)	(704)							
Total	139,987	126,258							
Investments in receivables transferred to loans and receivable									
Normal	68	100	40	40	1	-	-	7	7
Special mention	-	-	-	-	2	-	-	-	-
Substandard	80	89	17	16	20	3	3	26	21
Doubtful	19	19	11	5	50	6	3	14	10
Doubtful of loss	548	568	100	122	100	100	122	151	157
Total	715	776	168	183		109	128	198	195
Total loans, receivable and accrued interest	140,702	127,034						7,016	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									
				Minimum percentage required by BOT ⁽¹⁾	Allowance for doubtful accounts				
Debt balance/ book value		Debt balance after collateral			Minimum amount to be provided under BOT's guidelines		Amount provided in the accounts		
30 June 2005	31 December 2004	30 June 2005	31 December 2004		30 June 2005	31 December 2004	30 June 2005	31 December 2004	
Loans, receivable and accrued									
interest (including loans to									
financial institutions) ⁽²⁾									
Normal	103,749	98,614	102,971	97,716	1 ⁽³⁾	896	822	2,688	2,465
Special mention	8,166	6,678	8,049	6,376	2	161	127	161	127
Substandard	575	801	556	536	20	111	107	111	107
Doubtful	610	279	344	278	50	172	139	172	139
Doubtful of loss	500	330	492	314	100	492	314	492	314
Total	113,600	106,702	112,412	105,220		1,832	1,509	3,624	3,152
Additional allowance for possible uncollectable debts									
	-	-						296	436
Total	113,600	106,702						3,920	3,588
Investments in receivables									
transferred to loans and									
receivable									
Normal	24	34	24	25	1	-	-	1	1
Doubtful of loss	9	-	-	-	100	-	-	-	-
Total	33	34	24	25		-	-	1	1
Total loans, receivable and									
accrued interest									
	113,633	106,736						3,921	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	
	30	31	30	31	30	31	30	31
	June	December	June	December	June	December	June	December
	2005	2004	2005	2004	2005	2004	2005	2004
		Million	Million	Million	Million	Million	Million	
		Baht	Baht	Baht	Baht	Baht	Baht	
1. Closed financial institutions	4	4	-	-	-	-	-	-
2. Listed companies vulnerable to delisting from the SET	5	4	230	222	242	197	42	36
3. Non – listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	30	32	1,295	1,097	1,674	1,837	99	51
4. Companies which have loan settlement problems or have defaulted of the repayment of debts	396	378	4,340	4,780	4,908	5,300	849	1,281
5. Companies whose auditors’ reports cited going concern issues	17	17	261	215	25	27	119	73

	The Company Only							
	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	30	31	30	31	30	31	30	31
	June	December	June	December	June	December	June	December
	2005	2004	2005	2004	2005	2004	2005	2004
		Million	Million	Million	Million	Million	Million	
		Baht	Baht	Baht	Baht	Baht	Baht	
1. Non – listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	1	1	242	15	236	23	3	-
2. Companies which have loan settlement problems or have defaulted of the repayment of debts	209	174	208	365	3	236	93	62

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

As at 30 June 2005 and 31 December 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	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004	30 June 2005	31 December 2004
Doubtful	424	418	424	418	424	418
Substandard	10	25	-	-	-	-
Total	<u>434</u>	<u>443</u>	<u>424</u>	<u>418</u>	424	418
General reserve					10	16
Total allowance for doubtful accounts					<u>434</u>	<u>434</u>

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 30 June 2005 and 31 December 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)	
	30 June 2005	31 December 2004
Current or overdue less than 90 days	1,463	804
Overdue 91 – 365 days	2	1
Overdue more than 1 year	2	2
Debtors under legal actions	6	4
Total	<u>1,473</u>	<u>811</u>
Allowance for doubtful accounts	<u>23</u>	<u>14</u>

10. ALLOWANCE FOR DOUBTFUL ACCOUNTS

(Unit : Million Baht)

	Consolidated						Total
	For the six-month period ended 30 June 2005						
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	
Balance – beginning of the period	2,847	128	786	336	2,326	1,139	7,562
Add : Increase (decrease) during the period	260	37	(68)	81	(212)	(194)	(96)
Bad debt recovery	-	-	-	-	2	-	2
Balance – end of the period	3,107	165	718	417	2,116	945	7,468

(Unit : Million Baht)

	Consolidated						Total
	For the year ended 31 December 2004						
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	
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 loans and receivable transferred	-	-	(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 six-month period ended 30 June 2005							
	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	General reserve	Total
Balance – beginning of the period	2,466	127	107	139	314	436	3,589
Add : Increase (decrease) during the period	222	34	4	33	177	(140)	330
Bad debt recovery	-	-	-	-	1	-	1
Balance – end of the period	2,688	161	111	172	492	296	3,920

(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 six- mo nth period ended 30 June 2005	For the year ended 31 December 2004	For the six-month period ended 30 June 2005	For the year ended 31 December 2004
Balance - beginning of the period	254	295	-	2
Add : Increase (decrease) during the period	179	6	-	(2)
Allowance for revaluation adjustment for receivable transferred from allowances for doubtful accounts	-	28	-	-
Less : Amortised during the period	(48)	(38)	-	-
	385	291	-	-
Less : Amortised during the period	(6)	(37)	-	-
Balance – end of the period	379	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	
	30	31	30	31	30	31	30	31	30	31
	June	December	June	December	June	December	June	December	June	December
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Normal	121,436	110,275	-	-	-	-	49	48	121,485	110,323
Special mention	8,468	7,022	-	-	-	-	39	31	8,507	7,053
Substandard	4,081	3,085	-	-	-	-	5	4	4,086	3,089
Doubtful	2,032	1,338	-	-	-	-	4	4	2,036	1,342
Doubtful of loss	5,575	6,272	814	738	673	659	366	290	7,428	7,959
Total	141,592	127,992	814	738	673	659	463	377	143,542	129,766
Less: Revaluation allowance for debt restructuring	(379)	(254)								
Intercompany gain from loans and receivable transferred	(511)	(704)								
	140,702	127,034								

(Unit : Million Baht)

	The Company Only									
	Loans, receivable and accrued interest receivable		Investments		Property foreclosed		Other assets		Total	
	30	31	30	31	30	31	30	31	30	31
	June	December	June	December	June	December	June	December	June	December
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Normal	103,773	98,648	-	-	-	-	47	47	103,820	98,695
Special mention	8,166	6,678	-	-	-	-	40	31	8,206	6,709
Substandard	575	801	-	-	-	-	3	3	578	804
Doubtful	610	279	-	-	-	-	3	2	613	281
Doubtful of loss	509	330	237	229	361	344	335	261	1,442	1,164
Total	113,633	106,736	237	229	361	344	428	344	114,659	107,653

13. PROPERTY FORECLOSED

(Unit : Million Baht)

	Consolidated			
	For the six-month period ended 30 June 2005			
	Balance - beginning of the period	Additions	Disposals	Balance - end of the period
Assets transferred in settlement of debts				
Immovable assets	6,802	219	(353)	6,668
Movable assets	187	494	(439)	242
Assets foreclosed from purchase by bid on the open market				
Immovable assets	959	217	(61)	1,115
Total property foreclosed	7,948	930	(853)	8,025
Less : Allowance for impairment	(659)	(52)	38	(673)
Property foreclosed - net	7,289	878	(815)	7,352

(Unit : Million Baht)

	The Company Only			
	For the six-month period ended 30 June 2005			
	Balance - beginning of the period	Additions	Disposals	Balance - end of the period
Assets transferred in settlement of debts				
Immovable assets	3,329	2	(226)	3,105
Movable assets	122	487	(370)	239
Assets foreclosed from purchase by bid on the open market				
Immovable assets	54	-	(2)	52
Total property foreclosed	3,505	489	(598)	3,396
Less : Allowance for impairment	(344)	(44)	27	(361)
Property foreclosed - net	3,161	445	(571)	3,035

As at 30 June 2005, the subsidiary companies have obligations with regard to property foreclosed received in settlement of debts. For Baht 17 million, the debtors have an option to buy back the properties at prices and within periods specified in the agreements. For a further Baht 248 million, the debtors have first right of purchase.

As at 30 June 2005, for a further approximately Baht 384 million (at cost) of the property foreclosed of the Company and its subsidiary companies (the Company Only : Baht 271 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	966	153	101	1,379
Balance brought forward of a subsidiary which changes from an associated	-	-	34	15	-	49
Additions	-	5	177	11	182	375
Transfers	-	25	77	-	(102)	-
Disposals	-	-	(63)	(4)	-	(67)
30 June 2005	70	119	1,191	175	181	1,736
<u>Accumulated depreciation :</u>						
31 December 2004	-	15	572	90	-	677
Balance brought forward of a subsidiary which changes from an associated	-	-	21	7	-	28
Disposals	-	-	(37)	(3)	-	(40)
Depreciation during the period	-	3	78	14	-	95
30 June 2005	-	18	634	108	-	760
<u>Allowance for impairment :</u>						
31 December 2004	-	-	12	-	-	12
Increase during the period	-	-	-	-	-	-
30 June 2005	-	-	12	-	-	12
<u>Net book value :</u>						
31 December 2004	70	74	382	63	101	690
30 June 2005	70	101	545	67	181	964
Depreciation charge included in the earnings statements for the six-month periods ended 30 June :-						
2004						64
2005						95

(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	384	69	101	714
Additions	-	4	88	5	146	243
Transfers	-	25	77	-	(102)	-
Disposals	-	-	(5)	(1)	-	(6)
30 June 2005	70	119	544	73	145	951
<u>Accumulated depreciation :</u>						
31 December 2004	-	16	236	44	-	296
Disposals	-	-	(4)	-	-	(4)
Depreciation during the period	-	2	31	6	-	39
30 June 2005	-	18	263	50	-	331
<u>Net book value :</u>						
31 December 2004	70	74	148	25	101	418
30 June 2005	70	101	281	23	145	620
Depreciation charge included in the earnings statements						
for the six-month periods ended 30 June :-						
2004						25
2005						39

As at 30 June 2005, the Company and its subsidiary companies have vehicles and office equipment, acquired under financial leases with net book values amounting to approximately Baht 52 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 301 million (the Company Only : Baht 21 million and Baht 173 million, respectively).

15. OTHER ASSETS

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2005	2004	2005	2004
Premium receivable from direct insurance - net	377	252	-	-
Prepaid income tax	33	75	-	31
Other receivables	185	160	113	112
Accrued income	117	108	60	79
Deferred expenses	179	12	139	8
Receivable from sales of housing loans				
to Secondary Mortgage Corporation	17	24	12	18
Receivable from disposal of property foreclosed				
at public auctions	70	13	9	10
Deposits	71	52	12	10
Others	86	167	14	23
Total other assets	1,135	863	359	291

As at 30 June 2005, the “other assets” account in the consolidated financial statements includes deposits of a subsidiary company amounting to Baht 1 million in the form of Government Savings Certificate which has been placed as bonds for insured parties in legal cases. (31 December 2004 : Baht 6 Million)

During the years 1999 and 2000, the Company and a subsidiary company entered into agreements to sell housing loans with balances of approximately Baht 276 million and Baht 223 million (principal only), per the consolidated and the Company’s financial statements, respectively, to the Secondary Mortgage Corporation (“the Corporation”). The Corporation is to pay 80 percent of the loan value with the Corporation’s bonds. The remaining 20 percent is deferred under the Participating Obligations Agreement (“PO”). This deferred amount is the maximum amount for which the Company and its subsidiary are responsible if the Corporation suffers any loss as a result of the debts purchased. The obligations will decrease in proportion to the amount of payment made by the debtors to the Corporation. As at 30 June 2005, the outstanding balances of approximately Baht 17 million and Baht 12 million are recorded in the consolidated and the Company’s financial statements, respectively (31 December 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							
	30 June 2005				31 December 2004			
	Promissory				Promissory			
	Deposits	notes	Others	Total	Deposits	notes	Others	Total
From public	51,810	88,418	2,848	143,076	44,864	87,447	884	133,195
From financial institutions	97	868	23,394	24,359	237	1,295	15,840	17,372
From foreign countries	-	87	-	87	-	87	-	87
Total borrowings and deposits	51,907	89,373	26,242	167,522	45,101	88,829	16,724	150,654

(Unit : Million Baht)

	The Company Only					
	30 June 2005			31 December 2004		
	Promissory			Promissory		
	notes	Others	Total	notes	Others	Total
From public	88,894	670	89,564	90,293	670	90,963
From financial institutions	30,465	600	31,065	15,874	741	16,615
From foreign countries	87	-	87	87	-	87
Total borrowings and deposits	119,446	1,270	120,716	106,254	1,411	107,665

16.2 Classified by the remaining period of contract

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2005	2004	2005	2004
At call	9,915	10,000	31,088	17,303
Not over 1 year*	95,508	90,730	62,993	62,658
Over 1 year	62,099	49,924	26,635	27,704
Total borrowings and deposits	167,522	150,654	120,716	107,665

*Include expired contracts

16.3 Classified by borrowing currency and location

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2005	2004	2005	2004
Baht				
- Local	167,435	150,567	120,629	107,578
- Foreign	87	87	87	87
	167,522	150,654	120,716	107,665

17. LIABILITIES UNDER COMMERCIAL PAPER SOLD

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2005	2004	2005	2004
Liabilities under commercial paper sold				
- Short-term, due within 1 year	137	262	-	-
- Long-term, due within 2006	236	-	-	-
	373	262	-	-

18. DEBENTURES

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	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)	1,978	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	<u>7,556</u>	<u>7,556</u>	<u>5,473</u>	<u>5,473</u>

19. OTHER LIABILITIES

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2005	2004	2005	2004
Deferred gain on disposal of property foreclosed	346	355	12	16
Losses reserve and outstanding claims from insurance	320	239	-	-
Proceeds from contracted sales on property foreclosed	61	189	20	102
Amounts withheld on reinsurance treaties	63	64	-	-
Unearned income from hire purchase	195	71	171	71
Accrued personnel expenses	214	177	87	77
Suspense account receivable	740	507	299	254
Financial leases payables	264	1	290	26
Payables for property foreclosed	154	84	-	-
Others	609	599	140	135
Total	2,966	2,286	1,019	681

20. SHARE CAPITAL

As at 30 June 2005, 19,576 preference shares remain unconverted, whereby each preference share is convertible to 1 ordinary share. The conversion rights are unconditional and do not expire.

In addition, 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 shareholder and preference shareholders, a total of Baht 533 million.

21. REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2005	2004	2005	2004
Revaluation surplus on investments :-				
Available-for-sale investments				
Debt instruments	77	5	-	-
Equity instruments	147	411	44	148
Held-to-maturity debt securities	43	47	29	31
Surplus recognised for subsidiary and associated companies - under equity method	7	54	201	338
Total	274	517	274	517
Revaluation deficit on investments :-				
Available -for-sale investments				
Debt instruments	(13)	(17)	(4)	(6)
Equity instruments	(157)	(95)	(30)	(21)
Held-to-maturity debt securities	(756)	(887)	(205)	(296)
Deficit recognised for subsidiary and associated companies - under equity method	-	(89)	(687)	(765)
Total	(926)	(1,088)	(926)	(1,088)
Revaluation surplus (deficit) on investments	(652)	(571)	(652)	(571)

22. STATUTORY RESERVE

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

23. CAPITAL FUNDS

As at 30 June 2005 and 31 December 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	
	30 June 2005	31 December 2004
<u>Tier I</u>		
Issued and paid up share capital	13,331	13,331
Share premium	2,066	2,066
Statutory reserve	369	220
Retained earnings	4,458	2,555
Total	20,224	18,172
Less : Investments in ordinary shares of Thanachart Bank Plc.	(8,538)	(8,355)
	11,686	9,817
<u>Tier II</u>		
Subordinated debentures	376	406
Reserve for loans classified as normal	1,529	1,442
Net revaluation surplus on equity securities - available-for-sales		
Total	6	58
Less : Investments in subordinated debentures of Thanachart Bank Plc. (subsidiary company) which held by a former subsidiary company	1,911 (6)	1,906 (6)
	1,905	1,900
Total capital funds	13,591	11,717

The capital funds as stated above are calculated based on the Bank of Thailand's regulations.

The Company received approval from the Ministry of Finance to increase its share capital in order to swap ordinary shares with 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, but must deduct the value of the Company's investment in the Bank under the equity method from 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			
	30 June 2005		31 December 2004	
		Minimum		Minimum
	Capital ratio of the Company	requirement per BOT	Capital ratio of the Company	requirement per BOT
Total capital to risk assets (percent)	11.11	8.00	10.16	8.00
Total Tier I to risk assets (percent)	9.55	4.00	8.51	4.00

24. BAD DEBTS AND DOUBTFUL ACCOUNTS

Bad debts and doubtful accounts in the statements of earnings for the six-month periods ended 30 June 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 to financial institutions	4	-	-	-
Loans and receivable	(96)	670	330	637
Reversal on hair - cut loans	-	(39)	-	-
Amortisation of revaluation allowance for debt restructuring during the period	(54)	(35)	-	-
Total	(146)	596	330	637

25. LOSS FROM DEBT RESTRUCTURING

Loss from debt restructuring in the statements of earnings for the six-month periods ended 30 June 2005 and 2004 consist of the following :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Loss from hair-cut	104	72	-	-
Increase in revaluation allowance for debt restructuring	179	8	-	-
Total loss from debt restructuring	283	80	-	-

26. GAIN ON INVESTMENTS

Gain (loss) on investments for the six-month periods ended 30 June 2005 and 2004 consists of the following :-

(Unit : Million Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Increase in allowance for impairment on investments	-	(1)	-	(1)
Increase in allowance for impairment of TAMC's promissory notes	-	(34)	-	(34)
Reversal of provision for impairment of investments in receivables (allowance for impairment)	(34)	6	-	(1)
Gain on debt settlement/assets transferred from investments in receivables	54	21	-	-
Realised gain (loss) on sales of investments				
Trading securities	18	4	-	-
Available-for-sale securities	182	146	73	64
Held-to-maturity securities	(117)	122	(119)	38
Other securities	5	71	-	72
Total	108	335	(46)	138

During the six-month period ended 30 June 2005, the Company disposed of held-to-maturity debt securities with an amortised cost of Baht 3,410 million. This was mainly due to the Company's policy to restructuring its financial business operations. After the restructuring the Company will not be required to hold bonds for the purpose of maintaining its liquid asset ratios and the Company therefore decided to reduce its investments in debt securities (2004 : disposed of held-to-maturity debt securities with an amortised cost of Baht 3,995 million in the consolidated financial statements and Baht 1,747 million in the Company's financial statements).

27. GAIN ON PROPERTY FORECLOSED

Gain on property foreclosed for the six-month periods ended 30 June 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	142	151	74	80
Allowance for impairment	(14)	(94)	(18)	(41)
Total	128	57	56	39

28. NUMBER OF EMPLOYEES

	Consolidated		The Company Only	
	2005	2004	2005	2004
	Number of employees as at 30 June (persons)	4,605	3,369	904
Personnel expenses for the six-month periods ended 30 June (Million Baht)	921	687	286	249

29. 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.

30. CORPORATE INCOME TAX

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

31. PROVIDENT FUND

The Company, certain of its subsidiaries and their employees have jointly registered provident funds scheme under the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the companies at the rate of 5 percent of the employee's salary. The fund will be paid to the employees upon termination in accordance with the rules of the funds. During the six-month period ended 30 June 2005, Baht 22 million has been contributed to the funds by the Company and its subsidiaries (the Company Only : Baht 7 million).

32. RECONCILIATION OF DILUTED EARNINGS PER SHARE

Consolidated and the Company Only						
For the three-month periods ended 30 June						
Net earnings		Weighted average number of ordinary shares		Earnings per share		
2005	2004	2005	2004	2005	2004	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
Basic earnings per share						
Net earnings	781,359	800,692	1,333,134	1,333,134	0.59	0.60
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	781,359	800,692	1,333,154	1,333,154	0.59	0.60

Consolidated and the Company Only						
For the six-month periods ended 30 June						
Net earnings		Weighted average number of ordinary shares		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	1,468,459	1,390,380	1,333,134	1,333,134	1.10	1.04
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	1,468,459	1,390,380	1,333,154	1,333,154	1.10	1.04

33. RELATED PARTY TRANSACTIONS

During the three-month and six-month periods ended 30 June 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)								Pricing Policies (For the year 2005)
	For the three-month periods				For the six-month periods				
	Consolidated		The Company Only		Consolidated		The Company Only		
	2005	2004	2005	2004	2005	2004	2005	2004	
Subsidiary companies :-									
Sales of investments in debt securities (with loss on sales of Baht 77 million for the three-month and Baht 103 million for the six-month) (2004 : with gain on sales of Baht 5 million for the three-month and Baht 63 million (for the six-month)	-	-	1,333	2,105	-	-	3,006	7,732	At market price
Purchase of investments in debt securities	-	-	-	157	-	-	-	158	
Interest income from loans	-	-	141	136	-	-	275	265	At interest rates of 3 - 3.50 and 11.51 percent per annum
Rental and other service income	2	2	31	24	4	4	58	49	At the rate determined under the contract between related parties
Fees and other income	-	-	5	2	-	-	10	6	At the rate determined under the contract between related parties
Interest expenses	-	-	254	13	-	-	436	27	At interest rates of 1.00 - 2.50 and 3.75 percent per annum
Rental and other service expenses	8	2	41	25	11	5	76	48	At the rate determined under the contract between related parties
Insurance expenses	-	-	2	3	-	-	3	3	As insurance policy
Associated companies :-									
Other income	-	2	-	-	1	2	-	-	
Interest expenses	5	7	-	1	10	14	-	1	At interest rates of 0.50 – 3.75 and 11.51 percent per annum
Insurance expenses	-	1	-	-	-	1	-	1	As insurance policy
Other expenses	10	14	7	10	21	22	14	16	

(Unit : Million Baht)

	For the three-month periods				For the six-month periods				Pricing Policies (For the year 2005)
	Consolidated		The Company Only		Consolidated		The Company Only		
	2005	2004	2005	2004	2005	2004	2005	2004	
Related companies:-									
Dividend income	7	23	-	12	7	24	-	12	As declared
Interest income	21	14	4	5	40	53	9	18	At interest rates of 0.25 – 7.52 percent per annum
Other income	37	2	1	1	53	25	2	2	
Interest expenses	13	6	2	3	25	15	4	8	At interest rates of 0.50 – 4.62 and 9 percent per annum
Project management expenses	13	12	7	7	25	24	13	13	At the rate determined under the contract which based on the estimated time spent and charge-out rate
Other expenses	11	11	7	6	28	19	16	11	

The outstanding balances of the above transactions during the six-month periods ended 30 June 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	-	-	40	44
Loans and receivable	-	-	15,150	15,432
Borrowings and deposits	27	17	24,024	4,409
<u>Associated companies</u>				
Investments in debt securities	24	20	-	-
Loans and receivable	8	1	-	-
Borrowings and deposits	206	294	23	60
<u>Related companies</u>				
Deposits with financial institutions	371	349	97	84
Loans to financial institutions	72	35	20	20
Investments in debt and equity securities	1,126	1,192	259	824
Loans and receivable	2,223	2,648	279	300
Borrowings and deposits	1,484	2,489	483	2,218
Debentures	112	112	-	-

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

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
<u>Deposits with financial institutions</u>				
Subsidiary company :-				
Thanachart Bank Plc.	-	-	98	31
Related companies :-				
Siam Commercial Bank Plc.	530	558	119	123
Krung Thai Bank Plc.	-	38	-	15
Siam City Bank Plc.	4	-	-	-
	534	596	119	138
Total	534	596	217	169
<u>Loans to financial institutions</u>				
Related companies	76	34	20	20
<u>Investments in debt securities</u>				
Associated company :-				
MBK Plc.	30	17	-	-
Related companies :-				
Advance Info Service Plc.	138	33	-	-
The Aromatics (Thailand) Plc.	188	167	-	-
	326	200	-	-
Total	356	217	-	-
<u>Loans and receivable</u>				
Subsidiary companies :-				
N.F.S. Asset Management Co., Ltd.	-	-	11,700	13,824
Max Asset Management Co., Ltd.	-	-	846	1,075
National Leasing Co., Ltd.	-	-	828	634
	-	-	13,374	15,533

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2005	2004	2005	2004
Related companies :-				
Krisda Mahanakorn Plc.	685	685	-	-
Shin Broadband Internet (Thailand) Co., Ltd.	451	451	-	-
NEP Realty and Industry Plc.	238	250	238	250
Lan Bangna Co., Ltd.	212	221	-	-
Thai Orix Leasing Co., Ltd.	195	237	-	-
Fuel Pipeline Transportation Ltd.	165	166	-	-
Burapa Steel Industries Co., Ltd.	62	62	-	-
Thai International Rent A Car Co., Ltd.	60	90	60	90
Advance Info Service Plc.	52	122	23	88
Patum Rice Mill and Granary Plc.	-	100	-	100
Other related companies	20	20	-	-
	2,140	2,404	321	528
Total	2,140	2,404	13,695	16,061
<u>Accrued interest receivable from investments, loans</u>				
<u>and loans to financial institutions</u>				
Subsidiary companies	-	-	33	41
Related companies	24	28	1	1
Total	24	28	34	42
<u>Other assets</u>				
Subsidiary companies	-	3	5	2
Associated companies	9	6	4	-
Related companies	27	49	14	21
Total	36	58	23	23

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
<u>Borrowings and deposits</u>				
Subsidiary companies :-				
Thanachart Bank Plc.	-	-	29,500	14,634
N.F.S. Asset Management Co., Ltd.	-	-	-	1,865
Max Asset Management Co., Ltd.	-	-	317	474
Thanachart Group Leasing Co., Ltd.	-	-	-	373
N.F.S. Capital Co., Ltd.	-	-	108	106
Thanachart Life Assurance Co., Ltd.	-	-	50	60
Thanachart Securities Plc.	-	-	47	79
National Insurance Co., Ltd.	-	-	30	30
Other subsidiary companies	25	24	22	11
	<u>25</u>	<u>24</u>	<u>30,074</u>	<u>17,632</u>
Associated companies:-				
MBK Plc.	168	213	-	-
Other associated companies	-	81	-	-
	<u>168</u>	<u>294</u>	<u>-</u>	<u>-</u>
Related companies :-				
Thai Life Assurance Co., Ltd.	1,010	700	-	-
Royal Orchid Hotel (Thailand) Plc.	317	365	100	180
Seacon Development Co., Ltd.	135	130	135	130
Siam Commercial Bank Plc.	-	10	-	7
Other related companies	124	156	80	106
	<u>1,586</u>	<u>1,361</u>	<u>315</u>	<u>423</u>
Total	<u>1,779</u>	<u>1,679</u>	<u>30,389</u>	<u>18,055</u>
<u>Debentures</u>				
Related companies :-				
Thanachart Employee Saving and Credit Cooperatives Ltd.	102	102	-	-
Lan Bangna Co., Ltd.	10	10	-	-
Total	<u>112</u>	<u>112</u>	<u>-</u>	<u>-</u>

(Unit : Million Baht)

	Consolidated		The Company Only	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
<u>Accrued interest payable</u>				
Subsidiary companies	-	-	2	6
Associated companies	6	9	-	-
Related companies	7	11	1	2
Total	13	20	3	8
<u>Other liabilities</u>				
Subsidiary companies	-	-	44	36
Related companies	15	35	20	20
Total	15	35	64	56
<u>Guarantees of loans</u>				
Related companies	10	10	10	10

As at 30 June 2005, the Company and its subsidiary companies have investments amounting to approximately Baht 818 million (the Company Only : Baht 246 million) in companies to which they are related by means of members of their management being shareholders and/or directors of those companies.

As at 30 June 2005 and 31 December 2004, the Company and its subsidiary companies had the following related parties transactions with executive employees from department manager level up :-

	Consolidated		The Company Only	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
Loans and receivable	41	29	13	9
Deposits	488	429	272	201

34 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 30 June 2005 and 31 December 2004 and for the three-month and six-month periods ended 30 June 2005 and 2004 are summarized below :-

(Unit : Million Baht)

	For the three-month periods ended 30 June											
	Finance business		Bank business		Securities business		Other business		Eliminations		Total	
	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	1,357	890	353	253	40	20	54	8	(52)	4	1,752	1,175
Share of profits from												
investments accounted for												
under equity method	499	578	-	-	-	-	-	-	(463)	(543)	36	35
Non-interest income	403	596	118	26	204	236	513	212	(15)	12	1,223	1,082
Operating expenses	(862)	(715)	(363)	(170)	(180)	(158)	(551)	(208)	76	48	(1,880)	(1,203)
Corporate income tax	(311)	(253)	-	(3)	(13)	(23)	(19)	(4)	-	-	(343)	(283)
Minority interest in net earnings												
in subsidiary companies	-	-	-	-	-	-	-	-	(7)	(5)	(7)	(5)
Net earnings	1,086	1,096	108	106	51	75	(3)	8	(461)	(484)	781	801

(Unit : Million Baht)

	For the six-month periods ended 30 June											
	Finance business		Bank business		Securities business		Other business		Eliminations		Total	
	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	2,223	1,342	649	478	49	52	82	19	(52)	(33)	2,951	1,858
Share of profits from												
investments accounted for												
under equity method	915	979	-	-	-	-	-	-	(831)	(885)	84	94
Non-interest income	783	1,159	222	114	426	587	837	403	73	6	2,341	2,269
Operating expenses	(1,716)	(1,337)	(606)	(338)	(384)	(325)	(864)	(379)	139	97	(3,431)	(2,282)
Corporate income tax	(422)	(443)	-	(3)	(17)	(79)	(31)	(4)	-	-	(470)	(529)
Minority interest in net earnings												
in subsidiary companies	-	-	-	-	-	-	-	-	(7)	(20)	(7)	(20)
Net earnings	1,783	1,700	265	251	74	235	24	39	(678)	(835)	1,468	1,390

(Unit : Million Baht)

	As at											
	Finance business		Bank business		Securities business		Other business		Eliminations		Total	
	30	31	30	31	30	31	30	31	30	31	30	31
	June	December	June	December	June	December	June	December	June	December	June	December
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Investments - Net	27,401	31,909	16,285	19,173	1,169	1,174	4,601	1,496	(14,398)	(13,478)	35,058	40,274
Loans, receivable and accrued interest receivable - Net (including loans to financial institutions)	115,812	111,266	62,507	44,367	1,581	1,631	1,517	1,109	(44,413)	(35,930)	137,004	122,443
Land, premises and equipment - Net	623	421	151	118	134	123	56	28	-	-	964	690
Other assets	21,841	12,077	11,067	9,286	421	249	1,161	664	(241)	(639)	34,249	21,637
Total assets	165,677	155,673	90,010	72,944	3,305	3,177	7,335	3,297	(59,052)	(50,047)	207,275	185,044

35. COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2005 and 31 December 2004, commitments and contingent liabilities which are significant consisted of :-

35.1

(Unit : Million Baht)

	Consolidated					
	30 June 2005			31 December 2004		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	341	-	341	512	-	512
Guarantees of loans	273	-	273	186	-	186
Other guarantees	705	2	707	659	-	659
Obligations under interest rate swap agreements on principal balance	21,707	-	21,707	13,192	-	13,192
Letters of credit	-	539	539	-	-	-
Other commitments						
Obligations under forward exchange contracts						
Bought contracts	-	485	485	-	-	-
Sold contracts	-	493	493	-	-	-
Obligations amounting to USD 32 million under sales of cross currency and interest rate swap contracts (as described in Note 38.4 to the financial statements) (31 December 2004 : USD 32 million)	-	1,330	1,330	-	1,356	1,356
Committed (but not drawn) overdraft	347	-	347	281	-	281
Total contingencies and commitments	23,373	2,849	26,222	14,830	1,356	16,186

(Unit : Million Baht)

	The Company Only					
	30 June 2005			31 December 2004		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Guarantees of loans	10	-	10	10	-	10
Other guarantees	1	-	1	1	-	1
Obligation under interest rate swap agreements on principal balance	10,862	-	10,862	6,862	-	6,862
Total contingencies and commitments	10,873	-	10,873	6,873	-	6,873

35.2 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 30 June 2005, the Company and its subsidiary companies have estimated their share of the losses which may arise from the management of non-performing assets in cases where the debtors have already negotiated the restructuring of certain of their debts with TAMC, at approximately Baht 318 million. This is presented as a part of the allowance for impairment of investment in promissory notes (31 December 2004 : of Baht 318 million).

- 35.3** 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 17 million (the Company Only : Baht 12 million).
- 35.4** 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.
- 35.5** As at 30 June 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
2005	153	84	13
2006	213	100	6
2007 onward	331	224	-

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. LITIGATION

As at 30 June 2005, the Company and its subsidiary companies have contingent liabilities amounting to approximately Baht 860 million as a result of litigation (the Company Only : Baht 345 million). However, the Company and the subsidiary companies' management expect that no losses will result and therefore no liabilities are currently recorded.

37. BANK GUARANTEE

As at 30 June 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.

38. FINANCIAL INSTRUMENTS

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

As at 30 June 2005, the Company has no policy to speculate or trade in any off-balance sheet derivative financial instruments.

38.1 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.

38.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may affect the position of the Company and its subsidiary companies, and consequently cause them to incur a financial loss. As such, market risk consists of interest rate risk, foreign exchange risk and equity position risk.

a) Interest rate risk

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

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

(Unit : Million Baht)

	Consolidated				The Company Only			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets								
Cash and deposits at financial institutions	415	136	2,018	2,569	-	-	978	978
Loans to financial institutions	-	789	101	890	-	-	20	20
Securities purchased under resale agreements	-	21,900	-	21,900	-	13,000	-	13,000
Investments	2,232	24,852	8,587	35,671	552	5,091	15,995	21,638
Trading transactions with securities companies - receivable	-	-	170	170	-	-	-	-
Loans and receivable (include intercompany gain on loan transferred)	22,423	120,032	1,947	144,402	13,029	99,182	1,401	113,612
Financial liabilities								
Borrowings and deposits	9,477	157,970	75	167,522	31,220	89,496	-	120,716
Securities sold under repurchase agreements	-	200	-	200	-	-	-	-
Trading transactions with securities companies - payable	-	-	100	100	-	-	-	-
Securities business payable	-	-	488	488	-	-	-	-
Liabilities under commercial papers sold	-	373	-	373	-	-	-	-
Debentures	-	7,556	-	7,556	-	5,473	-	5,473
Liabilities payable on demand	-	-	542	542	-	-	-	-

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 months	3-12 months	1 - 5 years	Over 5 years		
Financial assets							
Cash and deposits at financial institutions	-	10	126	-	-	136	1.31 – 1.50
Loans to financial institutions	248	475	46	20	-	789	2.04 – 2.49
Securities purchased under							
resale agreements	-	21,900	-	-	-	21,900	2.50 – 2.53
Investments	-	7,152	1,733	6,118	9,849	24,852	1.75 – 3.28
Loans and receivable (include intercompany gain on loan transferred)							
	1,111	4,445	11,291	98,628	4,557	120,032	4.84 – 7.80
Financial liabilities							
Borrowings and deposits	495	48,555	69,462	39,458	-	157,970	2.46 – 2.49
Securities sold under repurchase agreements							
	-	200	-	-	-	200	2.87
Liabilities under commercial papers sold							
	-	-	137	236	-	373	3.25
Debentures	-	5,000	1,000	1,355	201	7,556	4.03

(Unit : Million Baht)

Transactions	The Company Only						Weighted average interest rates Percentage
	Repricing or maturity date					Total	
	At call	0-3 months	3-12 months	1 - 5 years	Over 5 years		
Financial assets							
Securities purchased under							
resale agreements	-	13,000	-	-	-	13,000	2.53
Investments	-	561	933	902	2,695	5,091	2.97
Loans and receivable	489	1,256	3,190	91,871	2,376	99,182	7.80
Financial liabilities							
Borrowings and deposits	-	29,269	42,958	17,269	-	89,496	2.46
Debentures	-	5,000	-	326	147	5,473	2.54

In addition, the Company and its subsidiary companies have interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Company and its subsidiary companies for the six-month period ended 30 June 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	567	1	0.41	-	-	-
Securities purchased under resale agreements	16,318	185	2.26	6,337	77	2.43
Investments	37,575	536	2.85	8,563	141	3.29
Loans and receivable (include loans to financial institutions)	127,665	4,306	6.75	110,138	3,577	6.50
<u>Interest bearing financial liabilities</u>						
Borrowings and deposits	160,090	1,779	2.22	114,591	1,450	2.53
Securities sold under repurchase agreements	200	1	2.87	-	-	-
Securities business payable - customer account	130	3	4.01	-	-	-
Liabilities under commercial papers sold	379	6	3.16	-	-	-
Debentures	7,556	151	4.00	5,473	69	2.52

b) Foreign exchange risk

As at 30 June 2005, the Company and its subsidiary companies have no significant balances of financial assets and financial liabilities in foreign currencies except for investments of approximately Baht 369 million (USD 8.8 million) in foreign debentures of a local bank, an investment of Baht 839 million (USD 20 million) in foreign government bond and interest receivable of approximately Baht 11 million (USD 0.3 million). The subsidiary company has entered into forward exchange contracts to hedge the foreign currency exchange risk associated with these investments in foreign securities and the related interest, as detailed below :-

- For the investment of USD 8.8 million in subordinated debentures, a subsidiary company has entered into a cross currency and interest rate swap agreement applying exchange rates of Baht 41.60 – 42.30 /US dollar and swapping an interest rate of 8.75 percent per annum for rates of 8.35 – 8.65 percent per annum, whereby the subsidiary company will receive future interest income amounting to USD 1.5 million.
- For the investment of USD 20 million in foreign government bonds, the subsidiary company has entered into a cross currency and interest rate swap agreement to swap principal at a forward exchange rate of Baht 41.94 /US dollar, and swap the related interest rate of LIBOR plus 0.2975 percent per annum for a rate of 2.35 percent per annum, whereby the subsidiary company will receive future interest income amounting to USD 1.4 million.

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.

38.3 Liquidity risk

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

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

Counting from the balance sheet date, the periods to maturity of financial instruments held as at 30 June 2005 are as follows :-

(Unit : Million Baht)

Transactions	Consolidated					The Company Only				
	At call	Less than 1 year	Over 1 year	Unspecified	Total	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets										
Cash and deposits at financial institutions	2,433	136	-	-	2,569	978	-	-	-	978
Securities purchased under resale agreements	-	21,900	-	-	21,900	-	13,000	-	-	13,000
Investments	2,232	4,694	20,234	8,511	35,671	552	933	4,158	15,995	21,638
Trading transactions with securities companies - receivable	-	-	-	170	170	-	-	-	-	-
Loans to financial institutions and loans and receivable, including intercompany gain on loan transferred ⁽¹⁾	14,356	8,918	122,018	-	145,292	2,197	16,010	95,425	-	113,632
Financial liabilities										
Borrowings and deposits	10,047	95,376	62,099	-	167,522	31,220	62,861	26,635	-	120,716
Securities sold under repurchase agreements	-	200	-	-	200	-	-	-	-	-
Trading transactions with securities companies - payable	-	100	-	-	100	-	-	-	-	-
Securities business payable	-	488	-	-	488	-	-	-	-	-
Liabilities under commercial papers sold	-	137	236	-	373	-	-	-	-	-
Debentures	-	-	7,556	-	7,556	-	-	5,473	-	5,473
Liabilities payable on demand	542	-	-	-	542	-	-	-	-	-
Off-balance sheet items :-										
Avals to bills and guarantee of loans	10	604	-	-	614	10	-	-	-	10
Other guarantees	24	490	16	177	707	1	-	-	-	1
Other commitments	-	1,611	23,290	-	24,901	-	869	9,993	-	10,862

⁽¹⁾ *The outstanding balance of call loans and receivable include loans and receivable on which interest recognition has been ceased.*

38.4 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 depend 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 30 June 2005, there are no material differences between the book values of financial instruments and their fair values, except that the fair value of investments in held-to-maturity debt securities is Baht 150 million higher 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.

38.5 Financial derivatives

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

The Company and its subsidiary company have policies to hedge the risk limits by which they require risk reporting and control procedures for the various types of risk, as a control over financial derivative activities. The Company and its subsidiary company manage the credit risk associated with financial derivatives on the basis of the credit limits granted to customers in general. The same credit approval process that is used when granting loans to a customer is adopted for financial derivative customers, so that the Company and its subsidiary company are able to maintain risk at acceptable levels.

As at 30 June 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	136	349	485	-	-	-
- Sold	144	349	493	-	-	-
Cross currency swap contracts						
- Sold	51	1,279	1,330	-	-	-
Interest rate swap contracts	869	20,838	21,707	869	9,993	10,862

39. 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.

40. APPROVAL OF FINANCIAL STATEMENTS

These interim financial statements were approved for disclosure by the Company's board of directors on 25 August 2005.